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**An Analysis of Guatemala's Economic
Security Under The Central America-
Dominican Republic- United States
Free Trade Agreement (DR-CAFTA)**
瓜地馬拉在中美洲自由貿易協定
中的經濟安全分析

ANA LUCÍA BARRIENTOS CASTILLO (貝妍娜)

Advisor: 柯惠敏

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Abstract

The Central American countries have a key geopolitical location; they are located in the same continent as the world's largest importer. Having a privileged geographic position, has come with it challenges and benefits. This thesis intends to analyze the impact of the Dominican Republic –Central America Free Trade Agreement with the United States. Contemplating Guatemala's particular political motivations and economic incentives to sign this regional Free Trade Agreement. This paper also intends to compare Guatemala's exports performance to the United States with the rest of the Central America, to analyze the exports performance, in order to determine patters and visualize the export diversification process. This will be done to evaluate this regional Free Trade Agreement performance ten years after its signature. Followed by an analysis on the DR-CAFTA as a mechanism that promotes Guatemala's economic security by guaranteeing the best access possible to the United States market

Key words: DR-CAFTA, Guatemala, Central America, and Economic Security.



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List of Acronyms

BZ	Belize
C-5	Central America: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua
CR	Costa Rica
DR-CAFTA	Dominican Republic—Central America Free Trade Agreement
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GT	Guatemala
HN	Honduras
NAFTA	North American Free Trade Agreement
NORTH TRIANGLE	Guatemala, El Salvador, and Honduras
NI	Nicaragua
PA	Panama
RFTA	Regional Free Trade Agreement
SIECA	Secretaría de Integración Económica de Centro América (Secretary of Economic Integration for Central America)
SV	El Salvador
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
WB	World Bank
WTO	World Trade Organization

Chapter I: Introduction

1.1 Background and Motivation

When we ask ourselves why trade matters? It is important to recognize that “[i]nternational trade amounts to a sixth of the total economic activity in the world. About \$19 trillion of goods and services cross international borders each year.” (Goldstein & Pevehouse, 2014) Such an amount constitutes about 12 times the world’s military spending. (Goldstein & Pevehouse, 2014) Although the role of trade in the economy varies from one country to another, the great volume of international trade reflects the fact that this activity is profitable.

In order to understand if trade is profitable for a specific country, it is important to establish the mechanisms the country is utilizing to trade with its partners. Ever since the creation of the General Agreement on Tariffs and Trade in 1948 until the establishment of its successor the World Trade Organization in 1994, more and more governments believe that by lowering their “[...] trade barriers on a non-discriminatory basis (either through unilateral action or through negotiations at the global level that adhere to the WTO’s principle of non-discrimination)” (Ravenhill, 2014) an economy’s welfare can be maximized. A state can lower its trade barriers in the following for ways: unilateral, bilateral, minilateral and global. (Ravenhill, 2014)

“Regionalism, as conventionally understood, is a minilateral relationship, that is, one that involves more than two countries, on a geographically concentrated basis [...] however, two other forms of minilateral groupings have emerged among members that are geographically dispersed.” (Ravenhill, 2014) The first one is trans-regional groupings, whose main goal is to link countries located in

different parts of the world. The second one is inter-regional grouping, and its goal is to link two established minilateral economic arrangements (geographically concentrated). (Ravenhill, 2014)

In order to comprehend why countries decide to join bilateral, minilateral or global trade agreements it is prominent to accept that trade is not only limited to economic matters, it is highly political. "It crosses state-defined borders, is regulated by states that are pressured by interest groups, and occurs within trade regimes maintained by and negotiated among states." (Goldstein & Pevehouse, 2014) The United States is the largest importer country in the whole world; in 2013 the amount imported was around \$2.3 trillion. (International Trade Centre, 2014) Its purchasing power is one of the main characteristics, that makes the United States an attractive market. Almost every country in the world wants to do business with them. Central America is no exception.

This thesis will analyze the Dominican Republic-Central American Free Trade Agreement with the United States. This is a minilateral mechanism to decrease trade barriers among these seven countries. The main focus of the research will reside in the main political and economic motivations that encouraged the Guatemalan government to sign this Free Trade Agreement, DR-CAFTA, on August 5, 2004.

Guatemala is Central America's economic hub due to competitive advantages such as the geographical location, rich natural resources, quality of the workforce and high logistical performance. (Guatemala's Ministry of Economy, 2014) On the first aspect, geographical location; Guatemala is a logistics and a regional services center given its proximity to the United States and access to

both the Pacific and Atlantic Oceans. (Guatemala's Ministry of Economy, 2014)

Guatemala's port system accounts for 33% of total maritime cargo from Central America, its infrastructure is used as a bridge for exports and imports from El Salvador, Honduras, Nicaragua, Belize, and México. (Guatemala's Ministry of Economy, 2014)

Guatemala's richness in natural resources allows the country to export more than 4,075 different products to more than 140 markets worldwide, the main industries being manufacturing and agriculture. Guatemala's flagship products in terms of export are clothing and textiles, sugar and coffee; achieving world known recognitions for its quality and efficiency. (Guatemala's Ministry of Economy, 2014) Its economic and population (market) size gives Guatemala an advantage over the other Central American countries, in terms of being the most competitive in the region.

Nevertheless, its size is still significantly small compared to markets as the United States and the European Union. This is why major Free Trade Agreements, are following the pattern of regional FTA's where Central America acts as a single actor. This has become a double edge sword for the developing countries, in a positive side it is promoting the region's access and visibility between the major league players; but on a negative aspect, it intensifies the competition to excel and differentiate among them. This is why it will be extremely important to analyze Guatemala's economic and political motivations to join the DR-CAFTA and, especially, what is the country doing to excel from its main competitors (other Central American countries) to guarantee the best access possible to the United States market.

1.2 Research Question

The main research question of this thesis will be: How is the DR-CAFTA a mechanism that promotes Guatemala's economic security? In order to answer this question, it is very important to define the term economic security and how it will be used throughout this research. The definition comes from the book *The Foreign Economic Policies of Singapore, South Korea and Taiwan* by Christopher M. Dent.

Even though the book focuses on a completely different region, the author came up with eight typologies of economic security that help analyze a country's foreign economic policy. The definition that best fits this research purpose is the one provided for market access security. Dent defined "Market economic security: concerns securing the best access possible to key foreign markets. This is particularly crucial for export-orientated economies with small domestic markets [...]." (Dent, 2002)

This thesis research statement is that the DR-CAFTA is a mechanism that promotes Guatemala's economic security by guaranteeing the best access possible to the United States market. "This is an important issue, not only because the U.S. is these nations' major trading partner, but also because the treaty holds the potential of increasing trade and investment in the region, which in turn is key to lifting economic growth and improving the welfare of the people of Central America and the DR, including those living in poverty." (Central America Department and Office of the Chief Economist Latin America and the Caribbean Region, 2005)

In order to answer this research question and address the research statement, it will be highly important for this thesis to address the following questions as indicators and research guidelines:

1. What is the political and economic relationship between Central America and the United States?
2. What is Central America's export pattern? (How do these economies complement and compete with each other at the same time?)
3. What are Guatemala's specific economic incentives and political motivations in pursuing the DR-CAFTA?
4. How does Guatemala differentiate from its neighboring countries? Are these characteristics giving a significant competitive advantage?

1.3 Methodology

By answering these questions, this thesis will create a general background in the relations between Central America and the United States. Highlighting the political and economic motivations of the region, but taking into consideration the role the United States has been playing in this countries' foreign policy. This is highly important as a preamble for this thesis main argument because it will show the limitations Central America faced when dealing with their biggest trading partner. This explanation will also help develop Guatemala's specific role and motivations in the Central America–United States relationship.

Understanding Guatemala's political and economic interests in the DR-CAFTA are crucial steps to investigate the country's export performance. This thesis

intends to focus on the two sectors that have greater potential, manufacture, and agriculture. This will also help assess if Guatemala is differentiating from its neighboring countries, and if the answer is positive it means this thesis will be able to support the research statement. Affirming that the DR-CAFTA is a mechanism that promotes Guatemala's economic security by guaranteeing the best access possible to the United States market.

For this thesis, when it refers to Central America it will be focusing mainly in the C-5, El Salvador, Costa Rica, Guatemala, Honduras, and Nicaragua. The first element of the case selection criteria is the resemblance to current policy problem. The Dominican Republic is excluded from this process because it does not belong to the Central American Common Market. Some of the other significant differences that only the C-5 countries share are location and similar colonization history; which after the colonial era lead to the institution of similar economic and political governing institutions.

The second element of this case selection criteria is data richness, the C-5 are founding members of the Secretary of Economic Integration for Central America, SIECA, which is the main authority and source of economic documents and policies concerning the interests of the region. These two values are highly recommended for testing or inferring theories, as well as antecedent conditions. (Van Evera, 1997) After analyzing and presenting the information, this thesis intends to generate conclusions and interesting findings of what's going on under this regional Free Trade Agreement.

1.4 Purpose of the Study

Before entering into detail about the studies and publications analyzed in this thesis' Literature Review, it is important to highlight Central America's Gross Graduation Ratio in tertiary education (percentage for both sexes) and how it influences the motivation to perform this academic research. With Costa Rica being the only exception, the rest of the Central American countries didn't even reach a 10% Gross Graduation Ratio from first-degree programs in tertiary education in the years 2002 and 2003. The C-5 Gross Graduation in tertiary education for the year 2002 occurred as follows: Costa Rica 30.2%, El Salvador 6.33%, Guatemala 1.76%, Honduras 3.17% (year 2003) and Nicaragua 3.09%. (UNESCO Institute for Statistics, 2015)

These numbers not only represent an alarming tertiary educational deficit in the Central American region, but they can provide the reader of this thesis a better understanding as to why there are only a few studies analyzed in this Literature Review. With the exception of the United States, Central America has failed to provide economic or political analysis on this regional free trade agreement. The majority of the studies analyzed in this section come from the United States or International Organizations, like the World Bank and United Nations, whose main donor is also the United States of America.

This data collected from UNESCO's Institute for Statistics, is highly relevant because it portrays the region's educational crisis, emphasizing why it is so important to continue with this academic research to provide an analysis coming from the other side of the spectrum. How is the DR-CAFTA a mechanism that promotes Guatemala's economic security?

The intention of this thesis is to analyze the current state of the DR-CAFTA. In the year 2014 it has been ten years since its signature, therefore the impact on these developing economies should be evident. Out of the findings of this research, it is intended to generate foreign economic policies addressing Guatemala's needs, either to maintain or increase its economic security.

1.5 Research Limitations

This thesis main limitation is that there is no universal method to analyze the performance of a Free Trade Agreement. Over the years, Regional Free Trade Agreements have evolved, not only included economical matters but also incorporating regulations concerning the environment, labor, and even cooperation. Therefore, creating a universal method in order to analyze all Free Trade Agreements has resulted in a challenge. Trade analysts have resorted to different methods in order to analyze the effect of a Regional Free Trade Agreement on a determined region, period of time, and even the subject being evaluated.

Chapter II: Literature Review

2.1 Evidence on the Current State of Literature

The literature available for trade and regional trade agreements is overwhelming; it ranges from simple concepts to complex models that can predict gains and losses for a determined region. For this thesis, the Literature Review won't cover the main theories and models of trade. It will focus directly on studies about the DR-CAFTA, due to space and time constraints.

In order to classify the existing literature about the DR-CAFTA, they were divided in three main groups. The first group includes academic papers and reports whose main focus is the political motivation for entering this regional Free Trade Agreement, the second group focuses mainly on studies analyzing the economic incentives for signing the DR-CAFTA, and the third group includes studies that try to contemplate both the political and economic side of this regional Free Trade Agreement. This thesis belongs to the third group in this section because it analyzes political motivations as well as economic incentives for Guatemala. By dividing the literature in these three main groups, it is easier to identify the trends and arguments that scholars and some international organizations have about this regional Free Trade Agreement.

The limited literature analyzing the DR-CAFTA can be divided pretty much evenly into the first two groups, however there are only two publications by the World Bank one in the year 2006 and the second one in 2011, that contemplate both aspects, making this thesis value more attractive. In order to provide a better understanding of each type of motivation, the arguments provided by John Ravenhill in the chapter "Regional Trade Agreements" in the book Global

Political Economy will be used for classification reference. Ravenhill presented seven typologies for entering a regional free trade agreement under political motivations, which are listed below:

1. Economic cooperation and confidence building
2. Regionalism as a Reward for Security Partners
3. Regional economic cooperation and the 'new security agenda'
4. Regionalism as a bargaining tool
5. Regionalism as a mechanism for locking-in reforms
6. Regionalism to satisfy domestic political constituencies
7. Ease of negotiating and implementing agreements

Some of the literature analyzing the DR-CAFTA's motivations as a political one, include James M. DeVault argument that "[t]he CAFTA vote is significant in that the context in which it occurred was on in which campaign contributions were more likely to influence votes." (DeVault, 2010) DeVault's argument clearly fits typology number 6. Ravenhill explained it like this:

"In contrast to a unilateral lowering of tariffs, which is usually politically difficult for governments because domestic groups believe that the government is giving something away (tariff protection) and not receiving anything in return from other countries, a regional trade agreement provides a means for a government to ensure that it receives concessions (reciprocity) from its partners in return for those that it has offered." (Ravenhill, 2014)

By evidencing the important role of interest groups and their motivations in signing the DR-CAFTA, DeVault provided an argument that helps to clearly comprehend the political motivations behind the signature of this regional Free Trade Agreement. On a similar way, Cori Madrid analyzed the motives for signing this regional trade agreement. In the paper, the author explained the motives of

why the United States was willing to sign and the particular motivation from El Salvador in the whole process. (Madrid, 2009) As a significant conclusion, we can link this article with Ravenhill's argument that regionalism can be appreciated as a reward for a large power's security partners. (Ravenhill, 2014) Not to mention, the significant participation and linkage with typology number six, contemplating the role of interest groups.

Just like the previous authors, Mary Finley-Brook and Tucker Thomas presented arguments related to the political motivations behind the DR-CAFTA. Both of their arguments could fit Ravenhill's argument that regional trade agreements sometimes are signed for economic cooperation and to pursue a "new security agenda." Finley-Brook's argument stated that "[t]he Central American Free Trade Agreement (CAFTA) exemplifies interconnections and contradictions between geopolitical and geoeconomic agendas, including security, democracy, and resource marketing." (Finley-Brook, 2012) As for Thomas, he analyzed the role of the United States and the International Monetary Fund in reducing poverty in Central America, focusing on the possible consequences of not attending this 'possible threat.' (Thomas, 2006)

In order to classify the literature utilizing an economical motivational argument, I've also resorted to John Ravenhill's classification, listing below the typologies within this category:

1. Economic reasons for choosing regionalism over multilateralism
 - a. Regionalism enables continued protection of sectors that would not survive in global competition
 - b. Regionalism provides opportunities for 'deeper integration'

2. Economic reasons for preferring regionalism to unilateralism or the status quo

a. Larger markets and increased foreign investment

The article presented by Stanley and Bunnag portrayed the different export trend diversification that some Central American countries applied during the 90s. (Stanley & Bunnag, 2001) This argument is very important in analyzing, how these Central American countries were preparing their economy before the signature of the regional Free Trade Agreement with their largest economic partner. This argument can be clearly related with Ravenhill's first typology of economic motivations. Specifically with the fact that regionalism provides opportunities for a more concise and harmonized integration.

On the other hand, Don P. Clark examined the changes in intra-industry specialization indicators from 1992-2006 to assess any adjustment problems with the implementation of the DR-CAFTA. His argument, however, fits more with the first premise of the first typology, in the sense that regionalism enables continued protection of sectors that would not survive in the global competition. (Ravenhill, 2014) He stated that "[w]hen adjustment problems are indicated, extended phase-out periods for tariffs, tariff-rate quotas, and import safeguards are used to ease factor adjustment pressures in import-sensitive industries." (Clark, 2009)

It is important to keep in mind, that even though these authors are analyzing the DR-CAFTA from its economical motivations, some present favorable and other's not so favorable outcomes. In this sense, J. Edward Taylor, Antonio Yúnez Naude and Nancy Jesurun-Clements "[...explored] the rural welfare effects of

agricultural trade liberalization called for under the Central American Free Trade Agreement (CAFTA), using a disaggregated rural economy-wide model nesting a series of agricultural household models.” (Taylor, Yúnez Naude, & Jesurum-Clements, 2010) For this study, the authors concluded by removing tariffs on agricultural imports could create more challenges in less developed countries, in some even leading to migration. This study didn’t present a favorable future for the Central American countries, despite their slight development differences.

On the other hand, the authors Alisa Dicaprio and Santos-Paulino presented an innovative argument after studying the economic motivations of regional Free Trade Agreements. They investigated “[...] the components of two prominent highly asymmetric negotiations – the Dominican Republic – Central America Free Trade Agreement and the European Union – Caribbean Forum Economic Partnership Agreement – to assess the channels through which the resulting organization of trade may impact the vulnerability profile of the developing country partners.” (Dicaprio & Santos-Paulino, 2011)

This article stated that “[...] as the economic distance between negotiating partners increases, the likelihood that the resulting trade agreement will reflect the preferences and needs of the developing country partner decline.” (Dicaprio & Santos-Paulino, 2011) However, this thesis intends to not only contemplate the challenges in the DR-CAFTA but to understand how this regional FTA is a mechanism that promotes Guatemala’s economic security?

A single book published in the year 2006 by the World Bank makes up the third literature group that contemplates both, economic and political, aspects of the DR-CAFTA. This extensive study “Challenges of CAFTA: Maximizing the

Benefits for Central America” provides the reader with a background in Central America’s trade policies since 1990, analyzing the market implications for each of the countries signing the agreement.

However, it is very important to highlight that when this book was published everything were assumptions on how this regional FTA would impact Central America because not every country had ratified it by then. (SIECA, 2008) El Salvador was the first country to ratify it on December 17th, 2004; followed by the Honduras March 3rd 2005; Guatemala March 10th, 2005; the United States June 30th 2005; Nicaragua on October 10th 2005 and Costa Rica on October 7th 2007. The former was the only country to submit its ratification through a referendum. (SICE, 2015) This book innovative approach consists in providing policies to manage the economic transition, which are highly political. This thesis will intend to generate some foreign economic policies as the result of this research.

As for the second book that fits this third category in the literature review, is also a publication by the World Bank. The book “Getting the Most Out of Free Trade Agreements in Central America” portrays an analysis of some of the impact the DR-CAFTA has had on the region on matter of trade openness, labor, and environment. This book is made up of different publications compiled together, some of them touch upon Ravenhill’s political motivations to pursue an FTA like economic cooperation and confidence building, regionalism as a mechanism for locking-in reforms and ease of negotiating and implementing agreements. (Ravenhill, 2014) These political motivations are very visible in the book’s Chapter 5 “Power Integration in Central America: From Hope to Mirage”

were the high energy prices have pushed the Central American governments to pursue, through political means, a deeper cooperation and policy reforms on the matter. By doing so, they have strengthened their intraregional trade; as well as continue to generate coordinated commercial policies. (López & Shankar, 2011)

The previous classification of the literature into these three main groups, political motivations, economic incentives and both, will be very useful in analyzing and determining the main reasons behind the signature of the DR-CAFTA. The value in these elements lies beyond the literature review. It not only helps in the understanding of Central American regional economic policies, but also provides a window for individual assessment of the countries' involvement in the process in order to generate a better scope, on both the political motivations and economic incentives behind the DR-CAFTA.

This is highly important to the thesis's main research question: How is the DR-CAFTA a mechanism that promotes Guatemala's economic security? Because to fully comprehend a country's foreign policy, it is essential to understand that political motivations are usually encouraged by economic incentives and vice versa. And by analyzing Central America's motivations, in particular, the case of Guatemala, providing a wide scope of the motivations behind the signature of the DR-CAFTA. This will support the research statement: that the DR-CAFTA is a mechanism that promotes Guatemala's economic security by guaranteeing the best access possible to the United States market in two different but complementary perspectives; the political motivations and the economic incentives.

2.2 Evidence on the topic

As the literature review has come to show, there are no articles directly on the United States and Guatemala's economic security. The literature that covers specifically Guatemala and the United States relation under the DR-CAFTA focuses on labor provision matters that surged after the implementation of this regional Free Trade Agreement. For time and space matters, this literature is not analyzed on this thesis.

On a second aspect, most of the literature analyzing the DR-CAFTA was written between the years 2002-2006, leaving a huge gap afterwards. No in depth analysis has been made after that for the particular case of Guatemala, most of the studies analyze the impact in the whole region.

2.3 Contribution to the DR-CAFTA Literature

As the current literature on the DR-CAFTA has been reviewed, this thesis has not only come to the conclusion that it is not abundant, but also that most of the publications and studies come from institutes and journals in the United States. Studies on this regional Free Trade Agreement are lacking in Central America, a big factor contributing to this matter in the low gross graduation ratio in tertiary education for the region. (UNESCO Institute for Statistics, 2015) There are a couple of publications were done with the cooperation of the World Bank, and this institution principal donor is the United States. This aspect could lead to bias in the information presented.

This thesis will contribute highly to the existing literature on the DR-CAFTA in three aspects. First of all, it will be written from the perspective of a developing country, analyzing the direct impact of the DR-CAFTA as a

mechanism that promotes Guatemala's economic security by guaranteeing the best access possible to the United States market. Second, it will be recent. Most of the literature on the topic ranges from the year 2002 and 2006; contemplating initial negotiations, preparation from the parties and possible predictions after its implementation. Few articles have been written ever since. The third element is innovation. This research intends to analyze Guatemala's exports structure to determine how it competes and complements with the rest of the Central American countries and how this is a unique element that guarantees better access to the United States market.



Chapter III: Central America and Guatemala's Background

3.1 Political Background

The Central American region has undergone major political changes in the last thirty years. By the late 1980s, four out of the C-5 were still involved in armed conflicts that took the life of hundreds of thousands of citizens, deepening the social and economic differences in Central America. Costa Rica was the exception. Just in the case of Guatemala, the armed conflict led to the death of 200,000; more than 45,000 people disappeared, and almost 100,000 were displaced from their lands and country. (Así Es, 2004) “[...]t was not until the Esquipulas Agreement (1987) that a framework for peaceful resolution of the conflicts emerged.” (López & Shankar, 2011) This Agreement served as a pillar for the Peace Accords that were signed in December 29th, 1996 in Guatemala. (Así Es, 2004)

However, the Peace Accords signed in 1996 couldn't end the crippling (The Economist, 2011) polarization of right and left that the countries experienced in the previous decades during the civil war. Proof of this was the coup d'état that the Honduras President Manuel Zelaya suffered in the year 2009 due to his close friendship with the Venezuelan President Hugo Chávez. Unfortunately, this was not the only challenge that the Central American governments needed to face. “But its underlying problems—which include poverty, torpid economies, weak states, youth gangs, corruption and natural disasters—never went away.” (The Economist, 2011)

One of the reasons the violence in Central America has deteriorated in the past couple of decades comes as a result of the United States Coast Guard

shutting down the Caribbean Cocaine Route, shifting the trade to Mexico. (The Economist, 2011) Just as Mexico's government has been putting pressure on the organized crime, trying to decrease the drug smuggling through its territory, the violence has migrated south, to Central America. (The Economist, 2011)

Figure 3.1 Map of Central America's Northern Triangle

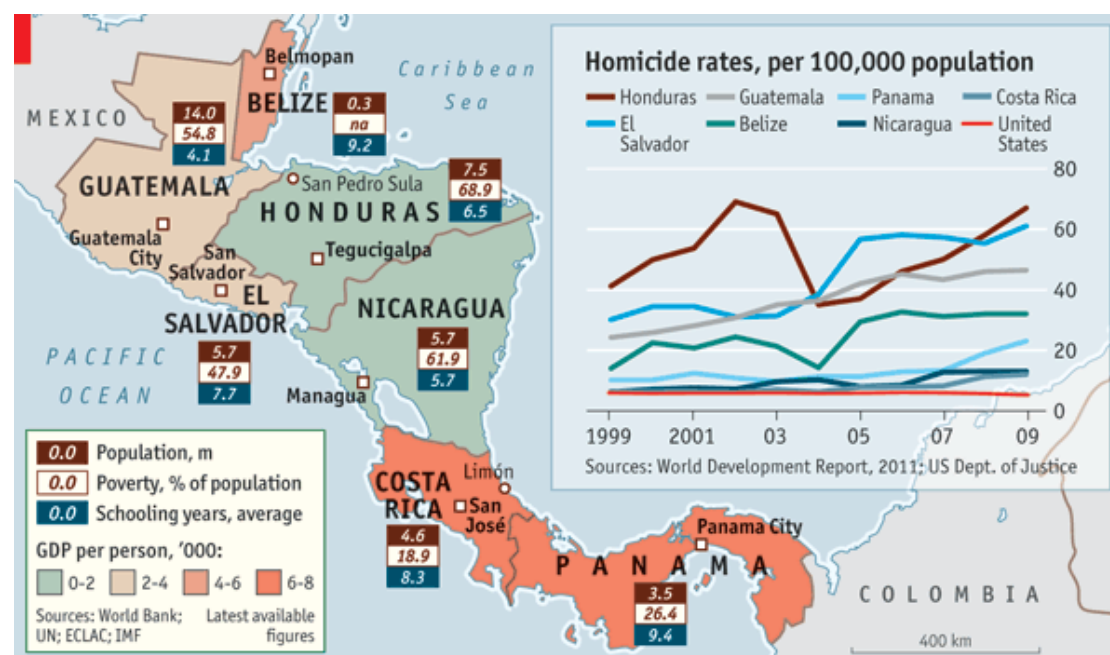


Source: Google Images

Central America's Northern Triangle, Guatemala, El Salvador and Honduras (See Figure 3.1); have been the greatest impacted by the drug contraband, creating permanent challenges to the ruling political parties. These countries "[...] face challenges ranging from some of the world's highest homicide rates, rampant extortion, communities controlled by youth gangs, domestic violence, impunity for most crimes, as well as economic despair and lack of opportunity." (Eguizábal, Curtis, Ingram, Korthuis, Olson, & Phillips, 2014) The situation in Nicaragua and Costa Rica has seen some slight increases in violence; however

nothing compares to the situation in the Northern Triangle. These three large areas of territory “[...] are out of the governments control; and, despite the efforts of its president, the government is infiltrated by the mafia. The countries of Central America’s northern triangle (Guatemala, Honduras, and El Salvador) are now among the most violent places on earth, deadlier even than most conventional war zones.” (The Economist, 2011) (See Figure 3.2)

Figure 3.2 High Homicide Rates in Central America and the United States



Source The Economist

This situation has been deteriorating over the past twenty years increasing the political challenges to already weak ruling parties and institutions. In order to stop the violent chaos the Northern Triangle and prevent further spread into Nicaragua and Costa Rica, these three countries need to implement many internal changes. Some of them include: “[...] reform of the police, prisons and courts; better intelligence and information-sharing; a huge effort to provide more legal opportunities for young men, not least by educating them properly;

and more hardware, such as helicopters and patrol boats.” (The Economist, 2011)

Unfortunately, one of the major problems the C-5 have been facing ever since the end of the armed conflict and civil war, is the incapability of collecting enough tax revenue in order to provide their growing population with the essential services a modern state offers: security, education, health, and transport infrastructure. (The Economist, 2011) Generating more income in order to address these deficiencies is a key step towards generating significant political changes in the region.

As the Central American region has been facing a growth in organized crime, after their armed conflicts and civil wars, due to its strategic location; this same factor has also promoted international trade as an alternative to generating more income and promote economic development.

3.2 Economic Background

Over the last thirty years, Central America’s economy has flourished, generating significant increases compared to the previous decades. “[...A] much needed development in a region where per capita GDP had stagnated between 1970 and 1990 and where two countries (El Salvador and Nicaragua) had been experiencing negative average growth rates for more than two decades.” (López & Shankar, 2011) This growth performance can be represented in the poverty rates. “According to the World Bank statistics, in the first half of the 1990s the average poverty rate in the region was close to 60% in countries such as Honduras and Nicaragua; almost three-quarters of the population lived on less than US\$4 a day.” (López & Shankar, 2011) However, between the years 1990

and 2010 the per capita growth averaged 2.4% (across the countries), with a poverty rate that declined to 44% of the population. (López & Shankar, 2011)

The growth the Central American region had witness has been in part due to the significant modernization agenda implemented by all the countries in the region, including the promotion of international trade. “[...A]n implicit acknowledgement that given the size of the different Central American economies in the absence of international trade it would be difficult for domestic firms to specialize in areas of comparative advantage and exploit economies of scale associated with bigger markets. (López & Shankar, 2011) The region Central American region has been opening itself to large volumes of trade, ranging from 70% of Guatemala’s GDP in the year 2011. (López & Shankar, 2011)

These Central American countries have not only being pursuing bilateral Free Trade Agreements; they have signed two major regional agreements. The first one being the DR-CAFTA with the United States on the year 2004, and the second one, the Association Agreement signed between the European Union and Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Out of these two regional agreements, the DR-CAFTA is the only one in effect. The Association Agreement between the European Union and Central America still needs to be ratified.

It is evident that the region’s main strategy to overcome poverty after the armed conflict and civil wars has been through international trade. International trade still remains as one of Central America’s main strategies to generate economic development and generate more income in order to keep fighting the

rising threat of organized crime and drug smuggling in the region. This phenomenon can be observed in tables App 1— App 5.¹ The particular case of Guatemala economic background is detailed as follows.

“Guatemala is the biggest economy in Central America but is among Latin American countries with the highest levels of inequality, with poverty indicators –specially in rural and indigenous areas– among the highest in the region.” (World Bank, 2014) Despite the political difficulties that it faced in the previous decades, Guatemala managed to have an average economic growth of 4.2% from the years 2004-2007. However, the global financial crisis from 2009, and a series of natural disasters in the year 2010 and 2011 declined considerably the annual economic growth. (World Bank, 2014)

“In spite of these challenges, Guatemala has huge potential to speed up its economic growth through trade, regional integration and tourism.” (World Bank, 2014) According to the *2014 Index of Economic Freedom* by The Heritage Foundation and The Wall Street Journal, “Guatemala’s economic freedom score is 61.2, making its economy the 83rd freest in 2014 [... also] ranked 17th out of 29 countries in the South and Central America/Caribbean region, and its overall score is above the regional and world averages.” (The Heritage Foundation, 2014) Despite the relatively high degree of market openness that the country enjoys, there are several factors that decrease its competitiveness. The main aspects are ineffective rule of law, vulnerable judicial system due to political interference and corruption. These three elements undermine the emergence of a more vibrant private sector according to the *2014 Index of Economic Freedom*.

¹ Appendix Page # 64-68

Also “Guatemala is the administrative hub for the Central American Integration System, which aims to improve regional economic cooperation.” (The Heritage Foundation, 2014)

3.3 Economic Patterns

Central America is composed of seven countries: Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. In some occasions, even the Dominican Republic is included, due to certain socioeconomic similarities. Nonetheless, this thesis will focus on the CA-5—Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. These countries have overcome decades of civil war, by making progress in social and economic areas. (Guasch, Rojas-Suarez, & Gonzales, 2012) “Most countries in Central America have taken important steps to improve their business climates, particularly by enhancing macroeconomic stability, improving the soundness of their financial systems, making improvements in infrastructure services and trade facilitation, reducing the red tape, and simplifying their regulatory and tax frameworks.” (Guasch, Rojas-Suarez, & Gonzales, 2012)

These countries share many similarities in socio-economic conditions as well as historical background. This is why in order to achieve certain development goals, these countries work as a region to complement each other's deficiencies. Their economic and development indicators are very similar, especially for the Central American north triangle; Guatemala, El Salvador and Honduras. “Given its small domestic markets, Central America has put the promotion of international trade at the center of its development agenda.” (Guasch, Rojas-Suarez, & Gonzales, 2012) Here's the evidence:

“In recent years, the region has witnessed the successful conclusion of negotiations for a significant number of free trade agreements (FTAs), mostly notably the Dominican Republic—Central America Free Trade Agreement (DR-CAFTA) with the United States and the Association Agreement (AA) with the European Union.” (Guasch, Rojas-Suarez, & Gonzales, 2012)

Despite the improvements generated by the economic policies in the region, it is necessary to accept that Central America’s growth performance is behind other middle-income countries in Latin America or East Asia. (Guasch, Rojas-Suarez, & Gonzales, 2012)

3.4 United States Relations with Central America

Even though the Central American region experienced a sustained economic growth rate between the years 2004-2007, and it is currently recovering of the global financial crisis; it is important to assess the role of the United States in this period of time. (World Bank, 2014) As many scholars and international organizations have stated: “[...] the region’s vulnerability to external economic shocks (commodity price increases), natural disasters (El Niño, hurricanes, and earthquakes), and domestic policy reversals (pre-election spending).

In the short run, regional growth remains vulnerable to the behavior of the U.S. growth.” (Guasch, Rojas-Suarez, & Gonzales, 2012) Due to its high dependency on the United States Market, it is important to analyze the negotiation process of the Dominican Republic—Central America Free Trade Agreement with their major trading partner.

3.5 DR-CAFTA Negotiation’s Process

On January 1st of 1994, the North American Free Trade Agreement, NAFTA entered into force. This regional FTA was signed by the United States, Canada,

and Mexico. “NAFTA created the world’s largest free trade area, which now links 450 million people producing \$17 trillion worth of goods and services.” (Office of the United States Trade Representative, 2014) Ever since the agreement entered into force, trade between these three countries has increased considerably. According to the Office of the United States Trade Representative, the United States goods and services trade totaled \$1.1 trillion (two ways) with the NAFTA countries, which accounts for 5.7% of the world trade for 2013.

As the amount of trade increased considerably between the United States, Canada and Mexico once NAFTA entered into force; many countries, including Central America, started to contemplate the idea of an FTA with the world’s largest importer, the United States. The United States has been the biggest trading partner of Central America. In the year 2000, almost 40% of the region’s exports were destined to the USA. (Office of the United States Trade Representative, 2014)

During the last half of 1990s decade, Central America intensified their efforts to improve and strengthen their trade relations with the United States. Central America, through the Secretariat for Central America’s Economic Integration (SIECA, Spanish acronym) proposed on several occasions the possibility to establish a regional Free Trade Agreement between Central America and the United States. The aim of the SIECA was to consolidate the trade relations between Central America and the United States. (SIECA, 2008)

After several failed attempts, SIECA saw an opportunity during President George W. Bush State of the Union Speech to the United States Congress in the

year 2002, expressing as a priority for his administration to strengthen the country's external trade policy:

“Good jobs depend on expanded trade. Selling into new markets creates new jobs, so I ask Congress to finally approve trade promotion authority. (Applause.) On these two key issues, trade and energy, the House of Representatives has acted to create jobs, and I urge the Senate to pass this legislation.” (Office of the Press Secretary, 2014)

After this speech, the United States Congress started a process to restore the Fast-Track Negotiating Authority or Trade Promotion Authority, by the Trade Act of 2002. In the Trade Act of 2002, Congress granted the United States President the authority to negotiate international trade agreements that Congress can only approve or disapprove, but not amend. In order to take advantage of the new power that was going to be invested in the United States President, the Central American governments pressured to ensure a meeting with him in the short-term future. (Office of the United States Trade Representative, 2014)

On March of 2002, President George W. Bush agreed to meet with the Central American Presidents in El Salvador. The Central American Presidents, SIECA, and all the possible authorities they deepened their coordination to cope with the negotiations and agreed on a common strategic framework. A preliminary exchange of information started between the Central American governments and the United States, specifically on subjects that were going to be key in the possible negotiation of an FTA. On October 2002, the Office of the United States Trade Representative informed the United States Congress about the intentions of the President, to establish a regional Free Trade Agreement with the members of SIECA. (SIECA, 2008)

On January 8th, 2003, the United States Trade Representative and the responsible Ministers of each Central American countries officially informed the start of the Trade Negotiations for the regional FTA. Later the Dominican Republic, due to its socio-economic similarities with the Central American Region, was integrated into the negotiation process. On August 5th, 2004 the Free Trade Agreement, between the Dominican Republic and Central America (DR-CAFTA) and the United States was signed. “The agreement entered into force for the United States and El Salvador, Guatemala, Honduras, and Nicaragua during 2006, for the Dominican Republic on March 1, 2007, and for Costa Rica on January 1, 2009.” (Office of the United States Trade Representative, 2014)



Chapter IV: Guatemala and The DR-CAFTA

4.1 Economic Incentives

In order to understand Central America's export pattern to the United States, it was essential to set up a wide range of years to start analyzing the data. The years selected for this case study are from 2001, three years before the regional Free Trade Agreement was signed, until 2014 that marks ten years since the DR-CAFTA was signed. The following table indicates the years each country signed, ratified and had the regional FTA entered into force.

Table 4.1 DR-CAFTA Signature, Ratification and Entering into Force Dates

Countries	Signature	Ratified	Into Force
Costa Rica		November 14th 2008	January 1st 2009
El Salvador		December 17th 2004	March 1st 2006
Guatemala	August 5th, 2004	March 10th 2005	July 1st 2006
Honduras		March 3rd 2005	April 1st 2006
Nicaragua		October 10th 2005	April 1st 2006
United States		August 2nd 2005	February 28th 2006

Data obtained from the OAS-SICE

Eight out of the 14 years will be highlighted in order to analyze the countries export performance. The following table indicates the years and the reason, why they are being highlighted and their relationship with Central America and the United States.

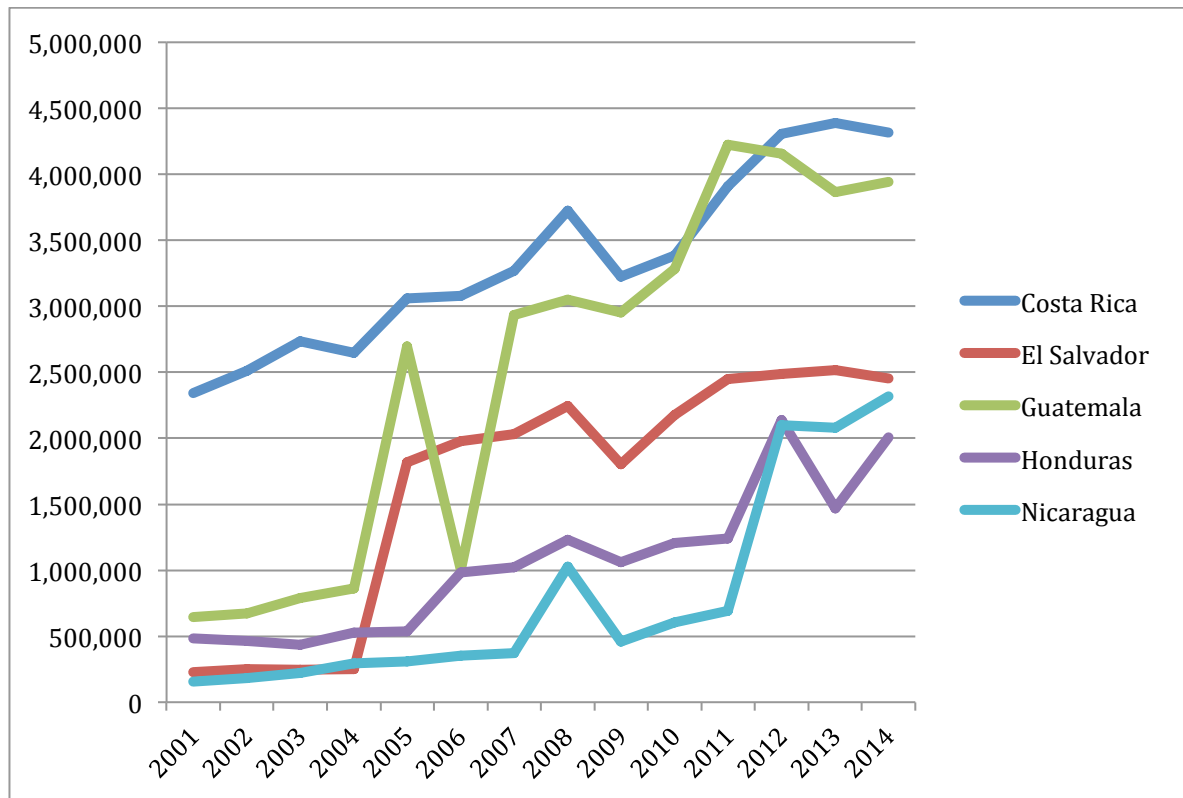
Table 4.2 DR-CAFTA significant years for analysis

Years	Motivation
2001	First-year data is available and starting date of this research analysis.
2004	The DR-CAFTA was signed and El Salvador Ratified.
2005	Guatemala, Honduras and Nicaragua Ratified.
2006	DR-CAFTA entered into force for El Salvador, Guatemala, Honduras, Nicaragua and the United States.
2008	Costa Rica Ratified.
2009	DR-CAFTA entered into force for Costa Rica.
2011	5 years since the DR-CAFTA entered into force for El Salvador, Guatemala, Honduras, Nicaragua and the United States.
2014	5 years since the DR-CAFTA entered into force for Costa Rica, last year data is available.

Data obtained from the OAS-SICE

The following analysis on Central America's exports to the United States portrays each country's performance in value exported. By comparing the amount each country is sending to the United States, it can be identified which country is outstanding and which one is left behind, and how is Guatemala doing compared to the rest of the region. According to the International Trade Centre's Trade Map information, this is the performance of the Central American countries exports to the United States.

Figure 4.1 Central America's Exports to the United States



Data collected from Trade Map. *Values in thousands of US dollars.

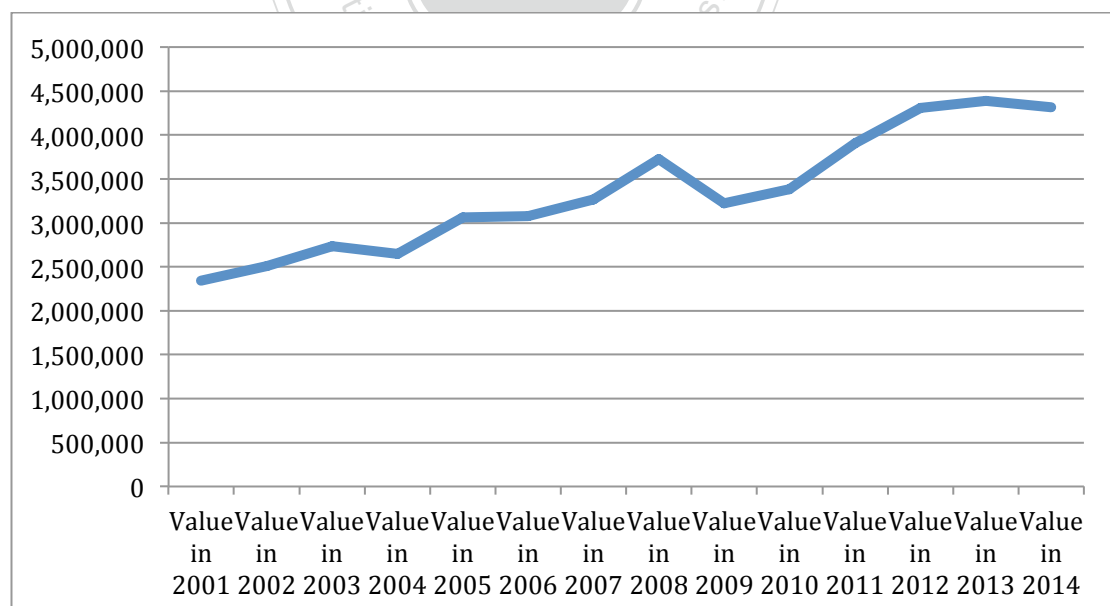
This graph shows the performance of the Central American exports to the United States from the year 2001 until 2014. During these fourteen years, Costa Rica has been the country exporting more, in terms of value, to the United States; followed by Guatemala, El Salvador, Honduras, and Nicaragua.

This graph contains very valuable information, as it portrays Costa Rica's outstanding performance throughout these fourteen years. It also demonstrates Guatemala's effort to increase considerably its exports to the North American country as a result of the need to secure the best access possible to the market. El Salvador and Honduras follow Guatemala's export performance. These two Northern Triangle countries have managed to follow a similar pattern through most of the year analyzed by this graph, with a slight difference in the last three

years. As for Nicaragua, the country has been increasing considerably its exports to the United States in the past three years. However, it is the country whose export performance remained really low during the first years of analysis.

In order to comprehend deeper the nature of this countries behavior, it is fundamental to do a country-by-country analysis in two levels. First analyzing the export tendencies from 2001 until 2014. Second analyzing the composition of the top 5 exports of these Central American countries to the United States. This is done in two ways, the first one is to analyze how much it changed through the years and the second one is to match it with the United States top 10 imports. Unlike doing top 5 exports compared to top 5 imports, it was necessary to provide more products in the case of the United States due to its economy composition; highly different from Central America's.

Figure 4.2 Costa Rica's Exports to the United States



Data collected from Trade Map. *Values in thousands of US dollars.

In terms of value, Costa Rica is the largest exporter to the United States. This country, despite being the last one to ratify and had the DR-CAFTA entered into force, held the top 1 exporter position from the Central American region. From the year this analysis takes place until 2003, there was a slight increase in the exports. However, from 2003 to 2004 when the DR-CAFTA was signed there was a slight drop. The Costa Rican exports to the United States continued to increase until 2008, despite the fact that this regional FTA had not been ratified in the country. After a drop from 2008-2009, due to the economic crisis the Costa Rican exports continue to increase, mainly because the regional FTA finally entered into force and the United States economy was recovering.

This fact is highly important because Costa Rica's export growth to the United States is not based on the DR-CAFTA, otherwise the growth followed after 2009 should have been greater.

Table 4.3 Costa Rica's Top 5 Export Products to the United States

Top 5 Exports to the United States							
2001	2004	2005	2006	2008	2009	2011	2014
Edible fruit, nuts, peel of citrus fruit, melons	Optical, photo, technical, medical, etc apparatus	Optical, photo, technical, medical, etc apparatus	Edible fruit, nuts, peel of citrus fruit, melons	Optical, photo, technical, medical, etc apparatus	Optical, photo, technical, medical, etc apparatus	Optical, photo, technical, medical, etc apparatus	Optical, photo, technical, medical, etc apparatus
Machinery, nuclear reactors, boilers, etc	Edible fruit, nuts, peel of citrus fruit, melons	Edible fruit, nuts, peel of citrus fruit, melons	Optical, photo, technical, medical, etc apparatus	Edible fruit, nuts, peel of citrus fruit, melons	Edible fruit, nuts, peel of citrus fruit, melons	Electrical, electronic equipment	Edible fruit, nuts, peel of citrus fruit, melons
Optical, photo, technical, medical, etc apparatus	Machinery, nuclear reactors, boilers, etc	Electrical, electronic equipment	Electrical, electronic equipment	Machinery, nuclear reactors, boilers, etc	Machinery, nuclear reactors, boilers, etc	Edible fruit, nuts, peel of citrus fruit, melons	Electrical, electronic equipment
Electrical, electronic equipment	Electrical, electronic equipment	Articles of apparel, accessories, not knit or crochet	Machinery, nuclear reactors, boilers, etc	Electrical, electronic equipment	Electrical, electronic equipment	Coffee, tea, mate and spices	Coffee, tea, mate and spices

Articles of apparel, accessories, not knit or crochet	Articles of apparel, accessories, knit or crochet	Machinery, nuclear reactors, boilers, etc	Coffee, tea, mate and spices	Coffee, tea, mate and spices	Coffee, tea, mate and spices	Rubber and articles thereof	Plastics and articles thereof
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Data collected from Trade Map. The highlighted boxes represent the products that match the US top 10 import products.

A second element that it is very important to analyze, it is the composition of Costa Rica's top exports to the United States. The highlighted boxes represent the products that had a match in the United States top imports during those same years. Costa Rica started with four matches in the years 2001, 2004 and 2005. In the years 2006, 2008 and 2009 Costa Rica top 5 total exports only shared three matches with the United States top Imports from the world. The years 2011 and 2014, there were only two matches.

As for the composition of Costa Rica's exports the products that have remained constant through the years have been:

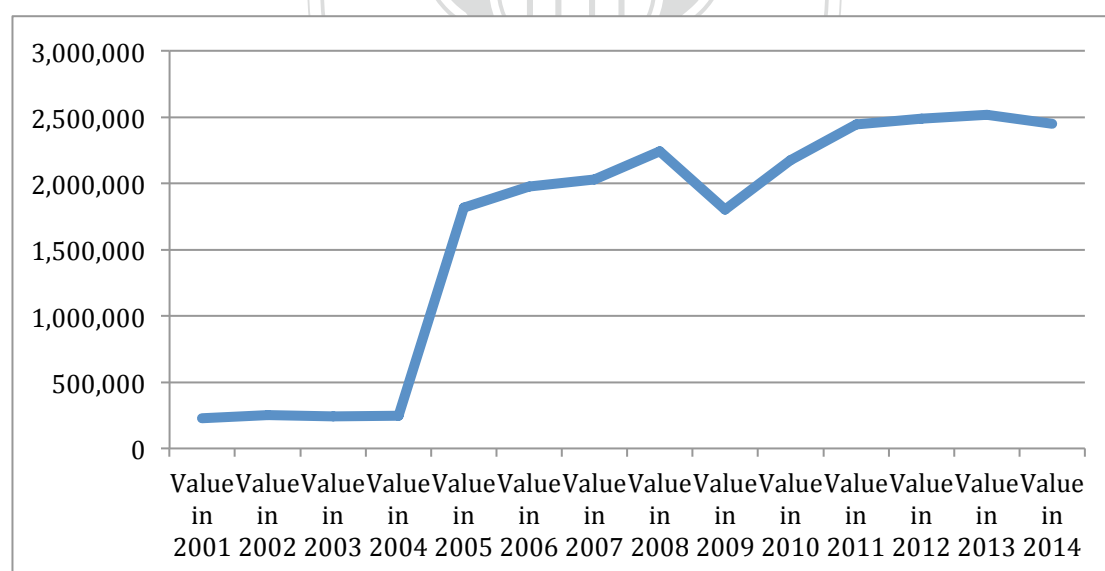
- Edible Fruit, nuts, peel of citrus fruits, melons (8/8)²
- Machinery, nuclear reactors, boilers, etc. (6/8)
- Optical, photo, technical, medical, etc, apparatus (8/8)
- Electrical, electronic equipment (8/8)
- Articles of apparel, accessories, not knit or crochet (3/8)
- Coffee, Tea, mate and spices (5/8)
- Rubber and articles thereof (1/8)

² (8/8) Represents that the product was in the Top Exports throughout the eight years analyzed. (7/8) Means the product was in the Top Exports seven out of the eight years analyzed. (6/8) Means the product was in the Top Exports six out of the eight years analyzed. (5/8) Means the product was in the Top Exports five out of the eight years analyzed. (4/8) Means the product was in the Top Exports four out of the eight years analyzed. (3/8) Means the product was in the Top Exports three out of the eight years analyzed. (2/8) Means the product was in the Top Exports two out of the eight years analyzed. (1/8) Means the product was in the Top Exports only one out of the eight years analyzed.

- Plastics and articles thereof (1/8)

Costa Rica's exports went from highly finished products that the United States was demanding, to agricultural and manufactured goods that do not appear in the United States top 10 products imported from the world. This can explain, why Costa Rica's export growth hasn't been so significant after the signature of the regional FTA. Because two of their main export products for 2014 remain the same as before the DR-CAFTA was signed, leading to a conclusion that this Central American country's traditional exports don't see a benefit in the FTA. As for coffee exports that become more evident as the FTA was going to be ratified and increased, it is an example of a product benefitting from the access the DR-CAFTA provided to agricultural products.

Figure 4.3 El Salvador's Exports to the United States



Data collected from Trade Map. *Values in thousands of US dollars

El Salvador exports to the United States remained fairly constant from 2001 to 2004. The reason of this phenomenon could be the adjustment necessities to adopt the dollar as their own currency. In the year 2001, El Salvador changed

their currency to the US dollar, as a strategy that some developing countries use to grow their economies through the stabilization of inflation and attract more investment. (Voices on the Border, 2011)

Nevertheless, in the year 2004 El Salvador's exports to the United States nearly quadrupled, this can be interpreted as the effect that signing a regional FTA got people exporting more. El Salvador's exports to the United States continued to grow slightly, after the dramatic increase from 2004 to 2005; with a sudden drop from 2008 to 2009 due to the economic crisis. After 2009, El Salvador's exports to the United States continued to grow.

Table 4.4 El Salvador's Top 5 Export Products to the United States

Top 5 Exports to the United States							
2001	2004	2005	2006	2008	2009	2011	2014
Coffee, tea, mate and spices	Coffee, tea, mate and spices	Articles of apparel, accessories, knit or crochet	Articles of apparel, accessories, knit or crochet	Articles of apparel, accessories, knit or crochet	Articles of apparel, accessories, knit or crochet	Articles of apparel, accessories, knit or crochet	Articles of apparel, accessories, knit or crochet
Sugars and sugar confectionery	Other made textile articles, sets, worn clothing etc	Articles of apparel, accessories, not knit or crochet	Articles of apparel, accessories, not knit or crochet	Articles of apparel, accessories, not knit or crochet	Articles of apparel, accessories, not knit or crochet	Articles of apparel, accessories, not knit or crochet	Articles of apparel, accessories, not knit or crochet
Fish, crustaceans, molluscs, aquatic invertebrates	Sugars and sugar confectionery	Electrical, electronic equipment	Beverages, spirits and vinegar	Beverages, spirits and vinegar	Electrical, electronic equipment	Electrical, electronic equipment	Electrical, electronic equipment
Articles of apparel, accessories, knit or crochet	Articles of apparel, accessories, knit or crochet	Coffee, tea, mate and spices	Electrical, electronic equipment	Electrical, electronic equipment	Beverages, spirits and vinegar	Coffee, tea, mate and spices	Sugars and sugar confectionery
Other made textile articles, sets, worn clothing etc	Beverages, spirits and vinegar	Sugars and sugar confectionery	Coffee, tea, mate and spices	Coffee, tea, mate and spices	Coffee, tea, mate and spices	Pearls, precious stones, metals, coins, etc	Coffee, tea, mate and spices

Data collected from Trade Map. The highlighted boxes represent the products that match the US top 10 import products.

El Salvador had one product match with the United States top ten imports in the year 2001, none in the year 2004, and two in the year 2005. El Salvador's two matches with the United States in the year 2005 can explain to some extent the exponential increase that occurred from 2004-2005. As for the years 2006 and 2008, El Salvador only had one match with the United States; this is once the regional FTA had entered into force for both countries.

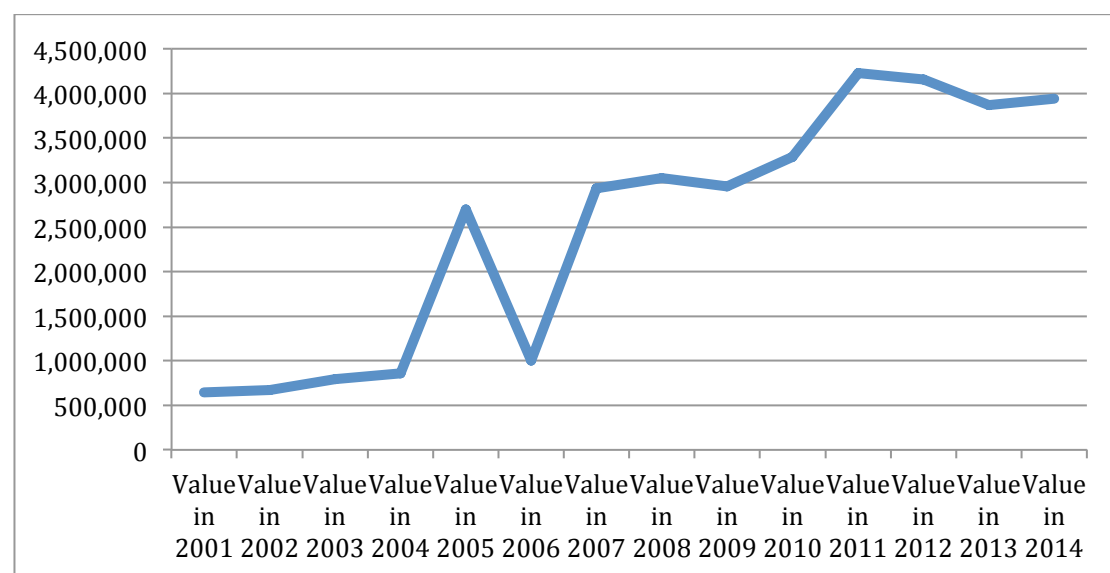
For the year 2009, El Salvador's exports had two matches with the United States. In the year 2011, five years after the FTA had entered into force El Salvador's exports had three matches, which is the highest ever achieved in the eight years analyzed. For the year 2014, El Salvador only had one match with the United States.

El Salvador's export composition to the United States has varied in the following way during the eight years that are being analyzed:

- Coffee, tea, mate and spices (8/8)
- Sugars and sugars confectionary (4/8)
- Fish, crustaceans, molluscs, aquatic invertebrates (1/8)
- Articles of apparel, accessories, knit or crochet (8/8)
- Other made textile articles, sets, worn clothing (2/8)
- Beverages, spirits and vinegar (4/8)
- Articles of apparel, accessories, not knit or crochet (6/8)
- Electrical, electronic equipment (6/8)
- Pearls, precious stones, metals, coins (1/8)

El Salvador's export composition to the United States ever since the regional FTA was ratified for both parties it saw an exponential increase in articles of apparel, which became the top product El Salvador exported. A second product that was part of El Salvador's top exports to the United States after the DR-CAFTA was ratified were the electrical and electronic equipment. Despite this diversification; coffee, tea, mate and spices have always been among the top products that El Salvador continues to export to the United States.

Figure 4.4 Guatemala's Exports to the United States



Data collected from Trade Map. *Values in thousands of US dollars

Guatemala's exports to the United States have had an interesting performance during the last fourteen years. As for the first four years analyzed, Guatemala's exports to the United States just experienced a slight increase. However, after the DR-CAFTA was signed and ratified in the year 2005, there was an exponential increase of exports to the United States.

This increase was not sustainable, from the year 2005 to 2006 the exports fell dramatically, almost to the level they were on the year 2004. Nevertheless,

Guatemala's exports increased exponentially from the year 2006 to 2007, after both parties ratified the regional FTA. The growth saw a minor setback on the years 2008 and 2009 due to the world economic crisis. After this period, of time Guatemala's exports continue with another setback during the year 2012 and 2013, recovering slightly in the year 2014. This fall experienced during the year 2012-2013 was greatly caused by the political uncertainty with the newly elected president.

Table 4.5 Guatemala's Top 5 Export Products to the United States

Top 5 Exports to the United States							
2001	2004	2005	2006	2008	2009	2011	2014
Edible fruit, nuts, peel of citrus fruit, melons	Edible fruit, nuts, peel of citrus fruit, melons	Articles of apparel, accessories, knit or crochet	Mineral fuels, oils, distillation products, etc	Articles of apparel, accessories, knit or crochet	Articles of apparel, accessories, knit or crochet	Ores, slag and ash	Edible fruit, nuts, peel of citrus fruit, melons
Coffee, tea, mate and spices	Mineral fuels, oils, distillation products, etc	Articles of apparel, accessories, not knit or crochet	Edible fruit, nuts, peel of citrus fruit, melons	Edible fruit, nuts, peel of citrus fruit, melons	Edible fruit, nuts, peel of citrus fruit, melons	Articles of apparel, accessories, knit or crochet	Articles of apparel, accessories, knit or crochet
Mineral fuels, oils, distillation products, etc	Coffee, tea, mate and spices	Edible fruit, nuts, peel of citrus fruit, melons	Coffee, tea, mate and spices	Mineral fuels, oils, distillation products, etc	Ores, slag and ash	Edible fruit, nuts, peel of citrus fruit, melons	Ores, slag and ash
Sugars and sugar confectionery	Articles of apparel, accessories, not knit or crochet	Mineral fuels, oils, distillation products, etc	Sugars and sugar confectionery	Coffee, tea, mate and spices	Coffee, tea, mate and spices	Coffee, tea, mate and spices	Coffee, tea, mate and spices
Live trees, plants, bulbs, roots, cut flowers etc	Sugars and sugar confectionery	Coffee, tea, mate and spices	Articles of apparel, accessories, not knit or crochet	Articles of apparel, accessories, not knit or crochet	Mineral fuels, oils, distillation products, etc	Mineral fuels, oils, distillation products, etc	Articles of apparel, accessories, not knit or crochet

Data collected from Trade Map. The highlighted boxes represent the products that match the US top 10 import products.

Guatemala's top five exports had one match with the United States top ten imports in the year 2001. The years 2004 and 2005, when the DR-CAFTA was signed and ratified, Guatemala had two matches with the United States which could help explain the sudden export increase that the country witnessed during this period. However, for the following years analyzed 2006 and 2008, there was only one match with the United States top ten imports.

For the years 2009 and 2011, Guatemala had two matches with the United States. Nevertheless, the year 2014, ten years after the DR-CAFTA was signed and eight years since it entered into force, there were not matches between Guatemala's top five exports and the United States top ten imports.

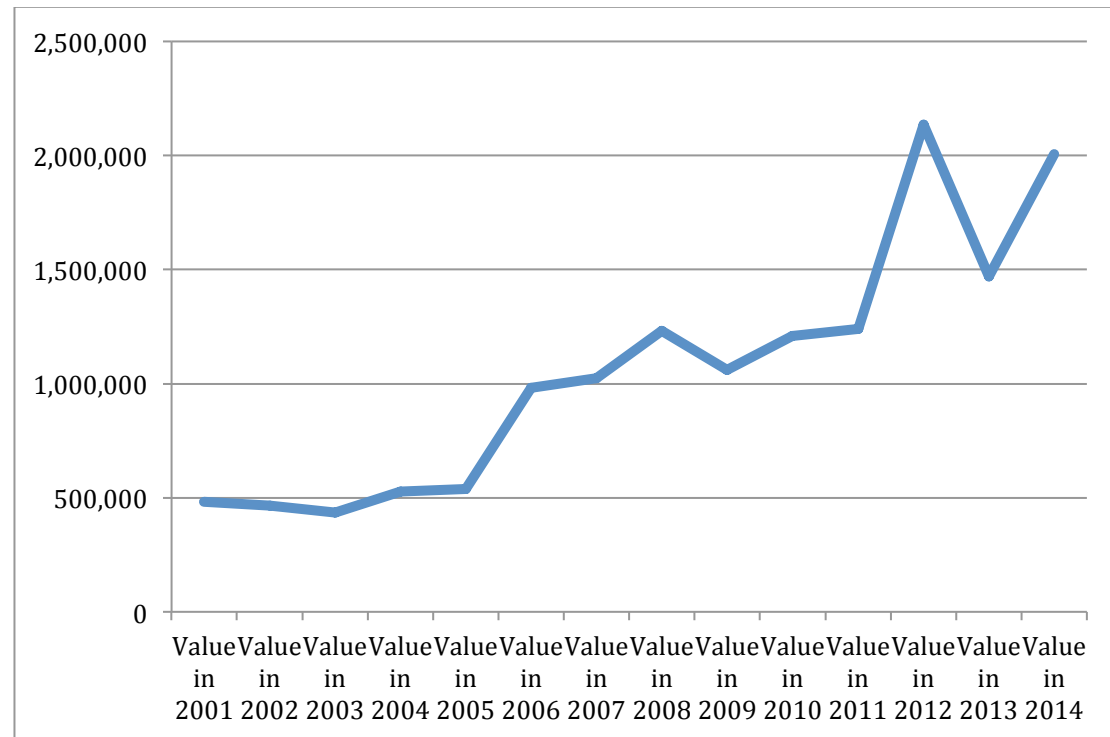
Guatemala's export composition to the United States during the eight years that are analyzed here was like this:

- Edible Fruit, nuts, peel of citrus fruits, melons (8/8)
- Coffee, Tea, mate and spices (8/8)
- Mineral fuels, oils, distillation products (7/8)
- Sugars and sugar confectionary (3/8)
- Live trees, plants, bulbs, roots and cut flowers (1/8)
- Articles of apparel, accessories, not knit or crochet (5/8)
- Articles of apparel, knit or crochet (4/8)
- Ores, slag or ash (3/8)

Three out of the eight products that have made up Guatemala's top five exports during this eight-year analysis have remained constant. The Edible fruits, nuts, peel of citrus fruits, melons; coffee, tea, matte and spices; and mineral fuels, oils, distillation products are commodities, therefore their price and value in markets can shift drastically without mentioning the threat that natural disasters, such as floods and plagues can harm the production or distribution on these. As for the other products on the list, the ones that have had a greater impact are the apparel and textiles, they climbed their way to

Guatemala's top exports after the DR-CAFTA was signed, ratified and entered into force.

Figure 4.5 Honduras' Exports to the United States



Data collected from Trade Map. *Values in thousands of US dollars

Honduras exports to the United States behaved with minor changes from 2001 to 2005. After the regional FTA was ratified and entered into force in the year 2006, Honduras' exports increase to the United States was evident. This growth continued in a less dramatic pattern until a slight drop after 2008-2009, because of the effects of the financial and economic crisis that hit almost every economy in the world. From 2009 to 2011, there was slight export growth.

The significant Honduras' export growth occurred from the year 2011-2012, experiencing almost an equal fall for the year 2013. The Honduras' exports to the United States found a path of recovery and continued to increase towards the year 2014.

Table 4.6 Honduras' Top 5 Export Products to the United States

Top 5 Exports to the United States							
2001	2004	2005	2006	2008	2009	2011	2014
Edible fruit, nuts, peel of citrus fruit, melons	Edible fruit, nuts, peel of citrus fruit, melons	Edible fruit, nuts, peel of citrus fruit, melons	Electrical, electronic equipment	Electrical, electronic equipment	Edible fruit, nuts, peel of citrus fruit, melons	Edible fruit, nuts, peel of citrus fruit, melons	Electrical, electronic equipment
Sugars and sugar confectionery	Fish, crustaceans, molluscs, aquatic invertebrates	Coffee, tea, mate and spices	Edible fruit, nuts, peel of citrus fruit, melons	Edible fruit, nuts, peel of citrus fruit, melons	Electrical, electronic equipment	Pearls, precious stones, metals, coins, etc	Edible fruit, nuts, peel of citrus fruit, melons
Wood and articles of wood, wood charcoal	Ores, slag and ash	Fish, crustaceans, molluscs, aquatic invertebrates	Fish, crustaceans, molluscs, aquatic invertebrates	Coffee, tea, mate and spices	Pearls, precious stones, metals, coins, etc	Coffee, tea, mate and spices	Pearls, precious stones, metals, coins, etc
Coffee, tea, mate and spices	Coffee, tea, mate and spices	Ores, slag and ash	Tobacco and manufactured tobacco substitutes	Fish, crustaceans, molluscs, aquatic invertebrates	Fish, crustaceans, molluscs, aquatic invertebrates	Electrical, electronic equipment	Fish, crustaceans, molluscs, aquatic invertebrates
Edible vegetables and certain roots and tubers	Articles of apparel, accessories, knit or crochet	Electrical, electronic equipment	Coffee, tea, mate and spices	Pearls, precious stones, metals, coins, etc	Coffee, tea, mate and spices	Fish, crustaceans, molluscs, aquatic invertebrates	Paper and paperboard, articles of pulp, paper and board

Data collected from Trade Map. The highlighted boxes represent the products that match the US top 10 import products.

Honduras top five exports to the United States during the year of 2001 and 2004 didn't have any match with the North American country top ten imports for the same years. This helps understanding the very static behavior the countries exports performance before 2005, on this year Honduras, exports experienced a significant increase with having one match after the regional FTA entered into force.

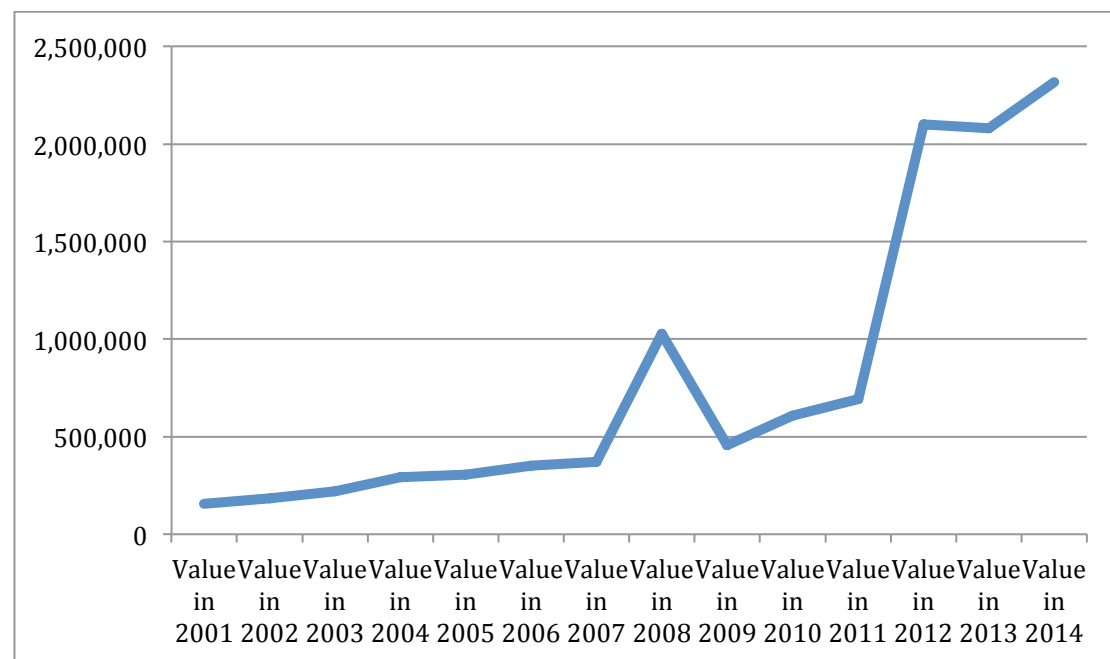
For the year 2006 Honduras top five exports to the United States had one match. As for the years 2008, 2009, 2011 and 2014, eight years after the DR-CAFTA entered into force Honduras continued to have two of its top five products match with the top ten United States Imports from the world. Honduras exports composition for this eight-year analysis is as follows:

- Edible fruit, nuts, peel of citrus fruits and melons (8/8)

- Sugars and sugar confectionary (1/8)
- Wood and articles of wood, wood charcoal (1/8)
- Coffee, tea, mate, and spices (7/8)
- Edible vegetables and certain roots and tubers (1/8)
- Fish, crustaceans, molluscs, aquatic invertebrates (7/8)
- Ores, slag and ash (1/8)
- Electric, electronic equipment (6/8)
- Tobacco and manufactured tobacco substitutes (1/8)
- Pearls, precious stones, metals, coins (4/8)
- Paper and paperboard, articles of pulp, paper and board (1/8)

Honduras top five exports to the United States didn't experience major changes until the year 2005 were the electric and electronic equipment entered. This factor can also contribute to understanding the export increase since the year 2005. Four out of the top five products that Honduras exports to the United States have remained constant ever since the DR-CAFTA entered into force in the year 2006. On a different aspect, Honduras, top exports range from a wide variety of natural to finished goods.

Figure 4.6 Nicaragua's Exports to the United States



Data collected from Trade Map. *Values in thousands of US dollars

Nicaragua's exports to the United States had experienced a slight increase since 2001 until 2007, without any major effects when the DR-CAFTA was signed, 2004; ratified, 2005; or entered into force, 2006. An exponential increase occurred from the year 2007-2008, later faced a dramatic drop almost to the 2006 level. This was caused by the economic crisis.

The years 2009 to 2011 represent a gradual recovery from the economic crisis. However it was from the year 2011, five years after the regional FTA entered into force, that Nicaragua's exports to the United States nearly tripled. They have continued to increase, with a minor fall on the year 2013.

Table 4.7 Nicaragua's Top 5 Export Products to the United States

Top 5 Exports to the United States							
2001	2004	2005	2006	2008	2009	2011	2014
Fish, crustaceans, molluscs, aquatic invertebrates nes	Fish, crustaceans, molluscs, aquatic invertebrates nes	Fish, crustaceans, molluscs, aquatic invertebrates nes	Coffee, tea, mate and spices	Articles of apparel, accessories, not knit or crochet	Coffee, tea, mate and spices	Coffee, tea, mate and spices	Articles of apparel, accessories, knit or crochet
Coffee, tea, mate and spices	Meat and edible meat offal	Meat and edible meat offal	Meat and edible meat offal	Articles of apparel, accessories, knit or crochet	Meat and edible meat offal	Meat and edible meat offal	Articles of apparel, accessories, not knit or crochet
Meat and edible meat offal	Coffee, tea, mate and spices	Coffee, tea, mate and spices	Fish, crustaceans, molluscs, aquatic invertebrates nes	Coffee, tea, mate and spices	Pearls, precious stones, metals, coins, etc	Pearls, precious stones, metals, coins, etc	Pearls, precious stones, metals, coins, etc
Edible fruit, nuts, peel of citrus fruit, melons	Pearls, precious stones, metals, coins, etc	Pearls, precious stones, metals, coins, etc	Pearls, precious stones, metals, coins, etc	Meat and edible meat offal	Fish, crustaceans, molluscs, aquatic invertebrates nes	Fish, crustaceans, molluscs, aquatic invertebrates nes	Meat and edible meat offal
Pearls, precious stones, metals, coins, etc	Sugars and sugar confectionery	Sugars and sugar confectionery	Sugars and sugar confectionery	Fish, crustaceans, molluscs, aquatic invertebrates nes	Sugars and sugar confectionery	Sugars and sugar confectionery	Coffee, tea, mate and spices

Data collected from Trade Map. The highlighted boxes represent the products that match the US top 10 import products.

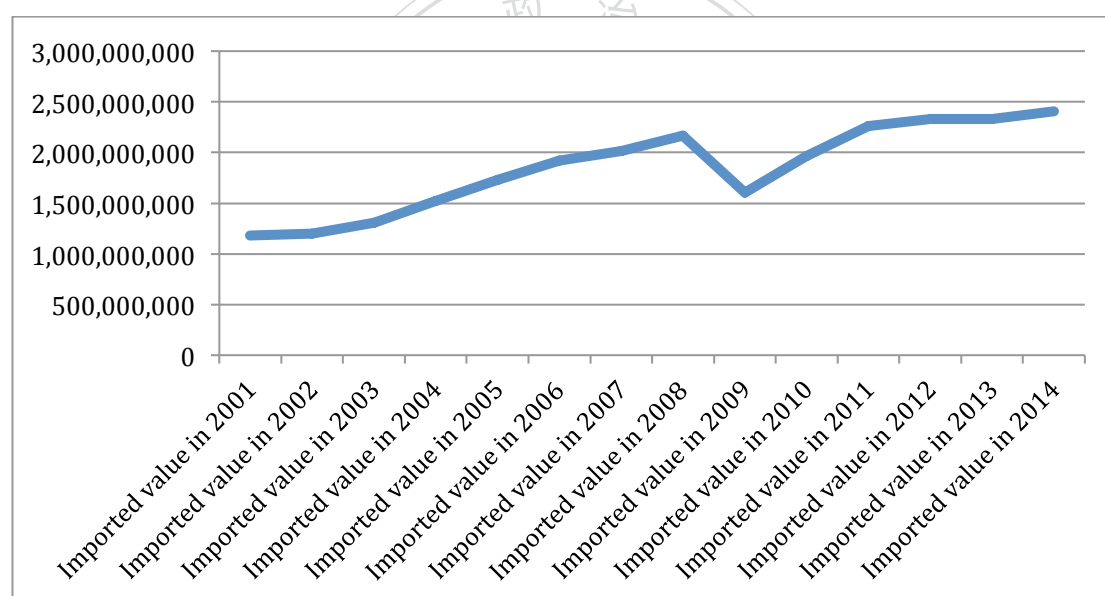
Nicaragua's top 5 exports to the United States only had one product match with the United States imports. This happened in seven out of the eight years analyzed in this paper, the year 2008 was the only exception. Nicaragua's top five export products that found a match with the North American country, were its pearls, precious stones, metals and coins. The products that made a significant appearance after the regional FTA entered into force were the articles or apparel. The rest of Nicaragua's top five export composition is as follows:

- Fish, crustaceans, molluscs, aquatic invertebrates (7/8)
- Coffee, tea, mate and spices (8/8)
- Meat and edible meat (8/8)
- Edible fruit, nuts, peel of citrus fruit, melons (1/8)
- Pearls, precious stones, metals, coins (7/8)

- Sugars and sugar confectionary (5/8)
- Articles of apparel, accessories, not knit or crochet (2/8)
- Articles of apparel, accessories, knit or crochet (2/8)

As the previous table portrays, Nicaragua's top five export products to the United States composition has remained very similar. The articles of apparel and accessories are the products that have rushed to the top five after the regional FTA entered into force. Six out of the eight products that fluctuated have remained there more than half of the years this study analyzed.

Figure 4.7 The United States' Imports from the world



Data collected from Trade Map. *Values in thousands of US dollars

The previous figure shows the behavior of the United States total exports from the world. This is very important in order to understand if the Central America export behavior was caused by the United States import policy, or if it was merely a reflection of the country's internal situation.

The United States imports display a growth tendency from the year 2001 to the year 2008. From the year 2008 until 2009, there was a big decrease due to the financial economic crisis. The recovery from 2010 to 2011 was greater than the continued growth until 2014. However, the trend keeps aiming at a positive increase in the country's imports. The following table portrays the United States top ten imported products that were used for the previous analysis with each Central American country under the DR-CAFTA.



Table 4.8 The United States Top 10 Imports from the World

Top 10 Imports from the United States							
2001	2004	2005	2006	2008	2009	2011	2014
Machinery, nuclear reactors, boilers, etc	Mineral fuels, oils, distillation products, etc	Mineral fuels, oils, distillation products, etc	Mineral fuels, oils, distillation products, etc	Mineral fuels, oils, distillation products, etc	Mineral fuels, oils, distillation products, etc	Mineral fuels, oils, distillation products, etc	Mineral fuels, oils, distillation products, etc
Vehicles other than railway, tramway	Machinery, nuclear reactors, boilers, etc	Machinery, nuclear reactors, boilers, etc	Machinery, nuclear reactors, boilers, etc	Electrical, electronic equipment	Electrical, electronic equipment	Machinery, nuclear reactors, boilers, etc	Machinery, nuclear reactors, boilers, etc
Electrical, electronic equipment	Vehicles other than railway, tramway	Electrical, electronic equipment	Electrical, electronic equipment	Machinery, nuclear reactors, boilers, etc	Machinery, nuclear reactors, boilers, etc	Electrical, electronic equipment	Electrical, electronic equipment
Mineral fuels, oils, distillation products, etc	Electrical, electronic equipment	Vehicles other than railway, tramway	Vehicles other than railway, tramway	Vehicles other than railway, tramway	Vehicles other than railway, tramway	Vehicles other than railway, tramway	Vehicles other than railway, tramway
Commodities not elsewhere specified	Commodities not elsewhere specified	Commodities not elsewhere specified	Commodities not elsewhere specified	Commodities not elsewhere specified	Pharmaceutical products	Optical, photo, technical, medical, etc apparatus	Optical, photo, technical, medical, etc apparatus
Optical, photo, technical, medical, etc apparatus	Optical, photo, technical, medical, etc apparatus	Optical, photo, technical, medical, etc apparatus	Optical, photo, technical, medical, etc apparatus	Optical, photo, technical, medical, etc apparatus	Commodities not elsewhere specified	Pearls, precious stones, metals, coins, etc	Pharmaceutical products
Articles of apparel, accessories, not knit or crochet	Organic chemicals	Organic chemicals	Organic chemicals	Organic chemicals	Optical, photo, technical, medical, etc apparatus	Pharmaceutical products	Commodities not elsewhere specified
Organic chemicals	Furniture, lighting, signs, prefabricated buildings	Furniture, lighting, signs, prefabricated buildings	Pearls, precious stones, metals, coins, etc	Pharmaceutical products	Organic chemicals	Commodities not elsewhere specified	Pearls, precious stones, metals, coins, etc
Articles of apparel, accessories, knit or crochet	Articles of apparel, accessories, not knit or crochet	Articles of apparel, accessories, not knit or crochet	Furniture, lighting, signs, prefabricated buildings	Pearls, precious stones, metals, coins, etc	Pearls, precious stones, metals, coins, etc	Organic chemicals	Furniture, lighting, signs, prefabricated buildings
Pearls, precious stones, metals, coins, etc	Pearls, precious stones, metals, coins, etc	Pearls, precious stones, metals, coins, etc	Pharmaceutical products	Furniture, lighting, signs, prefabricated buildings	Articles of apparel, accessories, knit or crochet	Articles of apparel, accessories, knit or crochet	Organic chemicals

Data collected from Trade Map.

4.2 Political Motivations

As expressed on the treaty itself, these are the economic incentives and political motivations behind the DR-CAFTA:

1. The objectives of this Agreement, as elaborated more specifically through its principles and rules, including national treatment, most-favored-nation treatment, and transparency, are to:

- (a) Encourage expansion and diversification of trade between the Parties;
- (b) Eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the Parties;
- (c) Promote conditions of fair competition in the free trade area;
- (d) Substantially increase investment opportunities in the territories of the Parties;
- (e) Provide adequate and effective protection and enforcement of intellectual property rights in each Party's territory;
- (f) Create effective procedures for the implementation and application of this Agreement, for its joint administration, and for the resolution of disputes; and
- (g) Establish a framework for further bilateral, regional, and multilateral cooperation to expand and enhance the benefits of this Agreement.

2. The Parties shall interpret and apply the provisions of this Agreement in the light of its objectives set out in paragraph 1 and in accordance with applicable rules of international law. (SICE, 2015)

On a specific agenda Guatemala, is trying to maintain its regional status as administrative hub, remain the biggest economy with the highest GDP in the region, as well as to promote economic development in order to attract more foreign direct investment. Guatemala needs to promote economic development to keep fighting chronic problems such as poverty, drug smuggling and the rising insecurity levels.

Since 2001, Guatemala's commercial balance with the United States has been negative for the Central American country because the United States has been an important supplier of a wide variety of manufactured goods and assets. Guatemala's exports to the United States have developed an annual growth average of 5%, ever since the DR-CAFTA entered into force. Guatemala's imports from the United States also show a positive annual growth average of 6.4%. (Viceministerio de Integración y Comercio Exterior y Dirección de Análisis Económico, 2014)

For the year 2013, the main products Guatemala exported to the United States were textiles and garments, bananas, precious stones and semiprecious metals, coffee, fruits, oil, vegetables, paper and carton, rubber, and flowers. All these products constitute more than 85% of Guatemala's total exports to the United States. (Viceministerio de Integración y Comercio Exterior y Dirección de Análisis Económico, 2014)

The leading products Guatemala imports from the United States are as follows: oil, machinery and electronic equipment, cars and transportation gear, plastics and their derivatives, frequency emitter and receiver, paper and carton, processed food for cattle, fabrics and textiles, chemicals, and wheat. These lists of products represent almost 70% of Guatemala's total imports from the United States. (Viceministerio de Integración y Comercio Exterior y Dirección de Análisis Económico, 2014)

The DR-CAFTA benefits have surpassed the international trade goals, on matters of investment; the United States has also taken the place of an important foreign direct investor in Central America. In the particular case of Guatemala,

the United States' investment for the year 2013 represented 16.2% of all FDI. The main investment areas for the United States have been trading, energy, banking, manufacturing and service industry. (Viceministerio de Integración y Comercio Exterior y Dirección de Análisis Económico, 2014) One of the investment sectors that have been revolutionizing Guatemala's economy is the call centers and BPOs.

On the other hand, flexible rules of origin within the seven signing countries of the DR-CAFTA have allowed the establishment of production chains promoting more intraregional trade. This is a paradox in itself because it intends to generate better relations among the member but also promotes greater competition in order to generate the finish product to obtain superior revenues. The Guatemalan government, as well as the rest of Central America, has been putting effort in order to expedite trade under the effort DR-CAFTA. (Viceministerio de Integración y Comercio Exterior y Dirección de Análisis Económico, 2014)

4.3 Winners, Losers & Exceptions

In order to understand if the DR-CAFTA is a mechanism that promotes Guatemala's economic security by guaranteeing the best access possible to the United States market. It is important to analyze to compare Guatemala's export performance to its neighboring countries from the previous analysis to determine if the countries political motivations and economic incentives are being met.

From the previous analysis on the Central American countries to the United States, we can conclude that Costa Rica is the country that exports more in terms

of value to the United States. During the eight years analyzed in this thesis, Costa Rica's Top five exports to the United States were made up from 8 different products; six of them involved processing.

Three of the top five products required high technological facilities as well as educated on a technical level human capital in order to develop them, these products are: Machinery, nuclear reactors, boilers; optical, photo, technical, medical apparatus; and electrical and electronic equipment. Costa Rica is the only country in Central America, exporting the first two.

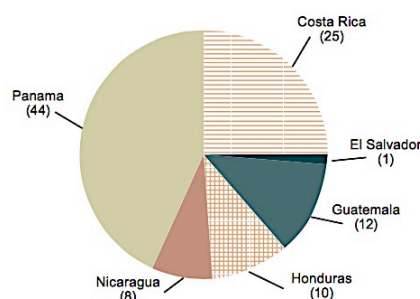
The previous analysis demonstrated that there was no significant change in Costa Rica's export pattern to the United States, as the other Central American countries did. But it is not only on matters of bilateral trade that Costa Rica is an exemption of dramatic changes. Costa Rica economic growth has led to the lowest poverty index, lowest illiteracy rate and lowest insecurity in the region, making it a more attractive country for investment. Still the country is not included in most of the United States Foreign Aid projects, due to its status of "upper middle income" in the region. (Dyer, 2015)

Nevertheless, when it comes to Foreign Direct Investment from the United States, this is what a recent study published by the United Nations found:

FDI in Central American economies continued to grow in 2013, reaching a record US\$ 10.691 billion, 21% higher than in the previous year. Panama is the largest recipient in Central America (see figure I.15), and the largest in Latin America relative to the size of its economy. Costa Rica and Nicaragua also receive substantial FDI inflows, which have been growing in recent years. On the other hand, FDI flows in Guatemala and El Salvador remain modest. (Unit on Investment and Corporate Strategies of the Division of Production, Productivity and Management of the Economic Commission for Latin America and the Caribbean (ECLAC), 2013)

Figure 4.8 The United States' FDI to Central America

Figure I.15
Central America: distribution of FDI inflows by country, 2013
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 8 May 2014.

Costa Rica's low poverty and insecurity rates have placed the country in a privileged position to attract Foreign Direct Investment from the United States. The information shows that as of the year 2014, Costa Rica is the Central American country that has secured the best access possible to the United States market, by being the country that exports most in terms of value and attracts more FDI to its territory.

However, Costa Rica's privileged economic position in the United States market is not a result of the DR-CAFTA. It is due to other socio-economical aspects that have shaped the country's reality very far and different from Guatemala. (Guatemala's Ministry of Economy, 2014) Analyzing Figure 4.8 Central America's Exports to the United States shows trends that the DR-CAFTA has had a great impact in Guatemala's significant export growth to the United States market.

Guatemala has also established a significant advantage from the two other members of the Central American Northern Triangle, which are the ones with

whom Guatemala shares various socio-economical aspects, like high poverty rates, illiteracy and the growing rates of murder and insecurity due to the drug smuggling and gang activity in these territories.³

Guatemala also shares many of the top export products with Honduras and El Salvador to the North American market. Guatemala and El Salvador, both have among their top five export products: coffee, tea, mate and spices; sugars and sugars confectionary; articles of apparel, accessories, knit or crochet; and articles of apparel, accessories, not knit or crochet. Guatemala and Honduras have these products same products in their top five exports to the United States: edible fruit, nuts, peel of citrus fruits, melons; coffee, tea, mate and spices; sugars and sugar confectionary; articles of apparel, accessories, not knit or crochet; and articles of apparel, knit or crochet.

Sharing many of the same top export products raises a lot of challenges for these countries. Especially when their socio-economical situation is very similar. That is why it is imperative to find a way to differentiate or provide a competitive advantage that will make them stand out. Fortunately, Guatemala's greatest competitive advantage with El Salvador and Honduras is its geographical location.

Guatemala is a logistics and a regional services center given its proximity to the United States and access to both the Pacific and Atlantic Oceans. (Guatemala's Ministry of Economy, 2014) Guatemala's port system accounts for 33% of total maritime cargo from Central America, its infrastructure is used as a

³ Direct comparison between Guatemala and the rest of Central America in the Appendix, pages 69-80.

bridge for exports and imports from El Salvador, Honduras, Nicaragua, Belize and México. (Guatemala's Ministry of Economy, 2014) This element is what still keeps Guatemala as the strategic leader in Central America, serving as the region's administrative hub.

Unlike El Salvador and Honduras, Nicaragua and Guatemala's socio-economical levels are not that similar, creating a more distinctive difference between both countries. Despite the fact that they share some top export products to the United States, Guatemala's location compensates as a very distinctive competitive advantage, the rest of Central American countries do not have the port infrastructure that facilitates trade from both oceans.



Chapter V: Conclusion

5.1 General Conclusions

This thesis research concluded that trading with the United States is profitable, that all the Central American countries have seen export growth towards the North American country's market. However, trade effects vary from country to country, and even though various members from Central America signed into a regional Free Trade Agreement, the expected results will vary according to each country's socio-economical capabilities and natural resources.

Trade agreements create opportunities but do not guarantee results. (López & Shankar, 2011) In the specific case of the DR-CAFTA, the diversity between the countries has led to different export patterns. "Nicaragua's exports are dominated by agriculture and agricultural products, while Costa Rica, the Dominican Republic, and El Salvador largely export manufactures. Guatemala and Honduras export a mix of both agricultural and manufactured goods." (López & Shankar, 2011)

Despite that the Central American countries share the same market North American market, each country has taken its competitive advantages to differentiating from each other. The same way, the DR-CAFTA has showed different effects for the countries, not following a particular pattern for the regional FTA signature, ratification or entering into force date. While complementing and competing with each other, Guatemala's export growth has achieved significant growth in terms of value exported.

It has been Guatemala's mission to take the most advantage of the regional FTA in order to promote its own economic security by guaranteeing the best access possible to the United States Market. Notwithstanding, the fact that Guatemala is not Central America's biggest exporter to the United States, it is without a doubt the one that whose exports have increased the most, stating that the regional FTA works, but the results will be different for each party involved.

5.2 Research Findings

The most interesting finding during this thesis is the non-existent literature on the topic. As important as this regional FTA is for Central America's economic development the sources available are very scarce. Most of the sources are coming from United States institutions, academic centers and even international organizations, such as the World Bank, who are financed in great extent by the United States Government.

"[...T]he benefits associated with trade agreements appear to be related to, among others, the quality of institutions, human capital, infrastructure, and the process of technological upgrading in the country of question." (López & Shankar, 2011) This is a key element when understanding the difference in performance for all the Central American countries, why their behavior has been so different despite of their similarities.

5.3 Recommendations

The recommendations on the subject are to promote more awareness and information in small and medium enterprises in Central America about the DR-CAFTA. This way, different groups of people will perceive the benefits of exporting under this regional FTA. A recommendation to the Central American

governments is to invest in security and infrastructure that way countries can benefit from attracting more Foreign Direct Investment and generating more economic growth.

With more economic growth and development, educational indexes will go up, as poverty and crime will reduce. This will enable the countries a stronger capability to continue to diversify and become more competitive, as they explore new market opportunities. This will enable the countries to have a more sustainable financial and diversified future, promoting more economic growth in the region.



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Appendix

Table App 1 Costa Rica's International Trade Agreements

Costa Rica				
No.	Agreement Name	Agreement Type	Signature Date	Ratification Date
1	WTO	Multilateral	May 7th 1995	
2	CACM	Customs Unions	December 13th 1960	
3	European Free Trade Association (EFTA) -- Central America	Free Trade Agreement	June 24th 2013	
4	Central America - European Union (CR,SV,GT,HN,NI,PA)	Free Trade Agreement	June 29th 2012	
5	Central America (C-5) - Mexico	Free Trade Agreement	November 22nd 2011	
6	Peru	Free Trade Agreement	May 26th 2011	June 1st 2013
7	China	Free Trade Agreement	April 8th 2010	August 1st 2013
8	Singapore	Free Trade Agreement	April 6th 2010	July 1st 2013
9	DR-CAFTA (Dominican Republic-Central America and the US)	Free Trade Agreement	August 5th 2004	
10	CARICOM	Free Trade Agreement	March 9th 2004	
11	Central America (C-5) - Panama	Free Trade Agreement	March 6th 2002	
12	Canada	Free Trade Agreement	April 23rd 2001	November 1st 2002
13	Central America (C-5) - Chile	Free Trade Agreement	October 18th 1999	
14	Central America (C-5) - Dominican Republic	Free Trade Agreement	April 16th 1998	
15	Venezuela	Preferential Trade Agreements	March 21st 1986	
16	Colombia		March 2nd 1984	
17	Colombia	Free Trade Agreement	May 22nd 2013	

Information Source SICE OAS

Table App 2 El Salvador's International Trade Agreements

El Salvador				
No.	Agreement Name	Agreement Type	Signature Date	Ratification Date
1	WTO	Multilateral	May 7th 1995	
2	CACM	Customs Unions	December 13th 1960	
3	Central America - European Union (CR,SV,GT,HN,NI,PA)	Free Trade Agreement	June 29th 2012	
4	Central America (C-5) - Mexico	Free Trade Agreement	November 22nd 2011	
5	Northern Triangle - Colombia	Free Trade Agreement	August 9th 2007	
6	Taiwan (ROC) - (Honduras and El Salvador)	Free Trade Agreement	May 7th 2007	
7	DR-CAFTA (Dominican Republic-Central America and the US)	Free Trade Agreement	August 5th 2004	
8	Central America (C-5) - Panama	Free Trade Agreement	March 6th 2002	
9	Central America (C-5) - Chile	Free Trade Agreement	October 18th 1999	
10	Central America (C-5) - Dominican Republic	Free Trade Agreement	April 16th 1998	
11	Venezuela	Preferential Trade Agreements	March 10th 1986	

Information Source SICE OAS

Table App 3 Guatemala's International Trade Agreements

Guatemala				
No.	Agreement Name	Agreement Type	Signature Date	Ratification Date
1	WTO	Multilateral	July 21st 1995	
2	CACM	Customs Unions	December 13th 1960	
3	Central America - European Union (CR,SV,GT,HN,NI,PA)	Free Trade Agreement	June 24th 2012	
4	Central America (C-5) - Mexico	Free Trade Agreement	November 22nd 2011	
5	Northern Triangle - Colombia	Free Trade Agreement	August 9th 2007	
6	Taiwan (ROC)	Free Trade Agreement	September 22nd 2005	July 1st 2006
7	DR-CAFTA (Dominican Republic-Central America and the US)	Free Trade Agreement	August 5th 2004	
8	Central America (C-5) - Panama	Free Trade Agreement	March 6th 2002	
9	Central America (C-5) - Chile	Free Trade Agreement	October 18th 1999	
10	Central America (C-5) - Dominican Republic	Free Trade Agreement	April 16th 1998	
11	Ecuador	Preferential Trade Agreement	April 15th 2011	February 19th 2013
12	Belize	Preferential Trade Agreement	June 26th 2006	April 4th 2010
13	Venezuela	Preferential Trade Agreement	March 10th 1986	
14	Peru	Free Trade Agreement	December 6th 2011	

Information Source SICE OAS

Table App 4 Honduras' International Trade Agreements

Honduras				
No.	Agreement Name	Agreement Type	Signature Date	Ratification Date
1	WTO	Multilateral	January 1st 1995	
2	CACM	Customs Unions	December 13th 1960	
3	Canada	Free Trade Agreement	November 5th 2013	October 1st 2014
4	Central America - European Union (CR,SV,GT,HN,NI,PA)	Free Trade Agreement	June 29th 2012	
5	Central America (C-5) - Mexico	Free Trade Agreement	November 22nd 2011	
6	Northern Triangle - Colombia	Free Trade Agreement	August 9th 2007	
7	Taiwan (ROC) - (Honduras and El Salvador)	Free Trade Agreement	May 7th 2007	
8	DR-CAFTA (Dominican Republic-Central America and the US)	Free Trade Agreement	August 5th 2004	
9	Central America (C-5) - Panama	Free Trade Agreement	March 6th 2002	
10	Central America (C-5) - Chile	Free Trade Agreement	October 18th 1999	
11	Central America (C-5) - Dominican Republic	Free Trade Agreement	April 16th 1998	
12	Venezuela	Preferential Trade Agreement	February 20th 1986	
13	Peru	Free Trade Agreement	May 29th 2015	

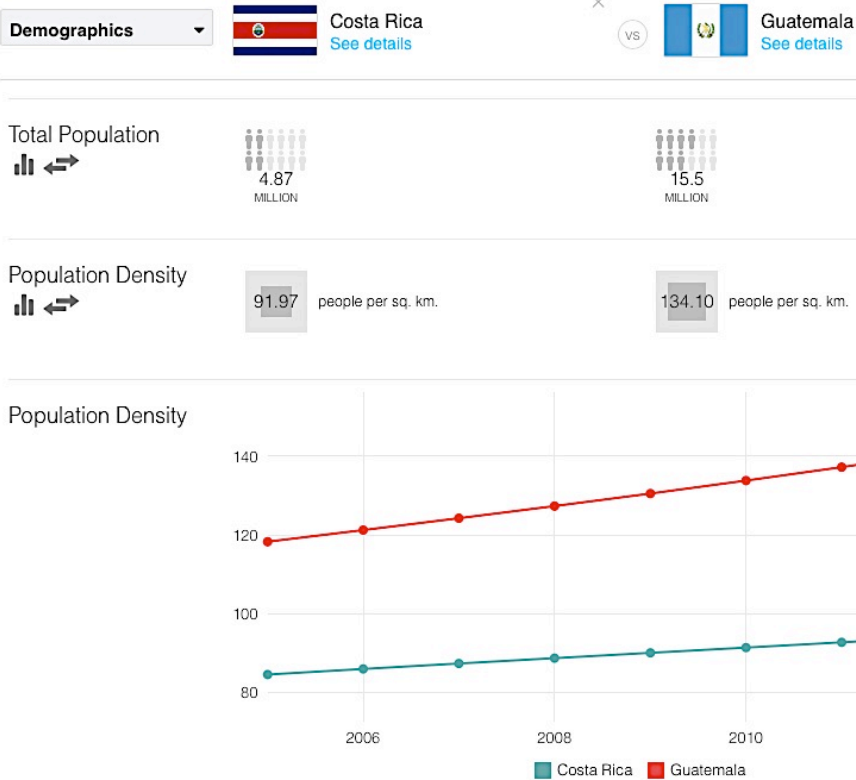
Information Source SICE OAS

Table App 5 Nicaragua's International Trade Agreements

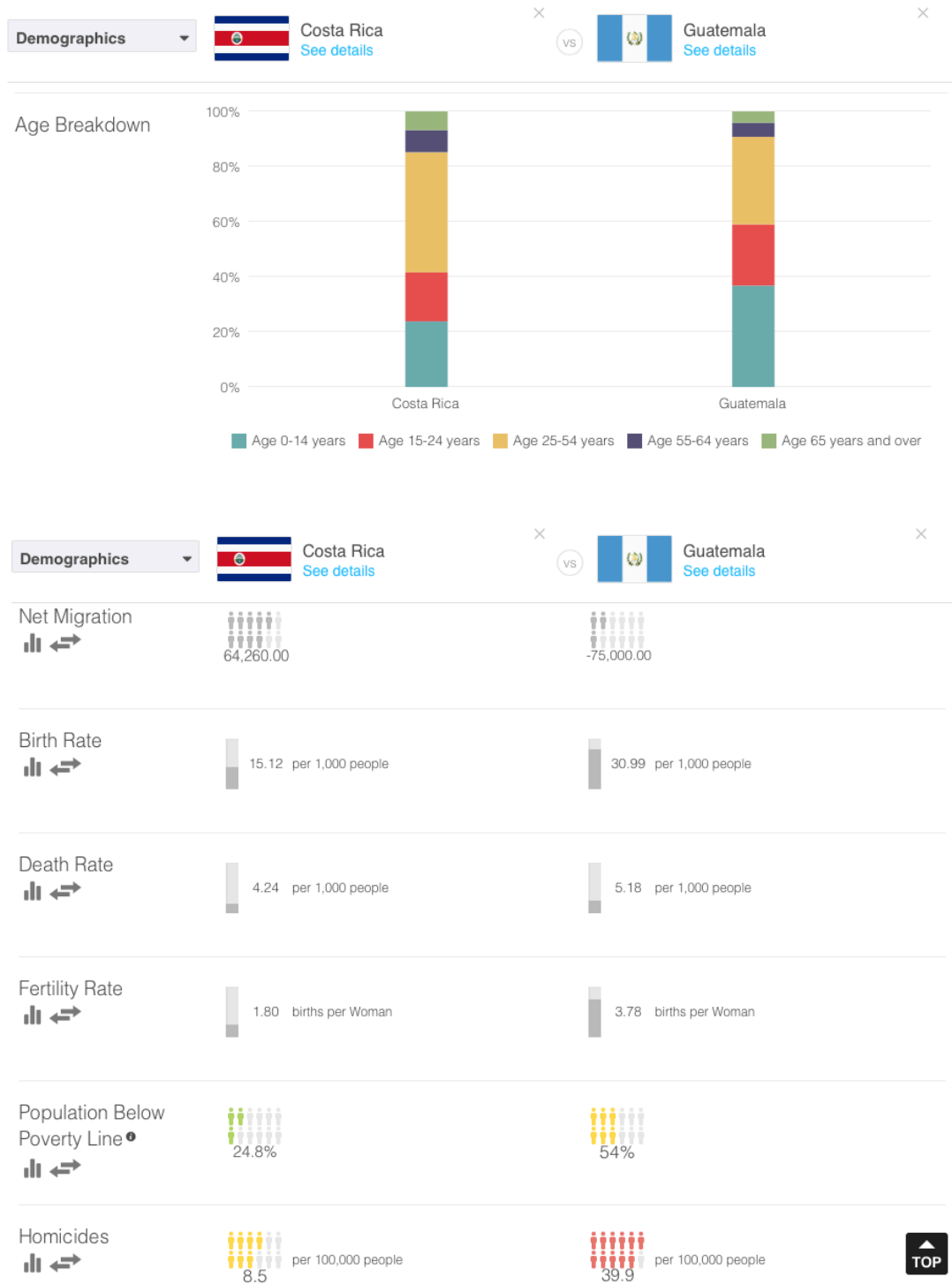
Nicaragua				
No.	Agreement Name	Agreement Type	Signature Date	Ratification Date
1	WTO	Multilateral	September 3rd 1995	
2	CACM	Customs Unions	December 13th 1960	
3	Central America - European Union (CR,SV,GT,HN,NI,PA)	Free Trade Agreement	June 29th 2012	
4	Central America (C-5) - Mexico	Free Trade Agreement	November 22nd 2011	
5	Taiwan (ROC)	Free Trade Agreement	June 16th 2006	January 1st 2008
6	DR-CAFTA (Dominican Republic-Central America and the US)	Free Trade Agreement	August 5th 2004	
7	Central America (C-5) - Panama	Free Trade Agreement	March 6th 2002	
8	Central America (C-5) - Chile	Free Trade Agreement	October 18th 1999	
9	Central America (C-5) - Dominican Republic	Free Trade Agreement	April 16th 1998	
10	Venezuela	Preferential Trade Agreement	August 15th 1986	
11	Colombia	Preferential Trade Agreement	March 2nd 1984	

Information Source SICE OAS

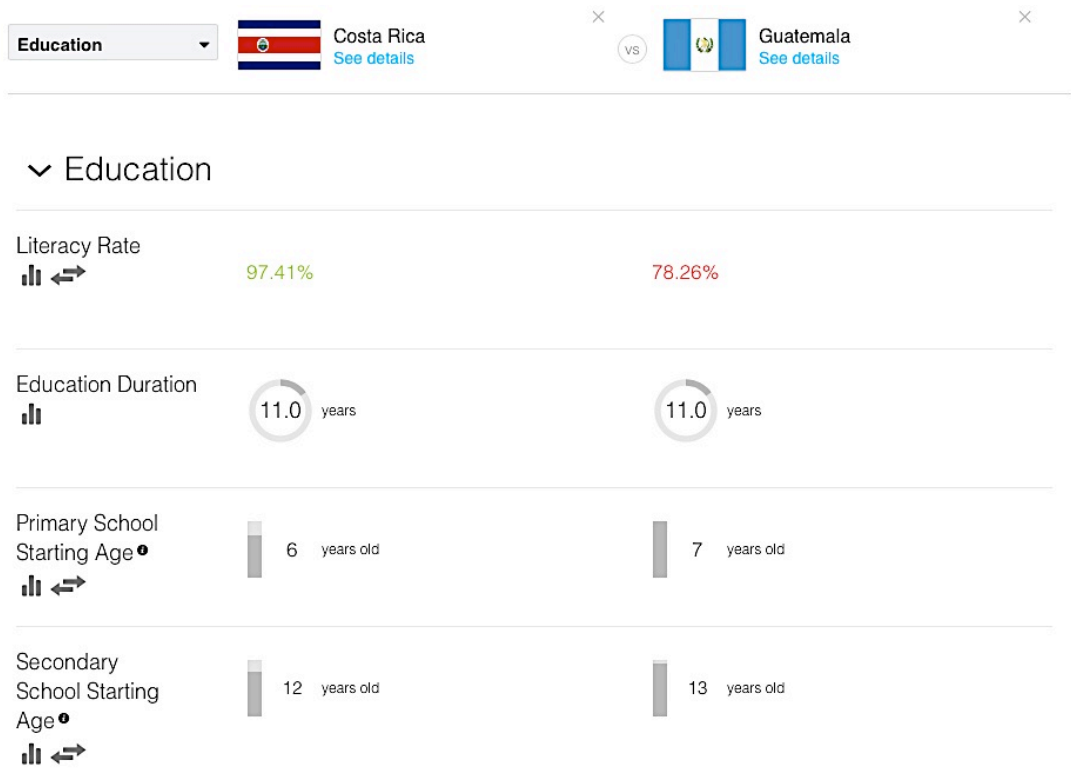
Comparison Between Costa Rica and Guatemala



Source: <http://www.findthedata.com>



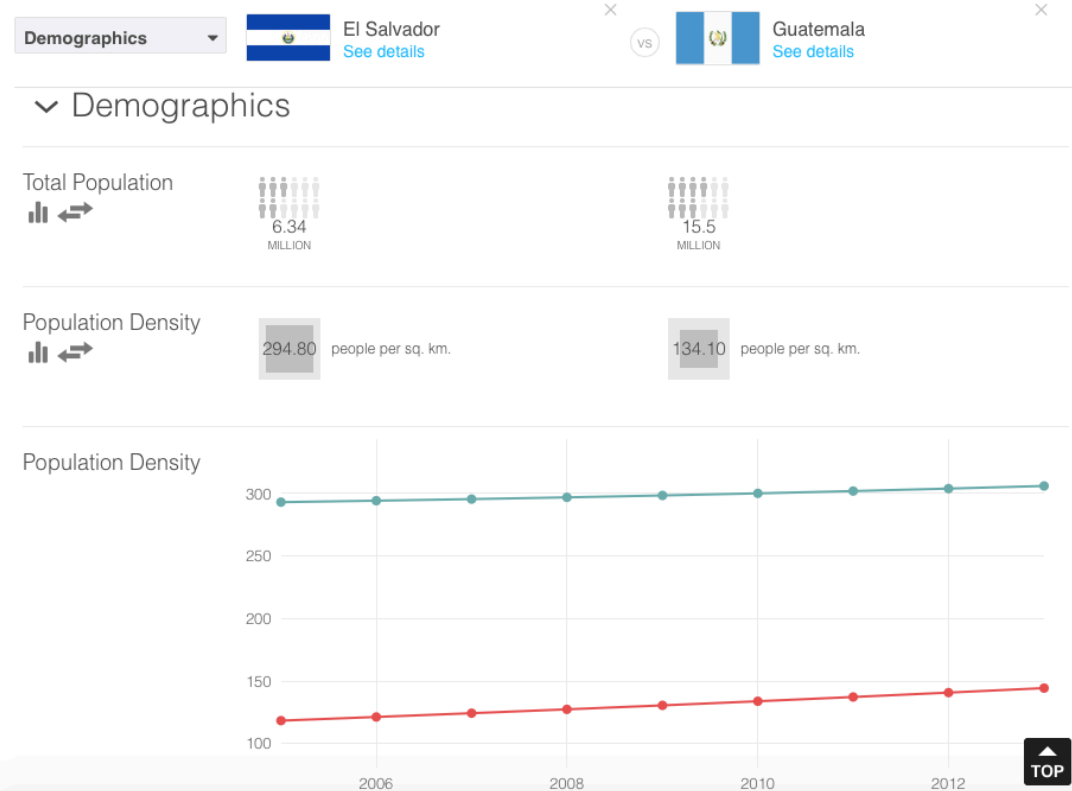
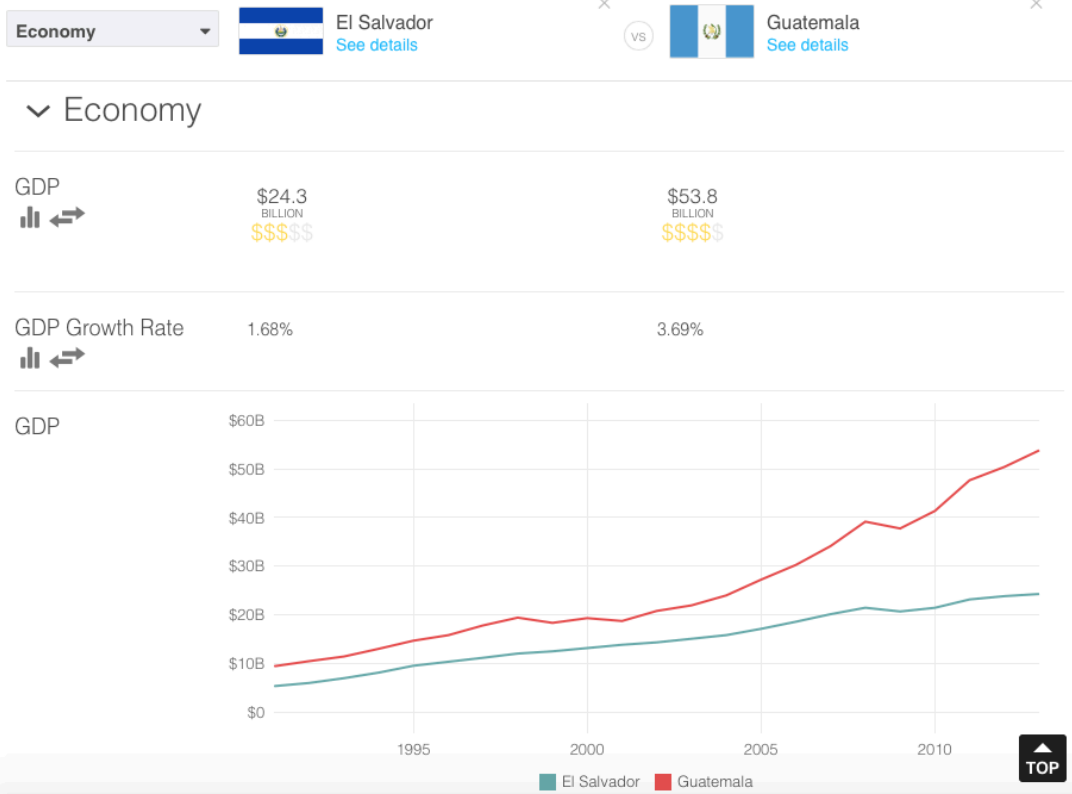
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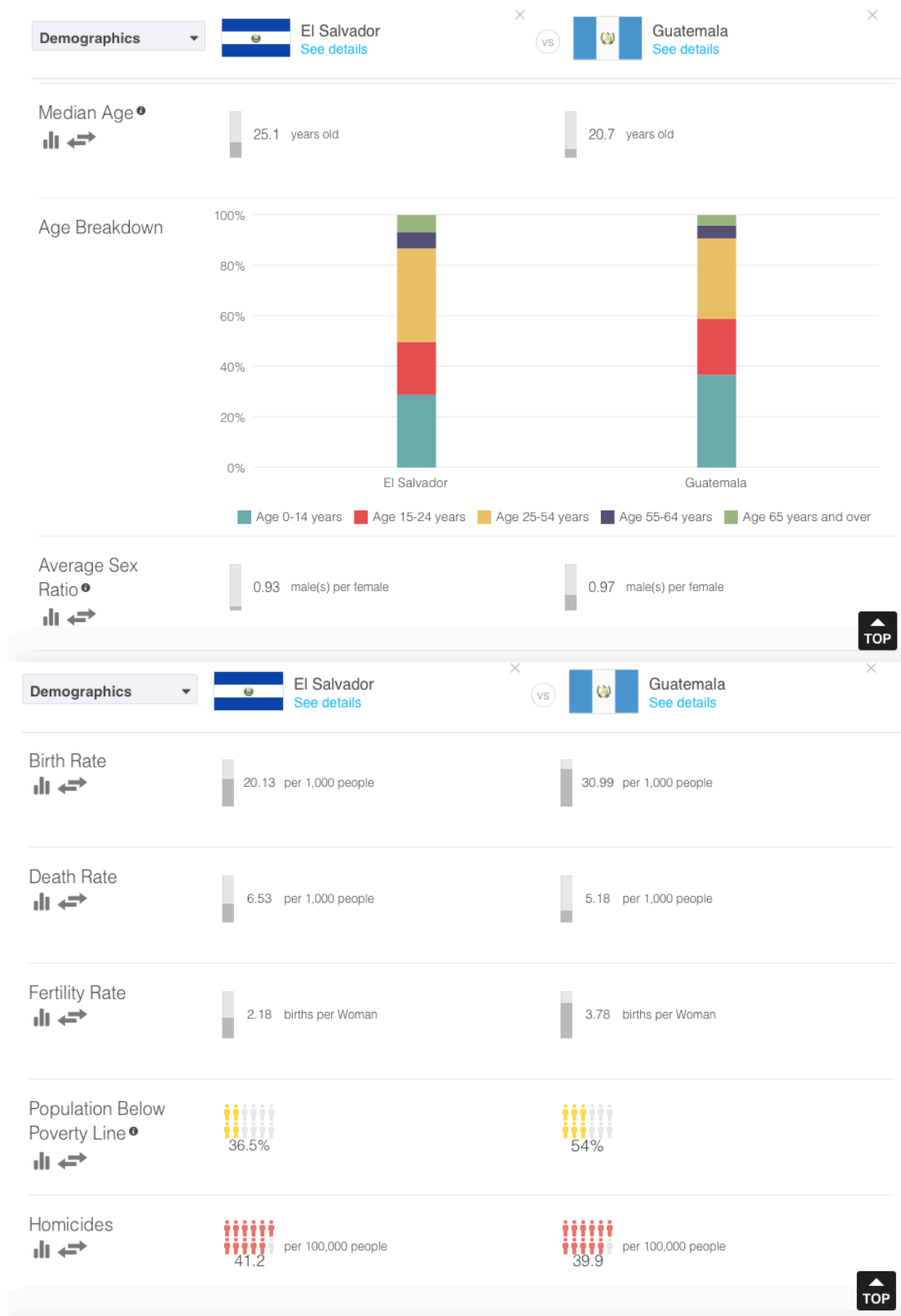
Source: <http://www.findthedata.com>



Comparison Between El Salvador and Guatemala



Source: <http://www.findthedata.com>



Education



El Salvador
[See details](#)

×

vs



Guatemala
[See details](#)

×

Education

Literacy Rate



85.49%

78.26%

Education Duration



12.0 years

11.0 years

Primary School
Starting Age



7 years old

7 years old

Secondary
School Starting
Age



13 years old

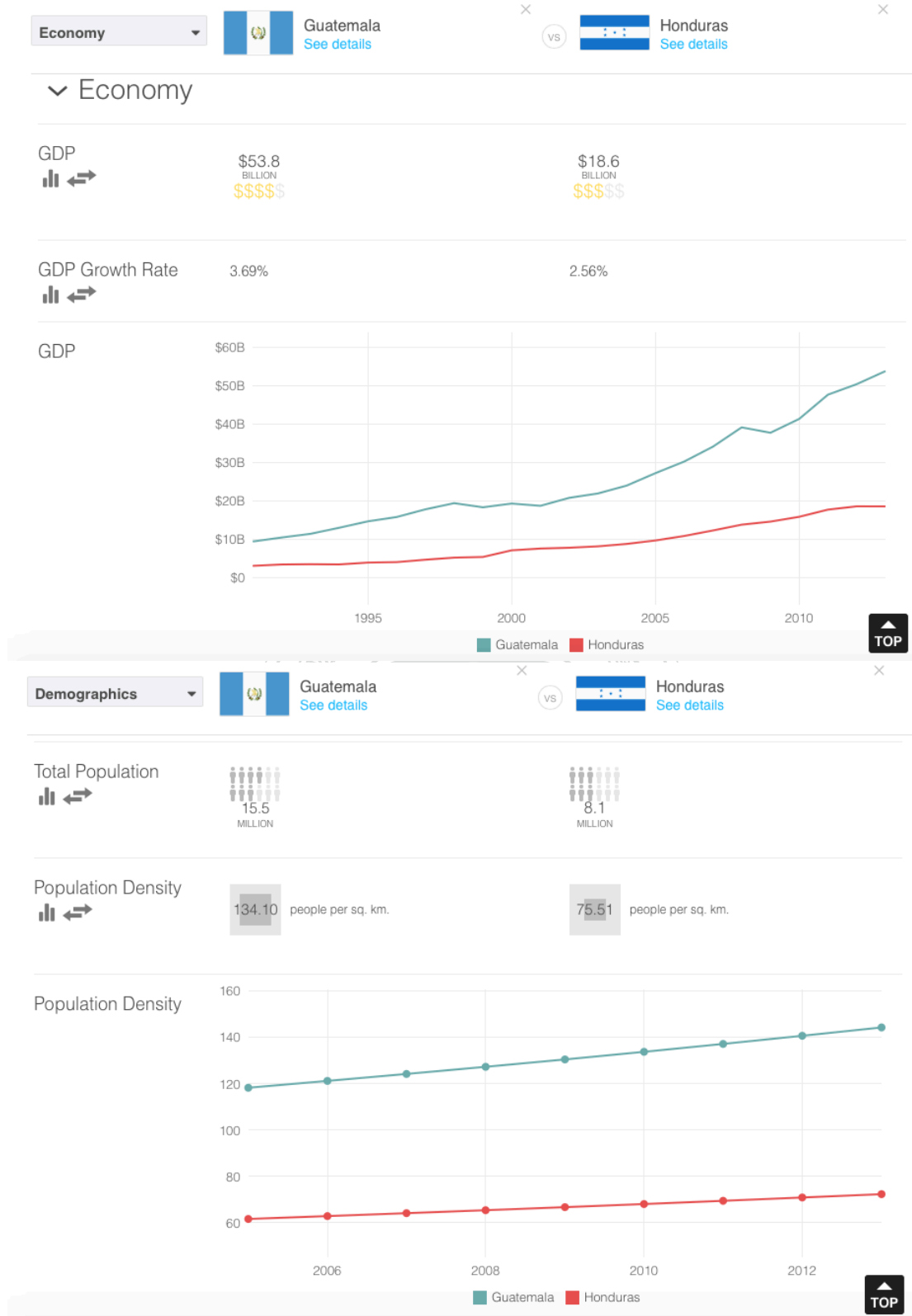
13 years old

TOP

Source: <http://www.findthedata.com>



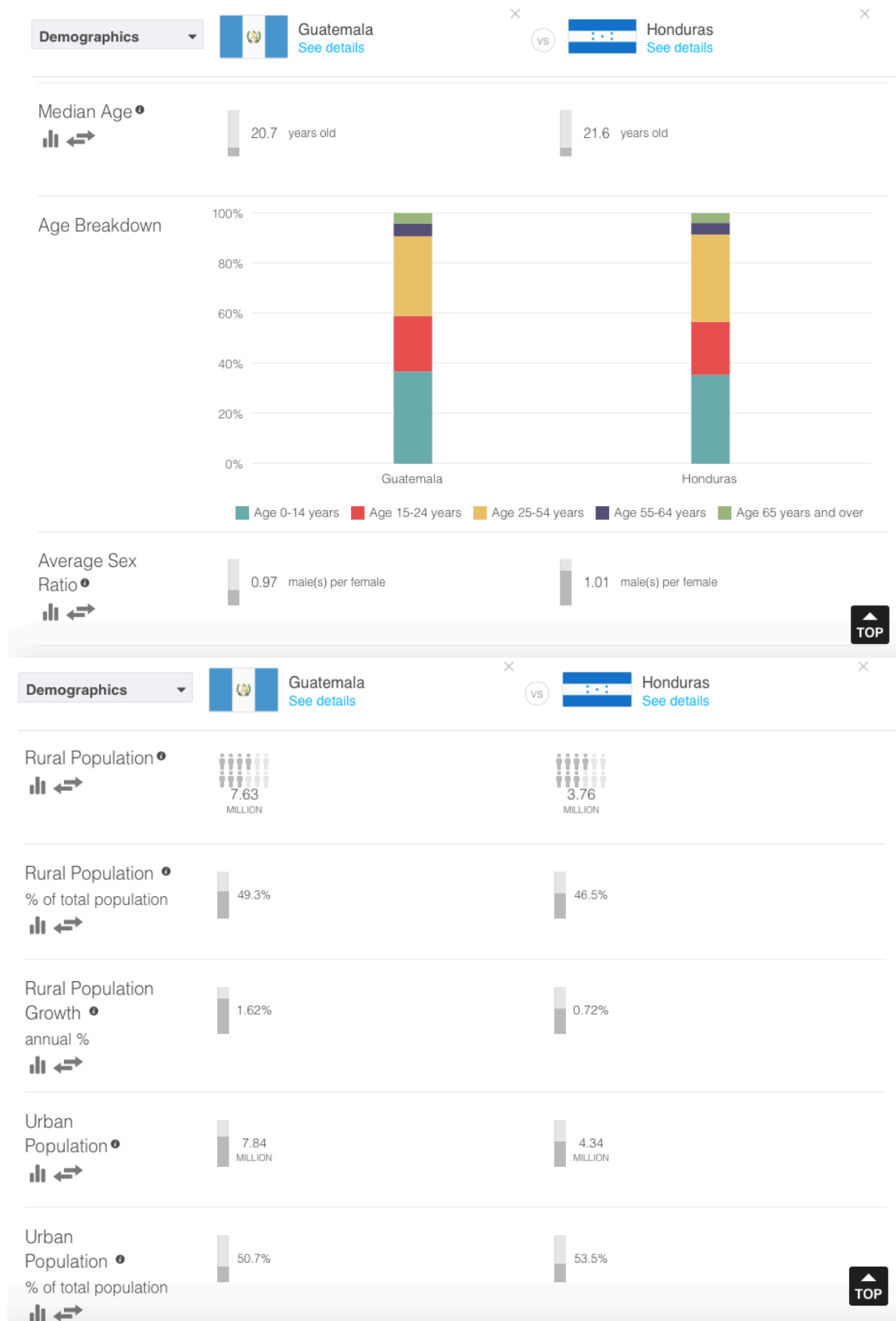
Comparison Between Guatemala and Honduras



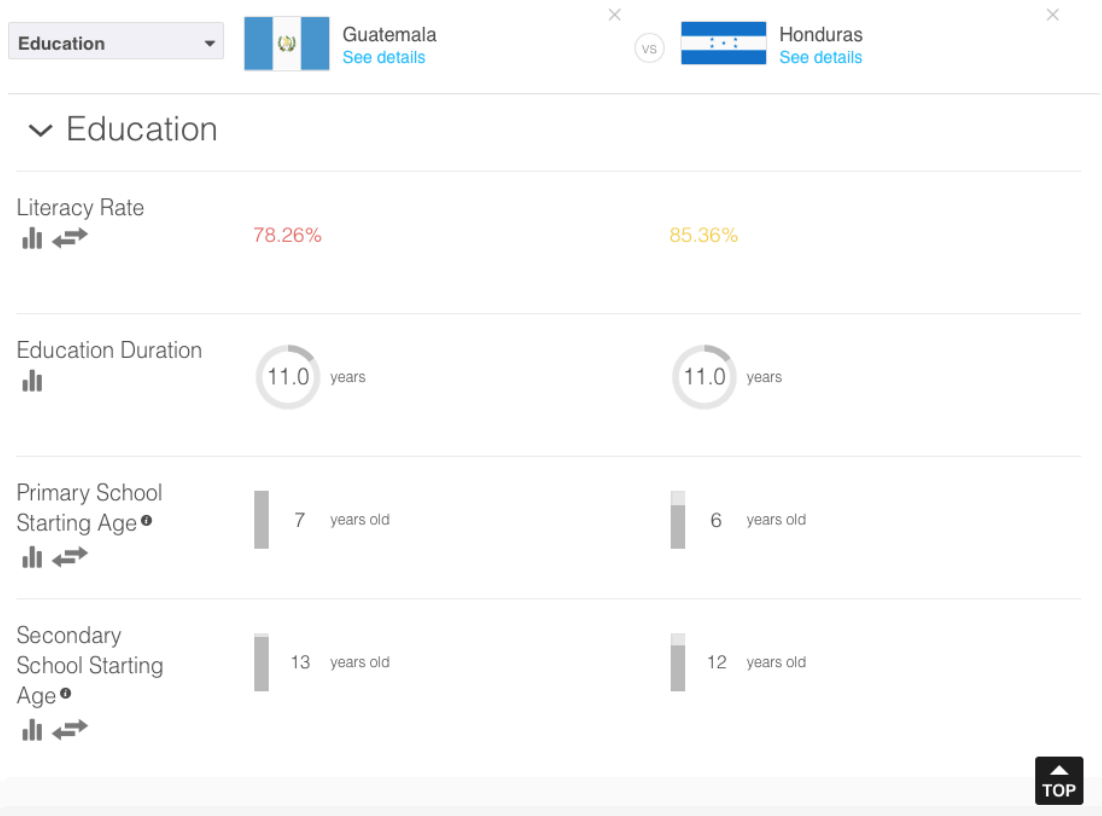
Population Density

Year	Guatemala (people/sq. km.)	Honduras (people/sq. km.)
2006	120	60
2008	128	65
2010	135	68
2012	145	75

Source: <http://www.findthedata.com>



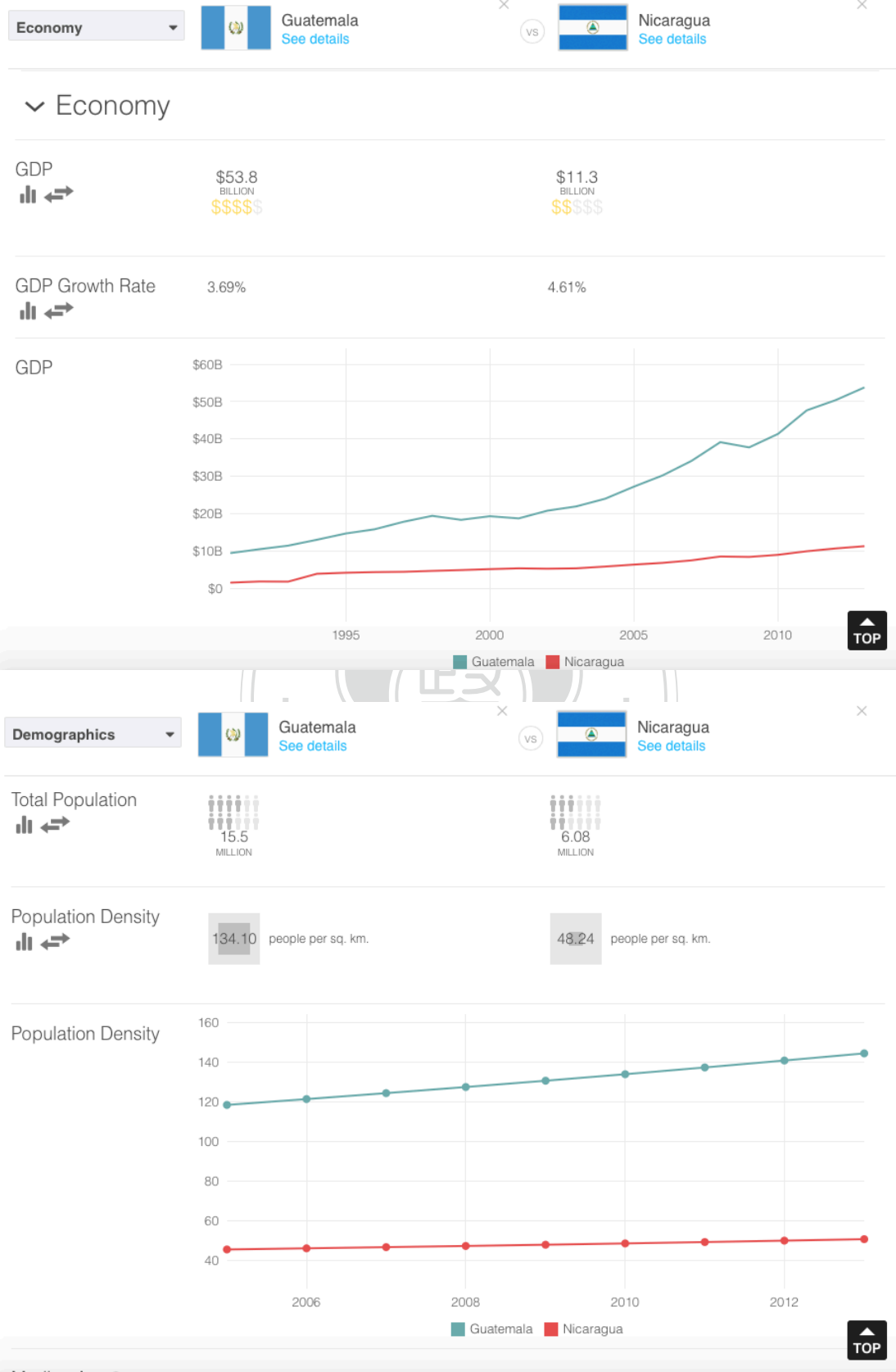
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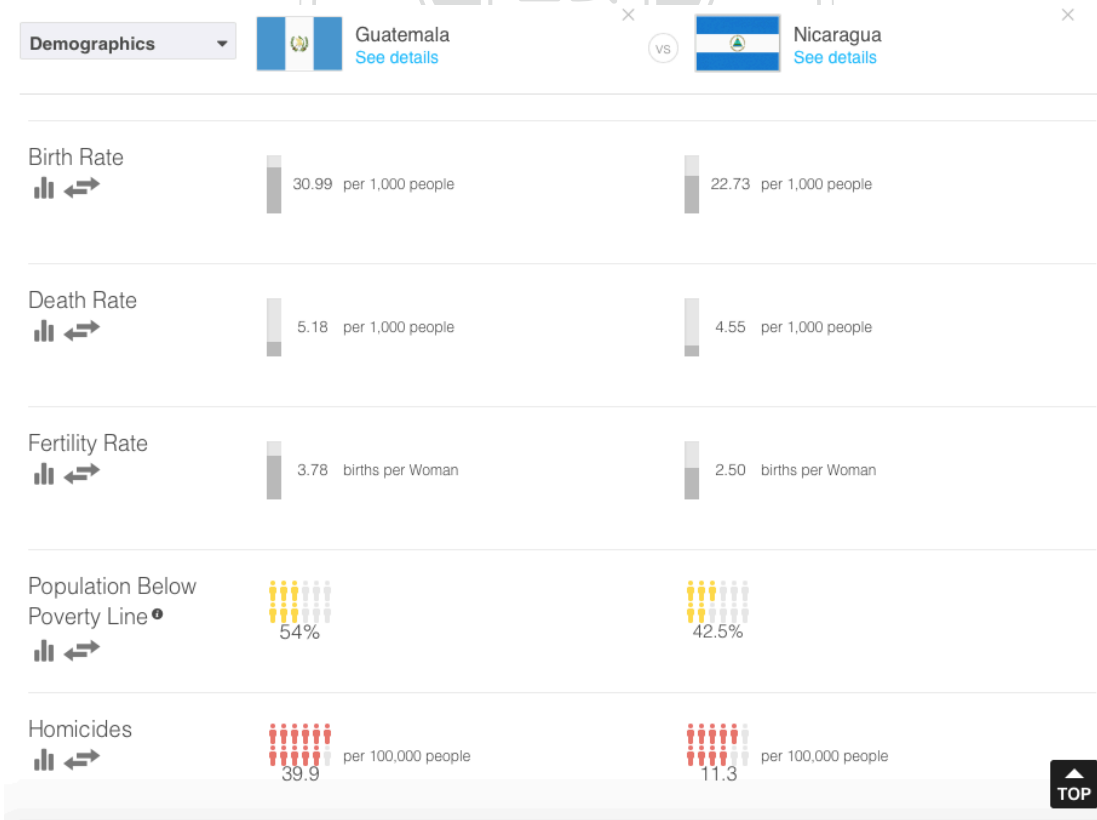
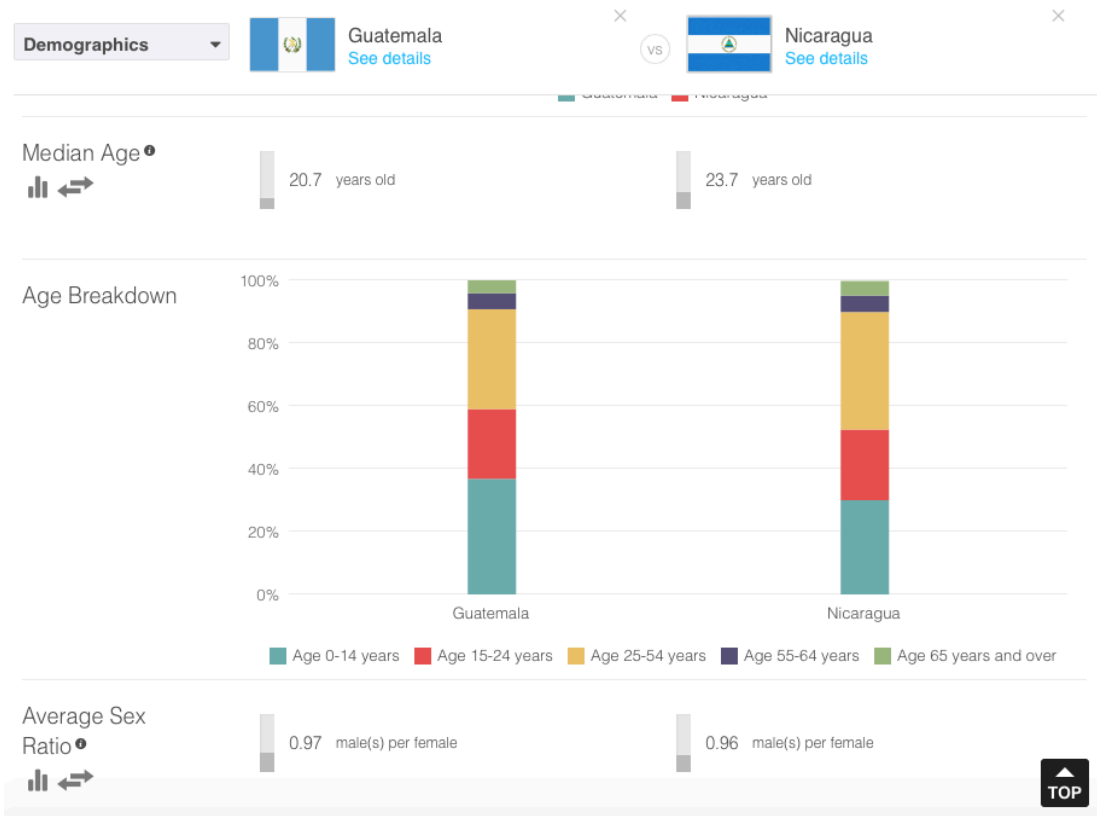
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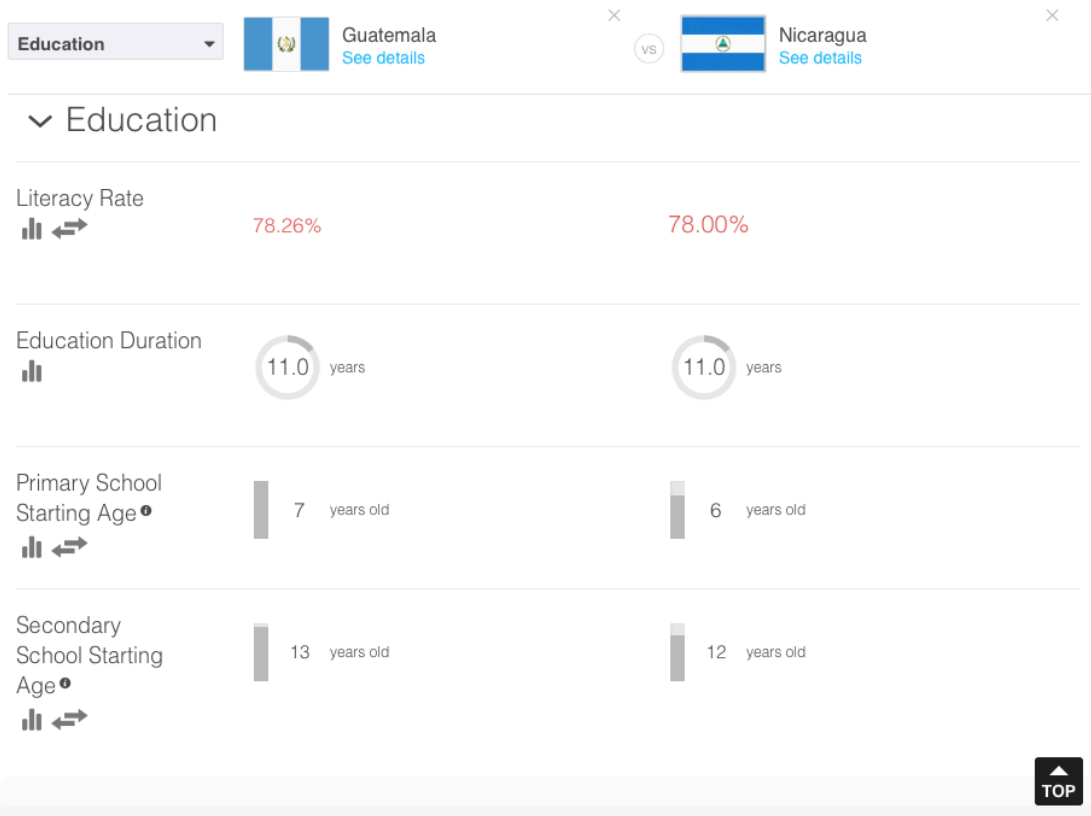
Comparison Between Guatemala and Nicaragua



Source: <http://www.findthedata.com>



Source: <http://www.findthedata.com>



Source: <http://www.findthedata.com>

