

Institute Letter to Congress on Central American Free Trade Agreement

May 2, 2005

The Honorable Roy Blunt
Majority Whip
H-329 The Capitol
Washington, DC 20515

RE: The Free Trade Agreement with Central American Trading Partners (CAFTA)

Dear Congressman Blunt:

I am writing to express the support of the Investment Company Institute ¹ for CAFTA, the free trade agreement negotiated by the U.S. with Central American trading partners.

Mutual funds increasingly are the investment of choice for consumers around the world. The U.S. mutual fund industry, with total assets of nearly \$8 trillion, is a model for the rest of the world in providing quality investment management services at reasonable cost. U.S. asset management firms would like to take this success abroad and market their services outside the U.S. CAFTA helps assure that Institute members will be able to do business in Central America without encountering discrimination or barriers to market entry.

CAFTA advances the industry's market access goals in several important respects. Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua did not take commitments in asset management in the 1997 GATS Financial Services Agreement and, thus, CAFTA provides legal certainty for the first time that U.S. firms will be afforded national treatment, non-discrimination and the right of establishment in those countries. The agreement goes beyond the progress made in 1997 in the GATS, however, by also including a commitment to permit the cross-border supply of portfolio management services to mutual funds. This commitment is of great importance to the U.S. industry. The financial services transparency commitments in CAFTA also represent an important achievement that we hope will be a precedent for all trade agreements.

We urge you to support approval of CAFTA.

Sincerely,

Paul Schott Stevens
President

cc: The Honorable J. Dennis Hastert
The Honorable Tom DeLay
The Honorable Nancy Pelosi
The Honorable Steny Hoyer

ENDNOTES

¹ ICI members include 8,512 open-end investment companies (mutual funds), 650 closed-end investment companies, 143 exchange-traded funds, and 5 sponsors of unit investment trusts. Mutual fund members of the ICI have total assets of approximately \$7.959 trillion (representing more than 95 percent of all assets of US mutual funds); these funds serve approximately 87.7 million shareholders in more than 51.2 million households.

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