



GC Newsletter

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PROCUREMENT OPPORTUNITIES UNDER CAFTA-DR

Implementation of the Central American and the Dominican Republic Free Trade Agreement (CAFTA-DR) is opening doors to state and federal contracts in the United States, five Central American countries and the Dominican Republic. CAFTA-DR's Chapter 9 eliminates "national preference" obstacles, like U.S. "Buy American" provisions, that previously blocked participation in government procurement markets. Now, when making purchases above stated dollar thresholds, covered agencies and departments in the US Federal government, 7 sub-Federal entities (such as the Tennessee Valley Authority or the Rural Utilities Service) must treat CAFTA-DR and US-owned businesses equally. US businesses must be given the same treatment in procurements in the Dominican Republic, Honduras, El Salvador, Guatemalan, Nicaragua and, if and when implemented there, Costa Rica.

The road to implementation has been long. President Bush signed the CAFTA-DR into law in August, 2005. The CAFTA-DR entered into force for El Salvador on March 1, 2006, for Honduras and Nicaragua on April 1, 2006, for Guatemala on July 1, 2006, and for the Dominican Republic in September, 2006.

Nevertheless, Chapter 9's procurement opportunities are exciting to CAFTA-DR businesses. Even when only procurement actions of \$25,000 and more are considered, U.S. Federal procurement spending in 2003 exceeded \$274 Billion overall, at levels in excess of \$1 Billion within 38 of the 50 states. Technology and the opportunity to partner with small U.S. businesses makes all of this market this potentially available to Central American businesses. Business decision makers now can analyze Federal data from multiple sources to determine which Federal markets offer more promising returns on investments. All markets (Federal and state) provide easy access to upcoming bid information through official websites and portals. The opportunities are equally exciting for small US businesses willing to consider cross-border partnering, teaming and targeted supply arrangements. US small businesses and their CAFTA-DR counterparts can form stronger and more cost-competitive teams by pooling resources. The goods and services purchased by the Federal government fall within every conceivable category, and the potential areas for combination are many and varied. For example, US contractors can look for CAFTA-DR partners to provide lower-cost materials (wood, concrete, electrical wiring) and services needed for infrastructure development. Similar opportunities exist for US service providers in teaming with CAFTA-DR producers of food, sheets, towels, furniture and janitorial supplies. This teaming arrangements will reduce material and overhead costs and improved supply lines.

The advantages offered by CAFTA-DR are available to large and small businesses alike. Nevertheless, small businesses, because they are more flexible than their larger counterparts, are more likely to benefit from CAFTA-DR's procurement opportunities, which will require that businesses be creative and adapt to new approaches. In addition, the size and complexity of the US market, as well as the scope and volume of information available to prospective contractors, will likely drive CAFTA-DR businesses to seek out U.S.-based partners, including U.S. small businesses, to identify joint opportunities and to provide guidance in pursuing those opportunities.



7918 Jones Branch Drive · Suite 750 · McLean, VA 22102 · Telephone: 703-748-5808 · Fax: 703-226-1122

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CAFTA-DR complements other viable Federal contracting opportunities. More than 50% of the Federal government's purchase actions are below the CAFTA-DR threshold, and most, at the "micro-purchase level," are for less than \$2,500 and are already exempt from Buy American requirements. The primary means of accomplishing micro-purchases are purchase card transactions conducted without competition and without the full reporting and accountability procedures required for CAFTA-DR-covered traditional acquisitions. Agencies regularly authorize thousands of agency representatives to make micro-purchases, greatly expanding the number of potential "purchasers" within the Federal market place. As a result, in order to thrive, businesses will need to adopt a marketing strategy that targets a combination of traditional acquisitions (now available through CAFTA-DR) and micro-purchase sales to expand the number of entry points into the Federal market and increase their chances of securing contracts.

Business partnerships formed as a result of CAFTA-DR should be expected to expand beyond Federal procurement opportunities to include the vast State and local markets. (In 2004, for example, the State of California spent more than \$107 billion on food purchases, and more than \$2 billion on cleaning supplies. In 2004 the State of Florida spent more than \$8 billion for food, and nearly \$3 billion for janitorial supplies.).

CAFTA's goals of fostering bilateral trade investment and investment and development in Central America thus present new and unprecedented opportunities for both US small business and Central America to work together.

This article was provided by Ms. Carol O'Riordan who leads The O'Riordan Bethel Law Firm, LLP's Government Contracts practice, and is a Director of Washington Consulting Corporation, which advises governments and companies on matters of public procurement. She can be reached at CORiordan@ORiordan-law.com.