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On April 3, the Dominican Republic officially joined the free-trade block comprising Costa Rica, Guatemala, Honduras, Nicaragua, and El Salvador. Ratification was held up by pressure from domestic producers. The trade treaty (Tratado de Libre Comercio, TLC) had been pending since former President Leonel Fernandez (1996-2000) signed it in April 1998. It was supposed to have gone into effect in March 1999 but encountered objections from some Dominican producers directly affected by the proposed lower tariffs on Central American imports.

In approving the pact March 29, the Senate attached the stipulation that it was not to go into effect until October so that remaining tariff problems might be settled. The Senate postponed ratification of the treaty in February because of these problems. The postponement surprised Central American economy officials, who said they understood that all sectors in the Dominican Republic had been consulted and had raised no objections to the treaty.

According to Frederic Emam-Zade, former negotiator for the Dominican side during Fernandez's presidency, several business sectors along with their congressional supporters held up ratification. He said there was a conflict between TLC supporters and a few senators linked to tobacco, onion, shrimp, dairy, and other producers. President Hipolito Mejia supported free trade and publicly promised the treaty would be ratified in February. Nevertheless, he backed the Senate's postponement citing concerns about unfair competition, especially from Costa Rica and Nicaragua.

The Senate action infuriated Sen. Enrique Lopez, chair of the Senate Finance Committee, who promptly resigned his post and blamed Senate president Ramon Alburquerque for undermining Mejia's commitment. Lopez told the daily El Siglo that several business leaders approached Alburquerque to complain that they had large inventories of Central American imported goods and the TLC would cause them losses. Alburquerque denied the accusation.

However, two major business associations had asked Congress to postpone ratification to give their member businesses time to sell off inventories on which they had paid the higher tariffs. Milk and poultry producers opposed a protocol in the pact that gives Costa Rica and Nicaragua producers access to the Dominican market with a 10% tariff.

The office of Secretary of Foreign Relations told the Spanish News Service EFE, that the protocol conflicts with World Trade Organization (WTO) rules, while Dominican Ambassador to the WTO Maritza Amalia Guerrero said the provision could hurt trade with Canada and the European Union (EU) because the duty on their milk and poultry products is 20%. During debate on the bill, opponents predicted the ruin of domestic production in various industries.

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One opponent of the TLC, congressional Deputy Alfonso Fermin Balacer, said "The TLC was imposed in a manner contrary to the interests of Dominicans." The chief problems cited were high interest rates and production costs and energy shortages. However, Economy Minister Miguel Lacayo said the TLC would open up a market of 8 million consumers to Dominican exports.

US raises objection

Just before the Senate ratification, the commercial attache at the US Embassy in the Dominican Republic wrote to Foreign Relations Minister Tolentino Dipp warning him that the protocol permitting the entry of Costa Rica powdered milk under the 10% tariff violated a prior Dominican agreement with the WTO. Under a 1998 agreement, the EU, New Zealand, the US, and other WTO members were allotted quotas of powered milk they could export to the Dominican Republic. Imports from those countries pay a 20% tariff and would be undercut by the Costa Rica product.

Mejia agreed with the US position but said problems could be worked before the treaty goes into effect in October. "What we can't do is go on waiting."

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