

DR-CAFTA: Effects and Alternatives

The Stop CAFTA Coalition's Third Annual Monitoring Report

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Introduction: Why Stop CAFTA?

DR-CAFTA: Effects and Alternatives

The Stop CAFTA Coalition and its partners have compiled this third annual report to detail the trends and impacts the U.S.-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA) has had on citizens and economies in the signatory countries. The agreement is still relatively new, but the problems and trends forecasted or identified early on have materialized or proven worse than first expected. Patterns of growing inequality and ongoing poverty within the signatory countries have only become more extreme, contrary to claims that DR-CAFTA proponents made when arguing for the agreement's passage.

The Stop CAFTA Coalition has determined that the negative impacts that DR-CAFTA has made in these countries are not simply "growing pains," or the inevitable transitional problems associated with the restructuring of a country's economic system; they are fundamental flaws in the economic theory that drives DR-CAFTA and will likely not improve. Therefore, the Coalition strongly recommends that the DR-CAFTA agreement be reassessed by the incoming Obama Administration and the 111th Congress, which convenes in January 2009. Not only should the U.S. put a moratorium on future CAFTA-style agreements, but Congress should evaluate the existing agreements and renegotiate or roll back the failed accords. In the case of DR-CAFTA, the results of this report lead the Stop CAFTA Coalition to believe that the current agreement should be either completely overhauled or outright eliminated, and that a alternative trade relationship between the U.S. and Central America should be built based on the eight principles of the "Pledge for Trade Justice" presented in the conclusion of this report.

This report differs slightly from previous monitoring reports published by the Stop CAFTA Coalition. Instead of a broad presentation showcasing DR-CAFTA's impact on all signatory countries, this report presents some more specific concerns and patterns in three of the earliest adopters of DR-CAFTA: El Salvador, Guatemala, and Nicaragua. The report also highlights the impact DR-CAFTA has had on the US economy, and showcases some alternative trade agreements that may be better suited to the region. This report is the third in a series of reports by the Stop CAFTA Coalition about DR-CAFTA; the first was published in September 2006 and the second in September 2007. Those reports can be found at www.stopcafta.org.

Background

The Bush administration initiated CAFTA in January 2002 in an effort to revitalize faltering negotiations for a Free Trade Area of the Americas. Following a year of preliminary discussions, official negotiations began in February 2003 and were completed in December of the same year between the United States, El Salvador, Guatemala, Nicaragua, and Honduras. Costa Rica joined the accord in January of 2004, and all six countries formally signed the agreement in May of 2004. In August of 2004, the Dominican Republic was added to the core agreement, thereby creating the U.S.-Dominican Republic-Central America Free Trade Agreement, or DR-CAFTA. In this report, the acronyms CAFTA and DR-CAFTA are used synonymously.

DR-CAFTA was adopted first by El Salvador in December of 2004, and by Honduras and Guatemala in March of 2005. It faced extremely harsh opposition from many labor organizations and civil society organizations in the United States, and its passage was mired in controversy and marked by secrecy. The Bush administration lobbied extensively, and has been accused of threatening and bribing members of Congress in order to get the measure passed. In the U.S. House of Representatives, the vote was held open longer than is permitted, until it was ratified by a margin of one vote in July of 2005. DR-CAFTA was adopted by Nicaragua and the Dominican Republic in September of 2005. Costa Rica submitted the decision to a popular referendum in October 2007, where it passed by the narrowest of margins despite heavy campaigning and threats from President Bush and the United States.

The parties agreed to implement DR-CAFTA on January 1, 2006. In mid-December 2005, however, the United States Trade Representative (USTR) announced that, in its estimation, signatory countries had failed to enact laws necessary to bring their legal systems into compliance with changes mandated by the agreement.

Consequently, the USTR adopted a process of rolling implementation, whereby the USTR would certify countries as ready to implement DR-CAFTA on a case-by-case basis. As a result, DR-CAFTA was implemented first by the United States and El Salvador on March 1, 2006, then by Nicaragua and Honduras on April 1, 2006, next by Guatemala on June 1, 2006, and finally by the Dominican Republic on March 1, 2007. In November 2008, Costa Rican legislature approved a bill regarding intellectual property rights that was stalling the implementation process. CAFTA will go into effect in Costa Rica in January 2009.

Findings of “DR-CAFTA: Effects and Alternatives”

In this year’s report, analysts have found that the impacts and trends outlined in the 2007 report have continued or worsened. This is most apparent in El Salvador, Guatemala, and Nicaragua, three of the first countries to implement DR-CAFTA, and the three countries on which this report focuses. In all three cases, none of the comprehensive benefits it promised to these countries have yet been realized.

Social Impacts in Central America

Under DR-CAFTA, some signatory countries can report thousands of new jobs and reductions in rural unemployment, but these statistics can be misleading. Proponents of the trade agreement attribute the gains to DR-CAFTA. The statistics do not show, however, that many of the jobs created are dangerous, exploitative, and unstable jobs in factories, or *maquilas*, of the multi-national corporations that have moved into Central America as a result of DR-CAFTA’s investment incentives. The data does not introduce us to the many citizens whose families have sustained themselves farming for generations, but who are now forced to take *maquila* jobs because of a lack of options. Nor do statistics explain that job increases are usually accompanied by similar amounts of jobs lost in the agricultural sector.

Similarly, unemployment figures typically do not take into account that much of the reduction in unemployment is the result of thousands upon thousands of workers forced to emigrate to Mexico or the United States because farming is not only no longer profitable, but cannot even sustain an already impoverished family.

Trade Balance

Some countries also saw increases in exports. These gains, however, are almost exclusively limited to large, often foreign corporations whose profits do not benefit the local economies or were to locations other than the U.S. Central American farmers are often unable to access the international market, in part due to weak infrastructure and their inability to compete with large corporate farms that have access to the capital needed to succeed in a DR-CAFTA economy.

For most signatory countries, exports to the United States fell and imports from the United States rose, resulting in even greater trade imbalances than before the agreement. Earnings in the textile sector were also disappointing, as the region continued to lose jobs to Asia. One contributing factor was expiration of the Multi-Fiber Agreement (MFA) that regulated textile quotas and ensured that Central American countries could export to the U.S. Any advantages that DR-CAFTA created were diminished as companies pulled out of Central America and relocated in China.

Intellectual Property

Another potentially debilitating aspect of DR-CAFTA is the impact of its mandates regarding intellectual property rights. DR-CAFTA allows corporations to extend patent restrictions on pharmaceuticals, which means that once DR-CAFTA passes in a country, any medicine still under patent in the United States can extend that patent for twenty years in a CAFTA country. This creates an even more pervasive monopoly: local pharmaceutical companies must wait even longer before producing generic products for impoverished citizens that are unable to afford band-name products. These intellectual property provisions effectively perpetuate an already alarming inequality in health care across Central America by making many drugs affordable only to the extremely wealthy.

Mega-projects

Large-scale industrial development projects, such as open-pit mines or hydroelectric dams, are entering the region in increasing numbers due to DR-CAFTA’s stipulations regarding foreign investment. According to DR-CAFTA, countries that host these foreign mega-projects are required to lower any “barriers to investment,” which usually means any tax or other type of benefit the country would receive from the project.

DR-CAFTA also makes it very difficult for countries to take any legal action against a foreign corporation for any crimes committed in the country. Companies that bring mega-projects to the region also, quite often, exploit the indigenous populations the projects affect, by pushing them off of their ancestral land, poisoning or re-directing

their water supplies, and ignoring the repeated calls of indigenous peoples for human rights. Foreign corporations typically enter a country, extract the country's resources or energy, displace and otherwise harm native peoples, and then leave, having provided little to no benefit to the host country.

Effect on the United States

The debate and close vote on DR-CAFTA in the U.S. reflected what was a very strong opposition by many NGOs and labor and civil society organizations that opposed the agreement, largely amid fears it would negatively affect American agricultural and industrial sectors. Much of the fear has, so far, been unfounded. U.S. agricultural imports and exports have continued to increase since DR-CAFTA. An exception is the textile industry, which has been declining for years, but largely due to competition from Asia rather than from Central America, and has the protection of safeguards built into DR-CAFTA. Overall, the United States remains relatively unaffected, but gains under free trade agreements always favor large-scale agri-businesses, not farmers.

Are There Alternatives?

One unique aspect of this report is its examination of other trade agreements, either proposed or being drafted, that relate to Central America and provide possible alternatives to DR-CAFTA's model. The Bolivarian Alternative for the People of Our America (ALBA) is a cooperative trade agreement that focuses on development and mutually beneficial policies, eschewing the false promises of top-down economic neoliberalism. The Association Agreement with the European Union shows less promise due to its similarity to DR-CAFTA, but at least allows for a semblance of cooperation among the Central American countries it affects, and includes clauses relating to cooperation and sustainability, which are missing entirely from DR-CAFTA.

Conclusions

In summary, the promises of DR-CAFTA have not been realized in the first three years of its implementation. If DR-CAFTA is not seriously renegotiated, it will continue to harm local economies and people, promote migration, and greatly increase the economic inequalities that persist throughout the region. Without changes to the current economic model and vast improvements to local infrastructure, employment opportunities will continue to be scarce, and the poor will continue to become poorer as the rich continue to become richer.

The Stop CAFTA Coalition calls on the Obama administration to make the complete overhaul or abolishment of DR-CAFTA a priority early on in its administration. We believe that any trade agreement should follow the precepts of the eight-point Pledge For Trade Justice outlined in the conclusion of this report.

Promises and failures of DR-CAFTA in El Salvador

By César Augusto Sanción, translated by Sara Skinner, *SHARE: Building a New El Salvador Today*

Introduction

Before trade began with the United States under the precepts of the Central American Free Trade Agreement (CAFTA), the Salvadoran government was promised two things: that the agreement would help diversify El Salvador's agricultural economy, allowing for the further development of agriculture and nontraditional goods to be exported to the North American market, and that increased investment in the agricultural sector would create new sources of employment. Subsidiary impacts projected included a reduction in emigration to the cities and abroad, and that with the money from increased exports, Salvadorans would be able to purchase, at a lower price, a good portion of the food that the population consumes.

However, two years after the implementation of the agreement, data does not support the US government's claims. Nontraditional exports have not been developed, nor have the promises of better employment or less emigration within or out of the country been realized, and the price of food has not decreased.

CAFTA's impact on traditional exports and employment

Under CAFTA, traditional sectors including coffee, sugar, and seafood acquired a greater importance in the agricultural export structure, increasing from 80% in 2005 to 83% in the first quarter of 2008. There has been an increase in fruit exports, but their value has little significance in the agricultural export structure. The diversification promised by the government did not happen. During 2006, CAFTA's first year, agricultural exports decreased by 3.6% and, during its second year, even though exports increased to \$40 million, \$36 million of them were still traditional goods, which had higher prices.¹

CAFTA has also not generated more employment in the countryside. In 2005 there were 518,016 people employed in the agricultural sector, which includes farming, cattle farming, hunting, forestry, and fishing. For the year 2006, the number of people employed in the agricultural sector was 506,559. This means that in CAFTA's first year there was a net loss of 11,457 jobs.² Official statistics from 2007 are not yet available.

Table 1. El Salvador: Unemployed Population

Years	Unemployed People		
	Men	Women	Total
2005	33550	3608	37168
2006	57005	6511	63516

Source: Ministry of Economics, Department of Statistics and Census (DIGESTYC). Multi-purpose Household Surveys 2005 and 2006.

For women, permanent employment decreased by 2%. In 2005 women represented 8.6% of the underemployed population and in 2006 they represented 10.3%. Women are moving from permanent employment to temporary employment, which means that their quality of life is more precarious since their work is less stable and generates less income. It is not a coincidence that the difference in income between men and women in the agricultural sector has increased from \$9.00 in 2005 to \$17.50 in 2006 (in favor of men). Moreover, women's average income fell from \$122.60 to \$117.65 in the same years. Men's average income increased by \$3.50, and underemployment decreased by 18%.³

¹ <http://www.fas.usda.gov/scripts/w/bico/bico.asp?Entry=lout&doc=1108>

² Ministry of Economics, Department of Statistics and Census (DIGESTYC). Multi-purpose Household Surveys. Years 2005 and 2006.

³ DIGESTYC. Ibidem.

In the men's case, the reduction in temporary employment is probably due to emigration abroad, since men emigrate more than women 56% to 44%.⁴ In 2005 more women than men lived in rural areas. In 2006 the number of women living in rural areas increased by 1%.⁵ This means that there are more single women in charge of families, with smaller incomes and with more unstable employment.

If to the people who lost their jobs we add the people who are no longer employed and the people who reach the working age and cannot find jobs, we end up with a total unemployed population in the countryside that has increased by 71%, from 37,168 people in 2005 to 63,516 people in 2006 (see Table 1). Among men, unemployment increased by 70% and among women 80%. It is important to note as well that were emigration not as ubiquitous, unemployment would be much higher. The increase in unemployment in the countryside cannot be attributed exclusively to CAFTA, since the general economy is in a critical period, but it can at least be assured that CAFTA did not create more jobs as has been promised by the government.

Immigration

In the two years since CAFTA's introduction, emigration to the United States has increased. In a report by the United Nations Development Program (UNDP) in 2005, it was estimated that the total emigration from the country was 185,000 people per year, which is an average of 507 people a day. The majority of these people emigrated to the United States.⁶ By mid-2007, Douglas Barclay, former Ambassador to the United States in El Salvador, stated that each day 740 Salvadoran men and women leave for the United States.⁷

There is other data that shows the increase in emigration. In 2004, 29,722 Salvadoran men and women were deported from Mexico.⁸ According to date from General Department of Migration of El Salvador, "between 2006 and 2007, nearly 42,000 Salvadorans were detained and later deported from Mexico."⁹ If there was more deportation it was most likely because there was more emigration.

Food Has Become More Expensive

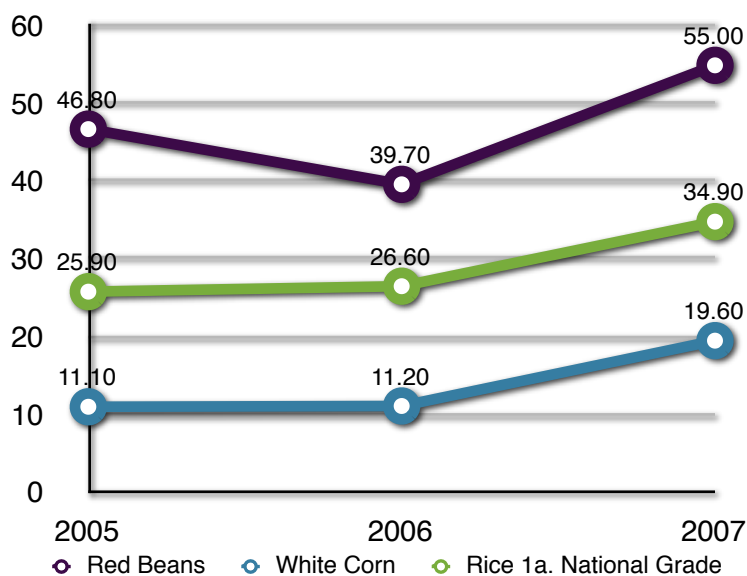
Small, rural agricultural production continues under fragile conditions. In 2006 the number of cooperative members, who grow mainly rice, corn, beans, a few vegetables, and raise cattle, decreased by 28%.

Unemployment in those economic units gives an idea of CAFTA's damage of the production of basic foods mentioned before, which are precisely the foods that the United States sells in El Salvador in large quantities—particularly corn, rice, meat, wheat, and dairy products.

The few producers of basic grains continue to be marginalized and without credit. They account for 8% of total agricultural loans, the same as the years before. The loans for rice in 2007 and the financing of beans remain stagnant. Corn receives little and the production of nontraditional products receives fewer loans than before CAFTA.

In spite of CAFTA lifting tariffs on imports, basic grains and vegetables are much more expensive than in 2005 (see Graph 1 and Table 2). The prices of basic grains peaked in 2007. The price of corn almost doubled, and the price of beans increased by 52% and rice by 45%.

Graph 1. Prices of Basic Grains for Consumers



Source: MAG. <http://www.mag.gob.sv>

The increase in prices affects the consumer capacity of the population and does not improve the incomes of the people who produce in the countryside, since the majority are poor and sell their products to intermediaries, who

⁴ Fundaungo. "Mitos y Realidades. El impacto económico de la migración en los hogares rurales." Year 2000.

⁵ DIGESTYC. Ibidem

⁶ United Nations Development Program (UNDP). "Human Development Report El Salvador 2005."

⁷ Newspaper "El Mundo", July 12, 2007 http://www.elmundo.com.sv/Mambo/index.php?option=com_content&task=view&id=2293&Itemid=41&limit=1&limitstart=1.

⁸ PNUD. Ibidem.

⁹ http://news.bbc.co.uk/hi/spanish/latin_america/newsid_7280000/7280071.stm

are the ones who sell the products at high prices in the cities. A 2005 study shows that the price of the products sold to consumers is 79% more expensive than the price sold to the intermediaries by the producers. In the case of beans, the price difference is around 53.67%. In 2007 the difference was greater, since the prices fell in the cities. Remaining agricultural products experienced similar price increases.

Table 2. El Salvador: Wholesale Prices of Several Vegetables 2005-2008*

Products	Measurement Unit	2005	2006	2007	2008*
Onions	Hundred	5.00	4.40	11.80	5.81
Cucumber	Hundred	6.26	6.27	8.00	6.30
Chayote	Hundred	8.33	10.95	9.03	10.22
Soloma Potato	Quintal	20.96	21.80	15.10	30.49
Squash	Hundred	7.67	Sp	6.97	8.95

Source: MAG, DGEA, Boletines trimestrales de precios, Plaza de San Salvador
*To February 2008

Conclusions

1. After two years of CAFTA, El Salvador has not developed new agricultural exports, nor has employment increased, nor has migration decreased, particularly in the rural population.
2. The United States is selling huge quantities of agricultural products and inputs in spite of which the price of food has shot up and has affected the population's consumer capacity.

Intellectual Property under DR-CAFTA

Written by the Center for International Studies (CEI), translated by Katherine Hoyt, Nicaragua Network

Introduction

Three dimensions of the area of intellectual property, referred to in Chapter XV of DR-CAFTA, will be approached here: the right to health care as impacted by the rising costs and/or shortages of medicines in public hospitals because of the preference the agreement gives to patented medicines over generics, the negative impact on the informal sector of the economy caused by the criminalization of the violation of copyright laws, and the expropriation of natural resources through the possibility of patenting plant species and creating microorganism banks.

Medicine

According to Article 1 of the Constitution of El Salvador, the origin and goal of state activity is the human person, and for that reason one obligation of the state is to guarantee health care. Along those same lines, in Article 65 health is defined as a public good, while in Article 66 it is established that the state will provide free health care to those who lack resources and to the population in general when a treatment constitutes an effective method to prevent transmission of a contagious illness. This is now challenged in daily life when people seek care at health clinics that are part of the El Salvador's public hospital network.

What they find is a clear commercialization of health care, though the Constitution explicitly defines it a public good. The results of a study published recently by the Observatory of Public Health Policies of the University of El Salvador illustrate this contradiction, indicating that El Salvador is the only country in the world that buys and sells medicines at the highest price possible. For example, Hydrochlorothiazide (a treatment for high blood pressure) is bought at a price 480 times higher than what is what is listed in the World Health Organization's (WHO) reference publication that lists international drug prices, while Glibenclamine (a diabetes treatment) is acquired at a price over 50 times the price in the WHO list.¹

If we add to this the fact that within the framework of DR-CAFTA, the use by participating countries of generic medicines (which are considerably less expensive) is restricted, we see that the problem is made worse, directly affecting the people's right to health care and in an indirect way negatively affecting other human rights because of the impact on the family budgets of citizens.

The WHO also stipulates that the income from one day's work should be enough for a worker to purchase medicine needed to treat one illness. In El Salvador, we see another perilous contrast—with the upward tendency of medicine prices added to low salaries, it is estimated that an urban worker earning minimum wage needs, on average, 2.4 days of work to acquire necessary generic medicine. One must ask how many days of work would be required to buy patented medication, the price of which would be many times higher. One must also ask how many days' work it would take for someone from a rural area to purchase medicine, where the minimum wage does not even cover the cost of the basic basket of goods.

There are clear signs of the effects of the rise in prices for medicines. There is currently a startling lack of medications for people living with HIV/AIDS in hospitals, and there is even a shortage of the chemicals needed to diagnose the disease.² Also, in the pharmacies of the Salvadoran Social Security Institute (ISSS), medication is not provided for such common diseases as diabetes, high blood pressure and high cholesterol.³

What we are facing is an alarming health crisis in the country that will only be overcome with great difficulty as the continuing rise in the price of medicine reduces the quantity that is affordable. We will continue to see cases like that of Abelardo Merche, a 50 year-old man who suffers from heart disease and has on many occasions asked

¹ Diario COLATINO: <http://www.diariocolatino.com/es/20070924/nacionales/47455/>

² <http://www.ecumenico.org/leer.php/786>

³ LA PRENSA GRAFICA: <http://www.laprensagrafica.com/nacion/881973.asp>

for time off from work to go out to look for the drugs that he needs. He always faces the same result—he is told “We don’t have it in stock.” It must be remembered that in the framework of DR-CAFTA, the drugs are, in fact, in stock, but only in private pharmacies for those who can afford to buy them.⁴

Effect on the Informal Economy

Meanwhile, the implementation of DR-CAFTA represents a threat to thousands of families who work in the “informal” sector of the economy: those who sell unauthorized audio and video discs, knock-off garments, and other products. The intellectual property chapter of the agreement expressly prohibits the reproduction of works in violation of the rights of the author.⁵

Implementation of DR-CAFTA required the approval of at least 13 new laws, including a new Penal Code and Penal Processing Code, which established the procedures and sanctions for violations of intellectual property rights and by means of which the activities of the informal sector were in large part criminalized. This has given rise to a series of repressive actions by the government carried out by the National Civil Police (PNC) against sellers of unauthorized audio and video discs.⁶

In this way, over 20,000 people who, because of the lack of other opportunities, are obliged to work in the sector of unauthorized reproductions or imitation brand goods, are threatened with four to six years of prison for the violation of intellectual property rights or two to four years if convicted of violations of “technological measures.” In sum, they are deprived of their livelihood through repressive measures without being offered concrete alternatives to obtain an income by which they can sustain themselves.

Natural Resources

Finally, Chapter XV demands that parties implementing the agreement ratify ten international intellectual property agreements, among them the Convention of the International Union for the Protection of New Plant Varieties (UPOV) and the Budapest Treaty [on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure] based on which the patenting of plant species and building of microorganism banks are permitted. With this the door is opened for transnational corporations dedicated to bio-prospecting to expropriate biodiversity resources in ways that constitute true acts of bio-piracy and which complement the corporate development efforts of Plan Puebla Panama.

⁴ LA PRENSA GRÁFICA <http://www.laprensagrafica.org/nacion/764509.asp>

⁵ Moreno, Raúl (2007), Op. Cít.

⁶ Ibid

CAFTA is a Disaster: Vignettes from the Nicaraguan Countryside and Marketplace

Written by Rachel Anderson, Witness for Peace Nicaragua

“The Dominican Republic-Central American Free trade Agreement (DR-CAFTA) can spread opportunity, provide jobs, and help lift people out of poverty.”

George W. Bush, 2007¹

Introduction

The U.S. government predicted that DR-CAFTA would boost Nicaragua’s economy and reverse poverty trends. In reality, the free trade agreement has only made a bad situation worse. Two years after DR-CAFTA was ratified, Nicaragua is still not able to take advantage of the agreement. Poverty, unemployment, lack of infrastructure, and migration all plagued the nation before the agreement, and DR-CAFTA has aggravated these problems rather than alleviate them.

While the Nicaraguan government has dutifully followed U.S.-promoted neoliberal policy for 18 years, extreme poverty rates have more than doubled, soaring 140% from 1995 to 2007.² The guiding principles of DR-CAFTA depend on increased consumerism, cheap oil, and large-scale export production. These tenets, coupled with the preexisting conditions of poverty, and topped off by an international oil and food crisis, have left Nicaragua defenseless. A fragile economy now hangs on the verge of collapse while the initial promises of DR-CAFTA are nowhere to be seen.

While DR-CAFTA is not solely to blame for Nicaragua’s woes, it clearly demonstrates the inability of neoliberal policies to raise developing nations out of poverty. Nicaragua remains unable to compete in a system designed by and for economic powerhouses. Small and medium agricultural producers and business owners are forced out of the market and, as the majority of Nicaraguans confront the challenges of massive price hikes, job losses, and their country’s lack of infrastructure, people continue to migrate out of necessity and for survival.

Who Loses First - the Chicken or the Egg Producer?

Promoters of DR-CAFTA claimed free trade agreements would help small and medium agricultural producers in Nicaragua. In reality the opposite effect has taken place: unable to compete with larger agribusinesses due to ever-increasing input costs, small and medium Nicaraguan poultry producers are being pushed out of the agricultural sector.³

Donald Tuckler, executive secretary of Anapa, a national poultry producers association, explains: “Many of the small and medium poultry producers are retiring from the market due to the rising costs of inputs making their business increasingly unsustainable... 70% of the products which make up a balanced diet for birds have increased 90% in price over the last year.”⁴

Tuckler also expressed concern over the inability to raise selling prices to match increased inputs. “Agriculturists cannot raise the prices of poultry in accordance as they have to take into account the buying capacity of the consumer.” Only large companies can afford to stay in the game. As they search for solutions, small and medium farmers are forced to bow out, reducing competition and allowing for monopolies to dominate the market and determine the prices.

¹ President George W. Bush, U.S. Dept. of State Fact Sheet, Central America: Embracing CAFTA-DR < <http://www.state.gov/p/wha/rls/fs/2007/83181.htm>>.

² José Adán Silva “Radiografía de la miseria de Nicaragua” el Nuevo Diario [Managua] 13 April 2008

³ Gustavo Álvarez, “Granjeros se retiran del mercado por alto costo de insumos” el Nuevo Diario [Managua], 30 Abril 2008.

⁴ Álvarez.

Increases in Everything - Except Pay

Tucker and other producers are wise to be concerned about the Nicaraguan consumer's ability to withstand increased costs. Between January 2006 and March 2008, worldwide food prices have skyrocketed, rising 68% on average, many of those products staple grains. The price for rice has doubled, while corn and wheat prices have increased 128% and 163%, respectively.⁵ While prices of nearly everything are rising, wages and employment opportunities are not following suit. In 2007, there was a 13% drop in the purchasing power of salaries in Nicaragua—the most drastic drop in the past eight years—and the national average salary has decreased 22% over the last year.⁶ Reduced purchasing power means less consumerism, leading to a downward spiral impacting all sectors of the economy.⁷

While international price hikes of oil and food did not occur because of DR-CAFTA, they are intricately linked to Nicaragua's ability to withstand economic storms. Agricultural cooperative activist leader Sinforiano Cáceres points out how free trade policies such as DR-CAFTA have negative factors that worsen the current food crisis. He illustrates how trade liberalization policies destroy the economy of Nicaraguan farmers and motivate them to quit planting: "They become consumers instead. And let's be clear: it's not the same to be a consumer in the North as it is in the South. In the North you have an old-age pension, an unemployment fund; all kinds of safety nets. Here, if you don't produce you don't eat."⁸

Milk

While the cattle and dairy industries are often used as free trade success stories for DR-CAFTA, the truth is that the wealth from any increased exports is not trickling down to the majority of ranchers. Beef exports have increased over the last two years but with the recent price hikes, any chance that small and medium producers could compete with the few large cattle companies is slim. Janet Reyes, member of a network of 1,200 cattle ranchers in the northern departments of Estelí, Madriz, and Nueva Segovia, expressed concern that ranchers are facing serious problems—lack of technical assistance, financing, and infrastructure—that make it impossible to do business in the international market.⁹ "It is more expensive to produce a liter of milk than it is to sell it. Elevated food prices, climate problems, erosion and problematic pastureland have raised production costs." Reyes participated in a recent study of northern ranchers, stating simply, "They [ranchers] cannot fulfill the requirements needed to sell on the international market."¹⁰

Infrastructure

A recent study by the Economic Commission for Latin America analyzed DR-CAFTA's effectiveness in Nicaragua. This study found that due to the lack of infrastructure in Nicaragua, the majority of producers are unable to increase their production or exports and are thus unable to take advantage of trade. Some of the numerous infrastructural difficulties Nicaraguan producers face include costly hurdles such as inadequate transportation systems, lack of and/or deficient basic services, and the lack of a deep water port in the Caribbean. These present problems to the majority of farmers—80% of whom are labeled as small to medium level.

Only 10% of roads in Nicaragua are paved and 38% of rural homes are in areas where roads become impassable during the rainy season.¹¹ Moreover, electricity is costly, suffers from frequent shortages, and covers less than 50% of the country.¹² The lack of access to commercial centers, electricity, and basic services results in added transport costs and damaged goods, which delays export growth. Simply having access to electricity yielded double increases of productivity.¹³

However, as the price of oil continues to climb, electricity in its current state will not help Nicaraguans in the long run. Nicaragua depends on oil derivatives for 80% of its energy system. After three months of daily petroleum hikes, experts predict that Nicaragua will not be able to withstand the increases for much longer and are demanding more investment in alternative energy sources.¹⁴

⁵ "IDB announces credit line to alleviate impact of rising food prices," Inter-American Development Bank, 27 May 2008 <<http://www.iadb.org/news/articledetail.cfm?Language=En&artid=4630&artType=PR>>.

⁶ Gisella Canales Ewest & Wendy Álvarez Hidalgo "Salario promedio pierde 22 por ciento del valor" La Prensa [Managua] 13 July 2008)

⁷ Nitlápán-Envío team "Storm Clouds of Ambiguous Days," Revista Envío #318, January 2008,

⁸ Sinforiano Cáceres "We need less talk and more action about the food crisis" Revista Envío #323, June 2008

⁹ Wendy Álvarez Hidalgo, "Ganaderos pedirán ayuda al Gobierno." La Prensa [Managua] 5 Jul. 2008.

¹⁰ Hidalgo

¹¹ CEPAL Proyecto de Cooperación CEPAL/BID/IFPRI NICARAGUA: ANÁLISIS DEL IMPACTO DE LOS SERVICIOS DE INFRAESTRUCTURA Y LAS CONDICIONES DE VIDA EN LAS ZONAS RURALES 20 de Febrero de 2008

¹² CEPAL

¹³ CEPAL

¹⁴ Nitlápán-Envío team, "The Sea, the Ship And the Uncertain Course," Revista Envío #322, May 2008.

Another large hurdle for producers is licensing. To export from Nicaragua a company needs to apply, be approved for, and be granted a license to pass inspections and go through customs. The vast majority of producers lack computer tracking systems, making these processes costly, time-consuming, and unprofitable. Furthermore, small and medium sized companies reported delays nearly twice the length of larger companies, signaling that bribes are most likely used to obtain export licensing and pass sanitary inspections in a timely manner.¹⁵

Managua's Marketplace

Everyday Bread

A disquieting lull hangs over the once bustling marketplaces of Managua; the slowdown of business extends beyond the agricultural sector. Shopkeeper Rosario Rosales laments the recently dwindling commerce and the impact this trend has had on her family and her small business. "Three months ago I used to earn enough to cover all my monthly provisions... now I have to stop buying certain things and buy less overall to make ends meet." Rosario and her husband live in a household with four, and currently earn just enough to buy "bread every day."¹⁶ While Rosario may not have benefited or lost directly from DR-CAFTA, her current experiences demonstrate the fragility and interconnectedness of Nicaragua's internal economy. Shopowners as well as the producers they purchase from cannot withstand a sudden massive price inflation, and are suffering as a result.

Six months ago, Reyna Garcia left her home in the North Atlantic Autonomous Region to make and sell tortillas in a Managua market. Reyna is part of the large informal sector working in Nicaragua without benefits or job stability. In fact, less than 25% of the economically active population has the security of a fixed salary.¹⁷ Reyna came to work in the Managua marketplace out of necessity; the difficult economic situation in her rural region forced her to leave the comforts of her family and home in search of work. Yet Reyna is barely getting by, only making enough "to buy bread everyday."

Reyna sells her tortillas to food vendor Luisa Briceño, who also is worried about her business. "I don't know what I can do... Last year at the beginning of the year you could sell an entire plate of food for 20 cordobas (\$1.09) and now no one can sell a plate for anything less than 35 cordobas (\$1.84).¹⁸ Reyna and Luisa also complained that the worsening economic situation has reduced the amount of customers, greatly impacting their ability to make a living. Reyna is making her corn tortillas smaller rather than raising the price.¹⁹

Another small business owner, Randol Novoa, who works for a distribution center in a Managuan market, reluctantly had to let go of half his 15 member workforce due to a slow down in his business. Cut-backs, lay-offs, and smaller proportions are some of the ways that small business owners are struggling to keep Nicaragua's economy running and keep food on everyone's plate. DR-CAFTA's promise of more employment opportunities has backfired, indicative of the fact that Nicaragua is unable to compete in the larger U.S. market while its own market is struggling to stay afloat. Reyna, Rosario, and Randol are just a few of the vast majority who have yet to witness the promised benefits of DR-CAFTA, and they are not likely to see them in the near future.

Security

Rosario, Reyna, and Luisa are not alone in their financial struggles. U.S.-bound in fall of 2006, Miguel left his small ranch in Estelí in search of work because while he was able to provide food for his family he was unable to provide a high school education for his children. While education is free, transportation costs are significant for a rural family's tight budget. Apprehended by Mexican authorities, Miguel didn't make it to the United States and returned to his community in January, 2007. By that Fall, as his economic situation had not improved, he sold his ten manzanas (17.3 acres) of land and few heads of cattle for \$6000—enough to pay a guide to take him to the States.

This time, Miguel didn't make it past the border of Guatemala and Mexico. He was robbed and returned to Estelí, now landless and unable to provide even food for his family. Miguel now works for a private company as a security guard. After a deduction for his uniform and gun, Miguel makes less than \$150 a month, sometimes having to work 24-hour shifts. He would like a better job and wage but knows the difficult reality of unemployment in Nicaragua. He feels obligated to stick with his job in order to feed his family. Like many Nicaraguans, Miguel states that he only makes "only enough to eat daily."²⁰

¹⁵ CEPAL

¹⁶ Nery García, "Comer se esta volviendo cada vez mas dificil," *El Nuevo Diario* [Managua], 7 Jul. 2008.

¹⁷ Nitlapan-Envío team *Revista Envío* #318, January 2008

¹⁸ Nery Garcia

¹⁹ José Adán Silva, "Radiografía de la miseria de Nicaragua" *El Nuevo Diario* [Managua] 1 3 April 2008.

²⁰ Miguel, Personal Interview, Estelí, Nicaragua June 2008

Forced to Leave

Maria, along with her four children, two younger brothers, and mother, left the countryside of Leon in 2006. Like many others, they left their land when they were unable to survive off of it the way their ancestors had for centuries. Lack of a land title coupled with inability to access credit has forced rural families like Maria's to abandon their agricultural lifestyle in search of food and work in Managua. Maria's search led them to a location occupied by 250 other squatting families—the municipal dump. Sustaining themselves off of rotting food and by salvaging garbage to clean and re-sell was not Maria's first choice, but she felt she had no other option once she lost her family's land.

Living in a makeshift house of metal and wood scraps inside the dump, Maria's family tried to continue their agricultural lifestyle by growing crops and raising animals for food, but due to the extreme pollution and hazardous environment, Maria left the dump, her family, and Nicaragua in April 2008.²¹ She emigrated to Costa Rica, in hopes of finding a job that would allow her to save up and send for her family.

Although there is unused productive land in Nicaragua, two of every five rural families have no access to it.²² The rural agricultural producing centers of Nicaragua are by far the most impoverished. They face a staggering "extreme poverty" rate of 70.3%, while urban sectors face 37.6%.²³ Furthermore, Nicaraguan land is unequally distributed. 75% of rural families own only 20% of the country's productive land.²⁴ An official Ministry of Agriculture calculation in 2007 indicated that 434,000 manzanas (750,820 acres) potentially apt for agriculture are being underutilized or are even lying idle.²⁵ Small and medium agricultural producers continue to face great risks with free trade agreements like DR-CAFTA. As they are pushed out of domestic markets by cheaper imported goods and undercutting transnational agribusiness corporations and are forced to sell land, their options are limited for national or self-production. Limited domestic options leads to large business monopolizing the marketplace and controlling the prices without government regulation. Considering the current swell in food and transportation prices and the problems it has unleashed, Nicaraguans are not equipped to handle another increase.

Reyna, Miguel, and Maria are symbolic of the millions of Nicaraguans who journey to foreign cities and countries due to their inability to survive in the countryside. Remittances in Nicaragua have steadily increased each year, reaching \$990 million in 2007²⁶ and 66.2% of Nicaraguans surveyed admitted they would like to leave the country for work.²⁷

Last year, one possible option for Nicaraguans like Maria, Miguel, and Reyna, would be to join in the big "bonus" of DR-CAFTA—the *maquilas* (clothing assembly factories) wherein DR-CAFTA projected increased jobs. As Nicaragua has the lowest wages in Central America, they were given a trade preference level in DR-CAFTA and predictions were that foreign investment in the factories would skyrocket, as it is Nicaragua's main "comparative advantage" for this region. However, last fall and this spring, a total of twelve out of 112 factories have already announced their imminent closure and departure from Nicaragua, citing non-profitability as the reason for departure.²⁸ This closure signifies a loss of 12,000 out of 85,000 total jobs in the clothing assembly sector.

The Santos Solution

Santos and his family of nine live in a small agricultural community in Matagalpa and have seen first hand the negative impacts of neoliberal policies and free trade over the last few years. "Many people have sold their land and now they have to purchase everything," he reflects. Santos recognizes the fortunate position he and his family are in, that they at least still have their land.

"The producers that are trying to compete with crops for export are more at risk," Santos explains. "They have to pay added transport fees... When you are focusing on only one or two products on a large scale rather than growing food eaten everyday, your profits have to be substantial in order to buy all the things that your family needs." Santos owns 17.3 acres of land, and uses four of them to plant for his families' own consumption. In addition to corn, beans, plantains, and coffee, they raise chickens and cows for eggs, milk, and meat. Santos says that the most important thing for Nicaraguans is to have their own land to grow food they can eat. He has

²¹ Yamileth Pérez, Personal Interview, Managua, Nicaragua May 2008.

²² Nitlapan-Envío team, #322.

²³ José Adán Silva.

²⁴ Nitlapan-Envío team #322.

²⁵ Nitlapan-Envío team #322.

²⁶ Inter-American Development Bank, 2008 <<http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1381109>>.

²⁷ Nitlapan-Envío team, "Nicaraguans Squeezed on all Sides," Revista Envío # 323, June 2008

²⁸ Nica Net ,29 April 2008, <<http://www.nicanet.org/?p=484>>.

likened the “export game” to gambling, as he has been witness to it resulting in disastrous consequences—for example, when crops fail and one cannot borrow money nor pay back loans. In last year’s sudden floods and plagues many lost acres of produce. Fortunately, Santos and his family planted a sufficient amount of diversified beans, corn, and vegetables to ensure they would not go hungry.

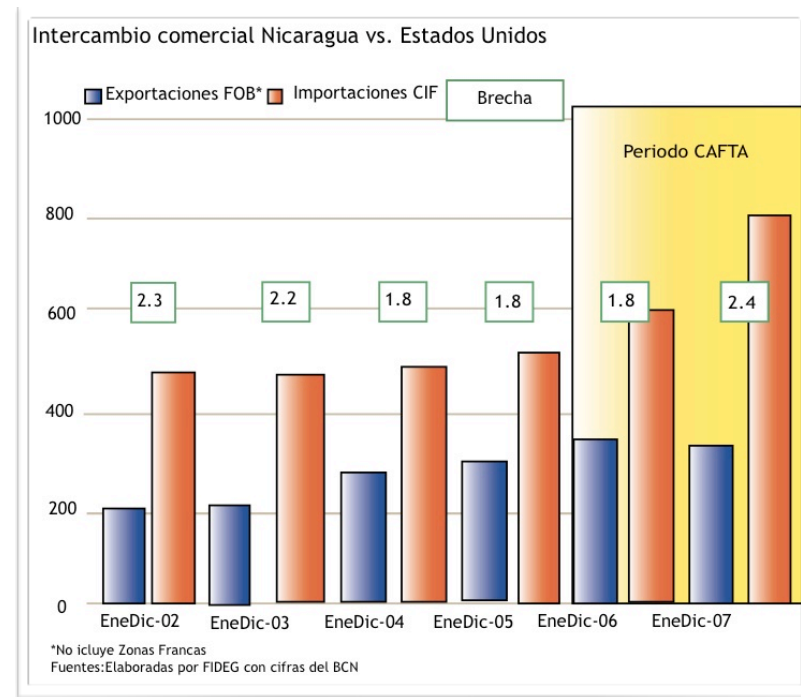
Santos recognizes the problem with selling land and migrating. “The many rural workers that don’t have land or sold their land have had to migrate to cities or other countries in search of employment. There, they too have to buy everything. With the recent inflated costs, it makes more sense to grow your own food for your family to have to spend less on basic necessities.”²⁹

Who benefits from DR-CAFTA?

The DR-CAFTA promise of unlimited Nicaraguan access to the large U.S. market has not been realized and never will be unless Nicaragua makes significant and costly improvements to its infrastructure. Although during the first year of DR-CAFTA (2006-2007) exports from Nicaragua to the U.S. grew 18% over the 2005-2006 period (see graph), the next year (2007-2008) they actually fell 1.3%. Meanwhile, note that imports from the U.S. grew enormously during that period.³⁰

In 2007, thirty-six products from different industries decreased their profits in the commercial exchange with the U.S., with a volume decrease of 25.3% in exports and a value decrease of 13.2%, even though the prices of those same products increased by 16%³¹.

Early statistics for 2008 show an increase in exports to the U.S. from 2007—\$173.3 million from January to June in 2007 compared to \$243.7 million from January to June in 2008.³² However, until the majority of Nicaraguans see the benefits of this increase, the idea that increased exports help the whole country remains doubtful. The increase from the last six months has not pulled Nicaragua out of its position as second poorest nation in the



western hemisphere. In fact, during this export boom the average Nicaraguan has been struggling daily to keep up with the increased prices of everything.

The U.S., on the other hand, is not having problems gaining access to Nicaragua’s marketplace. Imports from the U.S. to Nicaragua grew 33% from 2006 to 2007—leaving Nicaragua with a bilateral commercial deficit of 76.6% and creating stronger dependency on imported U.S. goods.³³ Free trade agreements like DR-CAFTA drive small and medium producers to quit producing while forcing Nicaragua’s economy to grow ever-increasingly dependent on U.S imports.

This slippery slope of dependency disregards national sovereignty, the protection and development of a nation’s own domestic production, and also traps countries into a dangerous position. Rapidly occurring price increases don’t allow leeway time for developing nations to search for alternative solutions. Currently Nicaragua does not have the capital to protect its small and medium producers and businesses even though government regulation of trade, imports, and the economy was encouraged by International Financial Institutions and the United States. This puts Nicaragua in a vulnerable position, as unexpected price increases are imminent in globally interconnected marketplaces.

²⁹ Santos Rivera, Personal Interview, Matagalpa, July 2008.

³⁰ Adelmo Sandino, “Dos años del CAFTA, sin puente al futuro,” 8 April 2008, El Observador Económico, <http://www.elobservadoreconomico.com/articulo/574>

³¹ Sandino.

³² Mario José Moncada “Exportaciones crecen 30.5%” La Prensa[Managua] 5 July 2008

³³ Sandino

Conclusions

DR-CAFTA threatens the ability of Nicaraguans to make the economic choices that ensure they can provide for themselves, their families, and their communities. Through free trade, Nicaraguan sovereignty is undermined and their economy is subject to the whim of an erratic and increasingly problematic international market. Already in a precarious economic state, Nicaragua cannot afford to gamble with neoliberal trade policies. DR-CAFTA is helping the large and already wealthy transnational corporations but furthering Nicaraguan dependency on the U.S. while devastating small and medium agriculturalists and business people. If prices continue to rise and the majority of Nicaraguans continue buying less, it will make it increasingly difficult for a growing number of people to eat daily. Currently, the average national minimum wage only covers 23% of the value of the basic goods necessary for healthy survival and rural minimum wages only cover 11% of this basket³⁴.

Facing a potentially serious food crisis, Nicaragua remains unable to compete and succeed on a grand scale let alone take advantage of cheaper imports. The continual rise of international food and oil prices combined with a severe lack of infrastructure demonstrate that rather than providing a way for developing countries like Nicaragua to actually develop and compete in global markets, trade liberalization has instead threatened food security and stunted economic progress. For the majority of Nicaraguans this signifies loss of jobs, no opportunity to develop a domestic market, and the ongoing, painful separation of migrating families.

³⁴ Revista Envio, #322

U.S. Agriculture Since DR-CAFTA

By James K. Polk, PhD

Introduction

The Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) is a comprehensive, regional trade accord, agreed upon by seven signatory countries, with the goal of liberalizing trade between the U.S. and six Central American countries. Under CAFTA-DR, all parties are subject to the same set of obligations and commitments. It replaces previous trade agreements between these nations, such as the Caribbean Basin Economic Recovery Act (CBERA), the Caribbean Basin Trade Partnership Act (CBTPA) and the Generalized System Preferences (GSP).¹ CAFTA-DR is designed to eliminate tariffs and trade barriers, and to expand regional opportunities, reciprocally.

On August 5, 2004, CAFTA-DR was signed by the U.S. Congress. However, it was not implemented because of marked controversy. Various industries, labor organizations, and NGO's were uncomfortable with the agreement, especially with respect to the labor provisions and treatment of certain sensitive industries. After prolonged debate, CAFTA-DR was signed into law by the U.S. on August 2, 2005 and put into force in the U.S. on March 1, 2006 and on a rolling basis in the other nations, as they completed the legal and regulatory measures needed to comply with it. It was implemented by El Salvador (3/01/06), Honduras and Nicaragua (4/01/06), Guatemala (7/01/06), and the Dominican Republic (3/01/07). To date, Costa Rica has not implemented CAFTA-DR.

Controversy over CAFTA-DR

As mentioned briefly above, CAFTA-DR has been a controversial issue from the beginning, although regardless of its controversy it has been implemented both in the U.S. and in the Central American nations. Groups lined up on both sides of the issue and debate still continues today.

In favor of CAFTA-DR's implementation, the U.S. General Services Administration argued that CAFTA-DR would provide new market access for U.S. agricultural products. The Office of the U.S. Trade Representative claimed that CAFTA-DR would offer new opportunities for U.S. workers and manufacturers, expand markets for U.S. Farmers, and support U.S. fabric/yarn exports and jobs.²

The American Farm Bureau Federation supported CAFTA-DR, expecting their members to benefit from increased access to the Central American (CA) markets.³ Other U.S. agricultural commodity and food organizations argued that if CAFTA-DR was not implemented, agricultural trade with the CA signatories would continue on a non-reciprocal basis, with U.S. farm exports facing marked barriers, while over 99% of U.S. agricultural imports from those countries would still receive duty-free treatment. "When you look at the aggregate, CAFTA-DR is a net positive for U.S. agriculture," said American Farm Bureau Federation (AFBF) President Bob Stallman, in April of 2005.⁴ The USA Rice Federation also lobbied for CAFTA-DR. "Support for CAFTA-DR means more jobs for rural America, and greater stability for U.S. agriculture, especially rice farming, which is severely challenged to remain viable," said USA Rice Federation Chairman Lee Adams.⁵

Other concerns lobbied against the implementation of CAFTA-DR, for a variety of reasons. Many U.S. textile and sugar producers fought the accord, with sugar producers being the most vocal. They worried that CAFTA-DR would allow sugar from Central America to cut into their market share, and thus hurt the industry.⁶ The

¹ Congressional Research Service (CRS). 2008. "CRS Report for Congress: The Dominican-Republic Free Trade Agreement (CAFTA-DR)." January

² U.S. Department of Commerce's International Trade Administration (export.gov). 2008. "U.S.-CAFTA-DR Free Trade Agreement: How U.S. companies can benefit." July.

³ Congressional Research Service (CRS). 2006. "CRS Report for Congress: Agriculture in the U.S.-Dominican Republic-Central American Free Trade Agreement (DR-CAFTA). January.

⁴ Skorburg, John W. 2005. "Free Trade Agreement Gains Support from Agriculture and Manufacturing." The Heartland Institute Briefing paper. June.

⁵ Laws, Forest. 2005. "Farm Groups Rally Behind CAFTA-DR." Delta Farm Bureau Press Briefing paper. April.

⁶ Hart, Chad E. 2005. "CAFTA's Projected Impact on U.S. Sugar." Center for Agricultural and Rural Development Briefing paper. Summer.

American Textile Manufacturers Institute claimed that between 10 and 15 U.S. textile mills would close immediately upon ratification of CAFTA-DR, meaning that thousands of U.S. jobs would be lost.⁷ During a February 21, 2005 meeting of the National Association of State Departments of Agriculture, the group voted unanimously to oppose CAFTA-DR, voicing concerns that the accord would harm American farmers.

Changes in U.S. Agriculture since CAFTA-DR

Both U.S. agricultural exports and imports have continued their mostly steady increase since before CAFTA-DR. This section examines agricultural trends since it was implemented. It also takes a special look at sugar and textiles.

Exports

Overall U.S. agricultural exports have increased since 1999. During that time, high value exports (intermediate products such as wheat flour, feedstuffs, and vegetable oils or consumer-ready products such as fruits, nuts, meats and processed foods) have outpaced such bulk commodity exports as grains, oilseeds, and cotton.⁸ In fiscal year 2008, high value agricultural exports are forecast to account for 60% of the value of total agricultural exports, along with a strong demand for the bulk commodities mentioned above.⁹

According to the U.S. Department of Agriculture (USDA), “U.S. and global trade are greatly affected by the growth and stability of world markets. Changes in world population, economic growth and income are most likely to alter global food demands. Other factors include global supplies and prices, exchange rates, government support of agriculture, and trade protection.”¹⁰

In February of this year, the USDA forecast that U.S. agricultural exports for fiscal year 2008 are likely to reach a record \$101 billion, an unprecedented \$19 billion above 2007 (approximately \$82 billion).¹¹ Asia and Mexico continued to be the United States’ top two markets worldwide, with exports forecast to reach \$30.5 billion in 2008, some \$5 billion above 2007. Asia was also mentioned to be an important growth market for U.S. agriculture, with exports to China forecast to be \$10.5 billion, up almost \$3.4 billion from 2007.¹²

In discussing U.S. agricultural exports to the Central American signatories of CAFTA-DR, the information available is incomplete and scattered. However, U.S. agricultural exports to all six CAFTA-DR countries were \$2.2 billion in 2006, up 19% from 2005.¹³ Agricultural exports to four of these countries increased from 2005-2006: Honduras 31%, Guatemala 20%, El Salvador 16% and Nicaragua 11%.¹⁴ An accurate accounting of 2007 and 2008 agricultural exports to the CA signatories of CAFTA-DR is sparse, however some information is available. For the first six months of 2007, U.S. corn exports to Guatemala were up 54% to \$62 million; soybean meal exports were up 37% to \$31.8 million; and broiler meat exports were up 88% to \$22.2 million.¹⁵

Imports

Citing the USDA, “historically U.S. agricultural imports have increased steadily, as demand for diversification in food expands.”¹⁶ Overall U.S. agricultural imports have risen since 1988, having been just over \$20 billion in 1988 and forecast to be around \$75.5 billion in 2008, which is a record.¹⁷ Since the implementation of CAFTA-DR, agricultural imports into the U.S. have increased each year (2004 \$53.9 billion, 2005 \$59.3 billion, 2006 \$65.3 billion, and in 2007 \$72 billion. Agricultural imports from four of the CAFTA-DR countries were a cumulative \$3.1 billion in 2006, up 13% from 2005. However, while imports were up 28% from Nicaragua and up 0.4% from Guatemala, imports were down 4% from El Salvador and down 1% from Honduras.¹⁸ Other information is available (see graph) that shows the dollar amount of produce imported by the U.S. from four of the CAFTA-DR nations, from January of 2006 until April of 2008, which reveals an overall modest increase for some items and a decrease in others.¹⁹

⁷ Tonelson, Alan. 2005. “CAFTA: The Classic Outsourcing Agreement.” American Economic Alert Briefing paper. March.

⁸ Congressional Research Service (CRS). 2008. “CRS Report for Congress: Agricultural Exports and the 2007 Farm Bill.” January.

⁹ Ibid.

¹⁰ USDA Economic Research Service. 2008. “U.S. Agricultural Trade: Overview.” April.

¹¹ United States Department of Agriculture. 2008. “Record \$108.5 Billion Agricultural Exports Forecast for 2008.” May.

¹² Ibid.

¹³ Office of the United States Trade Representative. 2007. “U.S. Trade with the CAFTA-DR Countries: CAFTA Policy Brief.” July.

¹⁴ Ibid.

¹⁵ Embassy of the United States: Guatemala. 2007. “Secretary Johanna Highlights CAFTA-DR Successes in Guatemala.” Press Release. September. <http://guatemala.usembassy.gov/pbe20070906.html> 7/2/2008

¹⁶ USDA Economic Research Service. 2008. “U.S. Agricultural Trade: Overview.” April.

¹⁷ Congressional Research Service (CRS). 2008. “CRS Report for Congress: Agricultural Exports and the 2007 Farm Bill.” January.

¹⁸ Office of the United States Trade Representative. 2007. “U.S. Trade with the CAFTA-DR Countries: CAFTA Policy Brief.” July.

¹⁹ U.S. Department of Commerce. 2007. “Top 10 Sources of U.S. Imports of Fruits and Vegetables: Oct-Apr 2007, Oct-Apr 2008, and April 2008.” January.

How will the potential increases in imports affect the pricing of U.S. produced agricultural products? In their 2006 report, the U.S. International Trade Commission (ITC) predicted that there would be no significant negative impact on U.S. farming by the potential increase in agricultural imports.²⁰ The only exceptions to this would possibly be sugar and textiles.

Fruit / Vegetable Imports (in millions of dollars)

Country	Jan-Oct 2006	Oct-April 2007	Oct-Apr 2008
Costa Rica	\$291 / \$51	\$415 / \$38	\$406 / \$47
Guatemala	\$225 / \$53	\$279 / \$41	\$303 / \$57
Honduras	\$171 / \$0	\$141 / \$0	\$119 / \$20
Dominican Republic	\$0/\$20	\$0/\$23	\$0/\$18

Sugar

In that report, the ITC postulated that the price for U.S. sugar might drop by about 1% due to increased imports and that sugar manufacturing and crops would see a 2% decrease in domestic output and employment.²¹ However that did not hold to be entirely true. Today, the retail price of domestically produced refined sugar is the second highest it has ever been at 52.10 cents per pound (it hit 52.20 cents per pound in July 2007), compared to 42.73 cents per pound in December 2005.²² However, there has been a decrease in domestic sugar production. Total U.S. sugar production (when measured by metric tons) fell 0.64% from fiscal year 2006/07 to 2007/08. It is projected to drop another 3.3% from fiscal year 2007/08 to 2008/09. What about sugar imports? The percentage of short tons of sugar imported into the U.S. rose 10% from fiscal year 2006/07 to 2007/08. However, imports are projected to drop 3.1% from 2007/08 to 2008/09.²³

Textiles

According to the information provided by the Federal Reserve, the only area which has suffered significant losses in terms of revenue and a decline in production since the implementation of CAFTA-DR is the textile industry. They reported that U.S. manufacturing and processing of yarn and fabric in 2007 fell by 12.1%, the largest annual decline since 1972.²⁴ Included in this statistic is the fact that U.S. textile output has been declining every year for the past 12 calendar years.²⁵ There are reports of textile factories and mills closing, but no comprehensive data could be found.

Textile imports grew overall by 1.8% in 2007, following an increase of 2.3% in 2006 and 8.3% in 2005 preceded by double-digit growth in six of the seven years between 1997 and 2004.²⁶ Aggregate data on the CAFTA-DR Central American (CA) nations shows that total import in dollars of textiles into the U.S. has fallen since implementation of the accord. From calendar year 2006 to 2007, there was a 6.1% decline. Comparing the period of 6/2006-5/07 to 6/2007-5/08, the dollar amount of textile imports has decreased by 7.4%.²⁷ There are individual differences depending upon the CA country, with some showing an increase in exports to the U.S. and some showing a decrease. For instance, import volume of textiles from Honduras increased from \$3.5 million during the period of Jan-Mar 2007, to \$4 million for the same period in 2008, and figures from El Salvador showed an increase from \$2.4 million during the period of Jan-Mar 2007, to \$2.7 million for the same period in 2008. Therefore, the impact of importing CA textiles on the U.S. textile industry is questionable. Another factor to consider is that CA countries make up a small percentage of the total value of U.S. imports of textiles from the entire world: Jan-Mar 2007 \$164.3 million and Jan-Mar 2008 \$158.5 million.²⁸

²⁰ Congressional Research Service (CRS). 2006. "CRS Report for Congress: Agriculture in the U.S.-Dominican Republic-Central American Free Trade Agreement (DR-CAFTA). January.

²¹ U.S. International Trade Commission (ITC). 2004. "U.S. – Central America – Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects." Publication 3717. August.

²² USDA Economic Research Service. 2008. "Sugar and Sweeteners: Data Tables / Table 6: U.S. Retail Refined Sugar Price, Monthly, Quarterly, and by Calendar and Fiscal Year." July.

²³ USDA Economic Research Service. 2008. "World Production, Supply, and Distribution, Centrifugal Sugar." July. <http://www.ers.usda.gov/briefing/sugar/data.htm> 7/14/2008

²⁴ Morrissey, James A. 2008. "U.S. Textile Production Reaches New Low." Textile World Briefing paper. February. http://www.textileworld.com/Articles/2008/February_2008/Textile_World/News/US_Text

²⁵ Textiles Intelligence. 2007. "World Textile and Apparel Trade and Production Trends, 2007." Market Research.Com Briefing paper. May <http://www.marketresearch.com/product/display.asp?productid=1515581&g=1> 7/15/2008

²⁶ Textile Intelligence. 2007. "Trends in U.S. Textile and Clothing Imports, 2007 Update." Market Research .Com Briefing paper. May. <http://www.marketresearch.com/product/display.asp?productid=1495105&g=1> 7/15/2008

²⁷ U.S. Department of Commerce, International Trade Commission, Office of Textiles and Apparel. 2008. "Major Shippers Report by Country: CAFTA." May. <http://otexa.ita.doc.gov/msrcty/v62.htm> 7/27/2008

²⁸ U.S. Department of Commerce, International Trade Commission. 2008. "U.S. Textile Imports from January to March 2008." March. http://www.textileinfo.com/en/news/2008_02/0714_05.html

U.S. Agricultural Employment

Accurate and timely employment numbers for people in agriculture are difficult to come by. However, the U.S. Bureau of Labor Statistics' (USDL) latest numbers show that the unemployment rate for workers in "farming, fishery and forestry occupations" was 7.3% in June 2007 and 5.5% in June 2008.²⁹ The most recent data on U.S. Farm and Farm-Related Employment available from the USDA and USDL is 2002, which is broken down by type of farming job and crop. Another report by the USDA on hired farmworkers and family farmworkers, stops at 2006. There is no available data on employment in the sugar industry since 2002.

Figures are available for textiles. USDL figures show textile mill (NAICS code 313 – yarn and fabric making) employment declining by 21,500 jobs from December 2006 to December 2007.³⁰ The same data show a decline in 7,200 jobs for textile products mills (NAICS code 314 – carpet, curtains, linens and other household textiles) for the same period. And, the data for apparel manufacturing (NAICS code 315) show employment declining by 21,600 for the same period.³¹

Conclusions

The Central American Free Trade Agreement-Dominican Republic continues to be controversial. Its passage took years, and parties both for and against its implementation still argue over it. The scope of this paper is limited, examining only what has happened to U.S. agriculture since CAFTA-DR took effect. It does not address its impact on the other countries, U.S. government agricultural subsidies (the 2007 Farm Bill has not yet passed), and the resources to examine each sector of U.S. agriculture were not available.

In terms of the state of U.S. agriculture since the implementation of CAFTA-DR, both U.S. agricultural exports and imports have continued to rise, in revenue and quantity. Not only have exports risen, but they have hit record highs during each year since CAFTA-DR was implemented. This has coincided with record agricultural imports that have also increased each year since the accord was put into action. There appears to be no area of U.S. agriculture that has suffered significant losses in terms of revenue since the implementation of CAFTA-DR, except for the textile industry, which has shown a decline in production and employees for the past 12 years, well before CAFTA-DR began.

Regarding agricultural employment, labor groups predicted that CAFTA-DR would cause a net job loss. The U.S. Department of Labor Statistics does not have sufficient information available to ascertain the effects of CAFTA-DR in this area. The only area for which employment figures are readily available is textiles, which as mentioned earlier has shown marked job losses.

This research included discussions with employees at the U.S. Department of Agriculture who were kind enough to help direct me to the scant information they did have. Steven Zahniser, of the USDA Economic Research Service, himself a publisher of a paper regarding CAFTA-DR, told me that, "to the best of my knowledge, you are among the first to investigate CAFTA-DR's impact on U.S. agriculture." It also included correspondence with faculty at Texas A&M University. One of them, Dr. C. Parr Rosson, III, felt it was "too early to do much assessment of the agreement since it's only been in place for 2 years."

Clearly, more research will have to be done to assess the overall effects of CAFTA-DR on U.S. agriculture. The main hindrance to accessing CAFTA-DR is that there is a significant paucity of data addressing such issues as employment numbers (except for textiles), and factories opening and closing. There are also other factors that make an assessment of CAFTA-DR in the U.S. difficult so soon after its implementation. First, the CAFTA-DR Central American countries make up only a small percentage of U.S. exports and imports, making it difficult to ascertain the exact impact of the accord here in the U.S. There are also myriad factors that influence U.S. exports and imports, such as drought in New Zealand and Australia, rising energy costs, changing global weather patterns, and the emergence of China.

Lastly, in terms of the textile industry (the one agricultural sector showing real decline), CAFTA-DR has strict protections built into it wherein the U.S. can halt imports of specific textile goods from Central America, if the domestic manufacturer is in trouble. An example of this happened in May of 2008. The U.S. Department of Commerce invoked a safeguard mechanism on imports of cotton socks from Honduras (a 5% tariff) until the end

²⁹ U.S. Bureau of Labor Statistics. 2008. "Table A-10. Employed and unemployed persons by occupation, not seasonally adjusted." July. <http://www.bls.gov/news.release/empsit.t10.htm> 7/15/2008

³⁰ U.S. Department of Labor, Bureau of Labor Statistics. 2008. "Employment, Hours, and Earnings from the Current Employment Statistics Survey (National)." January. http://www.nationaltextile.org/nta/plant_closings/employment_19902007.htm 7/15/2008

³¹ Ibid.

of the year.³² Such protections still stack the deck against other CAFTA-DR signatories, protecting U.S. agriculture. Given that the textile industry has already been experiencing a massive loss in employees and production over the past twelve years, it is not yet possible to tie its losses to CAFTA-DR. However, with the U.S. textile industry being in such a prolonged state of distress, it is likely that even modest increases in textile imports from any source will have a negative impact.

³² Textile World. 2008. "United States Invokes Safeguards On Honduran Sock Imports." May. http://www.textileworld.com/Articles/2008/May_2008/Textile_News/United_States_Invok 7/15/2008

CAFTA: Will it Improve Central America?

By Omar Salazar, translated by Krista Hanson and Katherine Hoyt

What it offered Central America

The fundamental argument that governments and the corporations that export goods and services used to convince people was, and continues to be, that the Free Trade Agreement between the Dominican Republic, Central America, and the United States would bring an economic boom to Central America as a result of increased exports. According to their promise, foreign investment would grow and create more and better jobs in the region. Additionally they put forward the idea that with more goods and services entering the countries, prices would decrease—benefiting consumers—and they said this would help alleviate the decreasing purchasing power of the Central American currencies. Along the same lines, they said that the existence of a labor agreement would eliminate the risk of dumping, which is shorthand for increasing profit by reducing labor rights, or “costs.”

CAFTA was approved and implemented in a moment of global crisis, with Central America even more weakened.

The process of approving CAFTA was not easy, but in the end it was approved in Central America and the Dominican Republic. Some of the countries are still in the process of rewriting their legislation to come into full compliance with the agreement. One important case to note is the Costa Rican experience, where the approval of CAFTA had to wait until October of 2007. The referendum on CAFTA was marked by local and international pressures, media fraud and a government-led fear campaign, all of which led to CAFTA passing by a narrow margin.

We thought that we wouldn't see the effects of CAFTA in initial months of its implementation, but in the time since its passage we've already seen important impacts.

CAFTA is not a closed system. Rather it is completely interconnected with the variations in global trade, which puts the countries that are already vulnerable to these fluctuations at risk of going quickly from apparent boom to a structural crisis—a situation that has become clearer than ever with today's oil crisis, the food crisis that has worsened with biofuel, the housing crisis in North America, etc. The belief that the signing of CAFTA would create *certis paribus* (“all other things being equal”) conditions is wrong, and today these conditions might have even changed the desired outcome of CAFTA for both Central America and the United States. But since these conditions were not predicted, CAFTA will remain CAFTA despite its outdated and even dangerous elements.

So the conditions in Central America today, as CAFTA is being implemented, are becoming more and more precarious. Although clearly not all indicators of the depreciation are attributable to CAFTA, they are in fact attributable to the logic of trade from which CAFTA comes, since CAFTA is a trade instrument that comes out of the global logic that is causing the global crisis.

We debated these observations in a meeting with representatives of the United States Labor Department and we made our position clear. However, it seemed we were not understood, because the response was that if these sorts of problems came about they would result from conditions other than CAFTA, that they would not be created by CAFTA. It appeared to us at that time that the U.S. government did not have a real analysis of the situation. Since then we've understood that it is impossible to come up with this analysis in a country that promotes the logic of free trade.

As the conditions in Central America are getting worse, and are eliminating any slight possibility of competing with the U.S. that existed before the implementation of CAFTA, it is the lack of preparation for CAFTA that today is causing most harm.

Between 2006 and 2007, Central America went through an incredibly hard economic decline. Just in that period of so-called preparation for the implementation of CAFTA, its trade deficit fell 16 percent with respect to trade

with developed countries like the U.S. and Europe, countries with which they had maintained a more or less acceptable trade balance in the past.

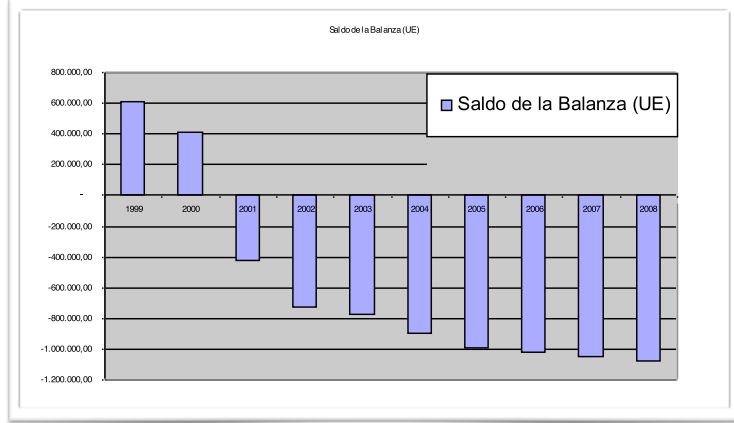
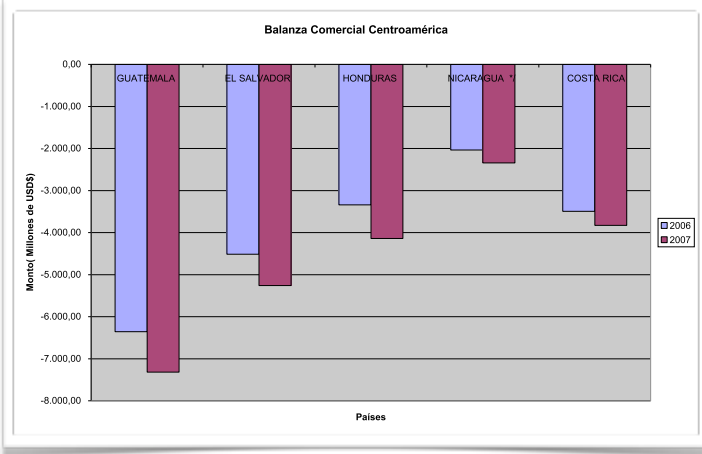
This projection, “Balanza Comercial Centroamericana,” shows the weakness of Central America, where there is an increasing dependence on economically strong regions. Evidently the balance is negative, which has to do with increased trade that is unfavorable to all of Central America.

The same thing is true with economic growth. While it is true that there is growth in the region, it is characterized by either stagnation or erratic drops in a way that is almost parallel to the Mexican indicators within NAFTA. Central America has annual economic growth of less than one percent in comparison to earlier years, which means a real stagnation of the economies that are not able to create significant economic reserves for national development.

Between 2006 and 2007 all the countries had either negative or no economic growth, a fact that probably debunks the thesis that more foreign investment leads to more productivity, since if that were true it would have taken place in the CAFTA countries starting in 2005.

What gets adjusted? CAFTA to the Central American reality, or Central America to CAFTA?

With such a poor economic forecast, which again is not completely due to CAFTA but rather to the economic and trade logic that promoted CAFTA, we are seeing a series of actions that would “adjust” CAFTA to Central America. Or, more precisely, there are actions that are adjusting Central America to CAFTA. This is the real reason for the evident deterioration.



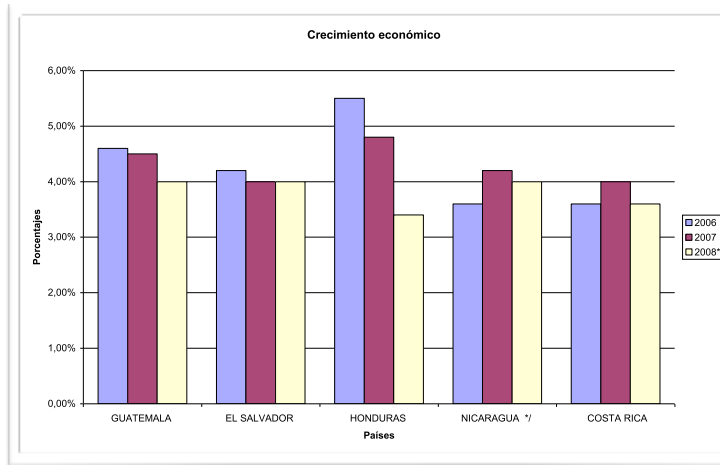
Independently, there are another set of “complimentary” adjustments that are meant to harmonize national laws and regional agreements. Within Central American countries there have been significant but little-known changes. Some of those changes are still being lobbied for by companies already situated within Central America. They argue that these changes will allow them to better prepare to compete with the U.S.

They’re trying to change labor laws, for example. In Costa Rica there is an effort to eliminate the eight-hour work day and overtime hours, eliminate paid maternity leave, change the use of natural resources, forcing their privatization and reducing environmental protections.

Other changes that have been pushed by business and some non-governmental organizations include the attempt in Nicaragua to make it possible to require workers to work during their vacations. In Honduras, for example, an executive decree allowed the lowering of the minimum wage in specific zones, and in Guatemala some sectors have attempted to allow municipal governments to set the minimum wage.

These examples of what we call the “hidden agenda of CAFTA” are perfectly well known to the authorities; they do nothing more than prepare the country for competition, but what kind of competition?

One could ask if the idea of a trade instrument such



as CAFTA should be a stimulus for some infrastructure and economic improvements so that a region can improve its productive and commercial capacities or if, in reality, upon not being able to make those changes, the countries are preparing merely to provide “better conditions” for businesses, which, in this case, would mean exactly the opposite.

At this moment, and according to what we now know, if a country or region specifically wants to make a jump in capturing foreign investment, or if it desires to have better conditions in order to achieve an increase in production, it must at least carry out the actions that we summarize here:

- Improvements in infrastructure and productive technologies resulting in a reduction in costs. Improvements would include: ports, highways, airports, warehouse space, customs facilities, etc.
- Lowering costs of production by passing flexibilization and deregulation legislation, including in the areas of health care, pensions, work hours, and labor contracts resulting in a lowering of standards.

Obviously in the Central American region, incapable of using the first option, uses the second and third options. An example is the textile sector, which competes by lowering standards for working conditions, lowering salaries and decreasing social security benefits for the workers leaving them exposed to the needs of the companies and violating their rights with the complicity of governments.

So today we see that with greater ease and less caution, governments and businesses are pushing legal reforms to attract capital, consciously abandoning an integral regional development strategy and prioritizing the interests and requirements of capital and the economic interests of the transnational companies that are located in the countries.

At this time the tactics of Central America to capture investment appear to be the following:

- Extremely low cost workers
- Low production costs, including low or no taxes, no or few protectionist laws, etc.

This is causing officials in each country to initiate a race to eliminate barriers in order to attract businesses, trying to get them to locate production in their country—a race to the bottom in competition to attract foreign investment and make products to send North.

Although we cannot yet speak of the macroeconomic impacts of CAFTA in a clear fashion, we can say that Central American “adjustment” is showing signs of where it is taking the region—and that is not towards improvements for workers or for the environment since the tendency is toward competition based on precarious conditions.

And the funds from the US Department of Labor and Department of State? It can be summarized in this way: So much has been distributed to accomplish so little!

The projects, a commitment by the U.S. government—especially the Democrats in the Congress—to guarantee respect for labor rights, improvements in the lives of workers, labor protection and justice for workers, after almost four years, seem to us to be insufficient and far from certain in results. The labor problem in the region will not be solved with the slightly more than US\$40 million that has been given out, at best it could palliate some negative impacts, but not even that has happened.

Worker rights are not improved by editing materials and distributing them massively without a strategy directed toward having the great mass of workers absorb them. It is not possible to sustain a project for strengthening labor rights when workers are subject to outside fears from their employers and from some governments to such a degree that they don’t act when their rights are violated. It is not possible that, with equipment and better infrastructure in the labor ministries, service to the workers would improve when the part of the national budget allotted to labor inspectors and ministry employees’ salaries is inadequate.

At the same time, we are concerned about the destination of these funds. It seems that what guides the use of the resources is a so-called white book. In analyzing the book, we do not observe in its proposals anything that would tend to improve conditions for workers.

We understand that the concern of the U.S. government is not about real people but rather the national mechanisms that protect and govern labor rights, something that is interesting. However, some funds that would appear to be directed to improve those structures do not achieve their objective. For example: If there were a fund to improve the negotiating capacity of the tri-partite commissions, we would have to support the sectors that form it, first checking to see how representative they are. Otherwise we would fall into the trap of training

commissions that are badly set up. Or, for example, if there were a desire to support programs to strengthen the workers side, these programs would never be de-linked from what organized workers thought were their greatest needs. Instead, they have approached this sector with a pre-established and programmed design which the workers simply join even though the issues are brought from outside, from persons and organizations with little or no experience working with unions.

In the face of possible response from the leaders of these programs that some unions do participate, we should respond that we don't deny that, but they do it with the understanding that the programs are provided to their organizations, but the funds do not solve their structural problems.

The last point is the idea of the U.S. government that U.S. organizations are the ones that should serve as intermediaries for programs in Central America and that they would find counterparts to carry out the programs in the area when, logically, it should be a North-South alliance with legitimization by and participation of the interested parties¹ who could develop the program in accord with their needs.

What happens is that many of those who carry out these programs, at least in the labor area, do not know the region. They are newcomers to the region or they bring experiences from other projects in the region that they want to apply to the labor sector or they have had experience in the labor field but with management which makes them lose credibility with the neediest population, which are the workers. What brings a bit of light is that they have been learning the necessity to join forces with NGOs and institutions of the region with experience. However their conditionalities are so rigid that in some cases they drown the good methodologies and decisions that could come from the Central American groups.

The summary of this inundation of funds is clear: little penetration into the real problems of the labor issue, monies spent on situational activities that do not result in processes for work or to articulate problems, funds consumed in the massive production of materials that often remain in the places where they were left, and sometimes funds filtered toward institutions that improve some small piece of infrastructure that because of limited financial capacity, ends up deteriorating and in the worst of cases forgotten or unable to be used.

Summary

- It is not yet possible to observe if CAFTA is capable of delivering to Central America what it promised or not.
- There is concern that the current world crisis will certainly bring worse conditions to a Central America that had entered with many disadvantages into CAFTA because of the conditions accepted by the governments and that this will make it necessary to revise its reach, something that the actual agreement does not seem to take into account.
- What is clear is that the economic adjustment that is happening in Central America is not structural but based on the current situation, on trying to find precarious forms of competitiveness and not true technological preparation to confront the trade challenge.
- The drastic and visible adjustments are the changes in laws and the ever worsening impunity in the area of rights violations; in this case we are speaking of labor rights which have suffered severe blows with the implementation of the CAFTA agenda.
- What these adjustments are seeking is to “legalize” illegal practices that are common in Central America. This is the road laid out by the businesses and governments in order to “compete.”
- In spite of efforts by some U.S. sectors to avoid the social chaos of eliminating labor rights and others concerned about maintaining conditions that do not foment labor or social “dumping,” the projects approved to strengthen the protection of and justice for organized labor are insufficient and inadequate given that they are not taking into account the real needs of the affected population and only take into account what the governments wrote in the “white book” which was only what was necessary to palliate conditions.
- The funds destined for Central America are going to organizations that in some cases do not have the capacity or the experience in the specific field of labor. This leaves us to ask if these projects are helping to improve conditions or only serve as a palliative and to ask if the funds are reflective of a true concern or simply the fulfillment of an agreement reached to achieve final passage of CAFTA. And that is why the question of why so much for so little causes such concern.

¹ We refer here to the sectors that would be taken into account in carrying out the program, for example the unions.

Major Problems with Mega-Projects

By Zach Haas, Maryknoll Office for Global Concerns

Introduction

Many major development projects, sometimes called mega-projects, have been and are being pursued in Central America under the new guidelines set out by DR-CAFTA or as part of or caused by the Plan Puebla Panama (PPP). Projects such as mines and dams are being developed throughout the isthmus; the vast majority are owned or controlled by foreign companies. There are a few significant and fairly universal problems with this situation.

“Development”

Much of the rhetorical rationale supporting mega-projects falls under claims of “regional development.” This is incredibly misleading, as the “development” largely does not benefit the local populace or the nation. When foreign companies build hydroelectric dams, for example, the energy is often sold to countries other than the one housing the dam, or the energy is sent to major cities, ignoring smaller settlements closer to the dam site. Similarly, mining corporations usually take the profits of the extraction and, per local law and the mandates of DR-CAFTA, pay little to no tax to the government. In Guatemala, only one percent of a foreign company’s revenues are paid to the government. Compare this to much higher figures, such as 15%, in developed nations like Canada, which is home to about 85% of all mining companies.

In addition, these companies are rarely taxed or are taxed very lightly, as they are frequently protected in their home country by laws preventing double-taxation for companies working abroad. They are exempted from taxes at home, while the host governments are too weak to tax them effectively, or under the guidelines of “free trade” are strongly discouraged from enacting barriers to investment such as taxes. Under these conditions, many companies, particularly mining operations, come into poor Latin American states, exploit the natural resources, and then leave, without contributing anything significant to their hosts.

Host governments have very little legal power to leverage against corporations and in many cases work with companies instead of using what power they do have. DR-CAFTA’s policies allow multi-national corporations easy, relatively unfettered access to the resources of various countries and often include loopholes which allow companies to avoid legal prosecution for any crimes they could potentially commit in a host country. Governments that are foreign investment-oriented often support companies, sometimes even with police and military, despite any ill effects they may be having on the local populace.

The Human Cost of Mega-projects

The largest direct cost of development projects such as dams and mines is on poor peasants and farmers, who often belong to indigenous communities. These communities are usually based on subsistence farming, with a heavy dependence on, and deep connection to, their land and water sources. Both mines and dams require significant amounts of land, and both have a marked effect on waterways. Dams clearly affect rivers, as they restrict water flow and build up large man-made lakes, flooding large expanses of land. Since indigenous farmers depend greatly on rivers for water for their crops, they often live very close to rivers and streams. Those living upstream from the dam can be displaced by the flooded reservoir, and those downstream from the dam see the amount of water they have access to drop drastically, and fluctuate at the whim of the dam operators. The water quality also decreases because a water source is converted from a running stream into a large, nearly standing-water lake.

Mines require great amounts of land, as the method most often used in Latin America is open-pit cyanide-leaching methods (particularly for gold and silver mining). This process involves lateral, near-surface excavation rather than vertical, deep digging as in other types of mines. Large areas are clear-cut and tons of earth are

excavated and scoured for traces of metals. In order to remove the metals from the earth, cyanide-leaching is frequently used.

In this process, the tons of crushed rock and earth are soaked in a cyanide solution, which binds to metals but not to rock. The metals are then removed from the solution, and the solution is treated in an attempt to avoid environmental damage. The method yields miniscule amounts of metals compared to the tons of earth put through the process, but due to the high price of precious metals now, it is still profitable. Despite efforts to stop its dissipation into stream water, cyanide does often leak into nearby streams or into the water table. This, among other pollutants introduced to the water by the mine and the fact that these mines require massive amounts of water, presents a dangerous situation for communities downstream from the mine. Communities are also often displaced by the mining operations, or their quality of life is decreased by the presence of a nearby mine because of explosions damaging building structures, air quality, and other hazards.

Indigenous Rights

Considering all of the negative effects of these forms of “development,” one would wonder why the communities would allow companies to use or take their land. Mining companies often claim that while the peasants own the land, the state owns the underground resources, and therefore the companies are allowed to evict the villagers. Other times, companies offer to buy the land from peasants, with promises to relocate the families, or promise to build local infrastructure such as roads, schools, etc. in order to convince communities to allow them to build the mine or dam nearby. Whether this infrastructure is eventually built is another issue. Still other times, companies simply ignore the communities and their desires, opinions, and rights.

Some of these rights are allotted to indigenous communities by the UN’s International Labor Organization, and the most-cited stipulation is Convention 169. Most Latin American nations have signed and ratified the ILO’s international treaty, and it is therefore binding. Convention 169 requires governments and their contractors to consult with indigenous communities before undertaking any actions which may affect them. It allows the right of indigenous communities to operate and make decisions in their traditional fashion, and gives them decision-making power over the use of their land. It also entitles them to “fair compensation for any damages they may sustain as a result” of development. It protects indigenous peoples from relocation, saying that they “shall not be removed from the lands” unless it is deemed “necessary as an exceptional measure” and with their consent. These, among other regulations, provide an excellent system for dealing with issues having to do with indigenous communities. The convention allows for the protection of indigenous rights, but in some cases provides guidance for when they must be moved or compensated. Unfortunately, governments that have agreed to the treaty, and the companies they hire, routinely choose not to follow these requirements.

Consultas

Many communities have held votes on whether they approve of mining or other development activity on or near their traditional lands, which nearly always result in overwhelming rejection of the development. These *consultas* are regularly ignored or attempts are made to discredit them, and the votes are often held after the project has begun because the company did not consult the communities in the first place.

When normal measures of attempting to influence the government and development companies have failed, many communities have staged protests, essentially all of which have been peaceful demonstrations. Tragically, these protests are sometimes met with violence on behalf of the company, whether committed by security guards, employees, or other supporters. The violence is not only limited to quelling group protests, it is sometimes used as intimidation and to silence opposition. In addition, anti-development leaders are often the subject of death threats and mysterious disappearances, and even local clergy have been targeted.

Broken Promises

Even when the process moves as it should at first, and the communities are consulted and promised new houses and land, schools, roads, clinics, electricity, clean water, and other substantial local development, these promises are all-too-often false guarantees. These agreements are made so that the communities will allow the company to build, then are revoked or ignored. Sometimes, when the company is done at the site (as with mines) and some of the benefits have yet to be provided, the company will suspiciously “go out of business” and be legally released of liability for providing the funds for the promised benefits to the community. Community members are often reassured that the development will create jobs in their area, and they frequently do during construction, but when the facilities are completed, there is little need for local labor. The workers employed at the facilities during normal operation often need more advanced training or expertise than local community members have access to,

and the companies do not go to the trouble of educating or training indigenous communities when they can bring in their own employees.

Conclusions

The rhetoric of DR-CAFTA paints mega-projects as a major opportunity for impoverished countries to jump-start development. This is rarely the case. Very little of the money invested in mega-projects gets routed back to the country hosting them, the few jobs that are created are dangerous and unstable, and promises made during the initial stages of mega-project development are rarely carried to fruition. Under DR-CAFTA, countries also have little power to control or influence the foreign corporations that operate within their borders and can even be sued by corporations for enacting “barriers to investment.” Mega-projects destroy the environment and often ignore both the human rights of the indigenous people whose water they contaminate and land they confiscate, and the international legislation protecting those people.

Open Doors to Resource Extraction

By the Pastoral Commission for Peace and Ecology (COPAE), translated by Network in Solidarity with the People of Guatemala (NISGUA)

Introduction

Control, over access both to natural resources and the territories in which they are found, has been throughout history the origin of numerous conflicts. These conflicts have existed since the beginning of civilization and have been a major impetus for migration and colonialism, from the “promised land” of milk and honey for the ancient Hebrews to the discovery of the “New World,” or the Americas, in the fifteenth century. This struggle for power continues to exist in the present—for example, with minerals that have played and continue to play an important role in the national and international economy.¹ In 1524, the pillaging of the natural wealth of Guatemala and Central American began with the arrival of the imperial interests of Spain. Today, the United States is intervening in a similar fashion, although more discretely, by way of imbalanced neoliberal trade agreements such as the Central and North American Free Trade Agreements (CAFTA, NAFTA).

Throughout the long history of the exploitation of Central America, the among only challenges to this system were the ones implemented during the 10-year period in Guatemala known as the “October Revolution” (1944-1954). At that time, true social-democrat presidents enacted laws in favor of the nation and the people of Guatemala. During that period, resource extraction by foreign-owned companies was banned. Part of the “development” strategy designed by the United States and implemented as part of the counterrevolution throughout Guatemala’s 36-year internal conflict (1960-1996), involved strengthening the private business sector and promoting foreign investment, which served to lay the groundwork for the all-out exploitation that we are facing today.

It is well-documented that neoliberal globalization exacerbates the gap between a North that is every day wealthier and a South that is every day more impoverished. The free trade agreements of Central American countries with the United States and mining exploitation by transnational corporations are an expression of this neoliberal system. With CAFTA, Central American countries are essentially concessioned off for 50 years, rendering governments effectively powerless, without the right to supervise or regulate foreign companies. Chapter 10 of CAFTA, the chapter related to foreign investment, sets an unequal legal playing field— it is very difficult for a state to take legal action against a multinational company, while investor companies can sue the state as they please for loss or potential loss of profit caused by any change in regulation, law, or policy. These changes often arise from the legitimate demands of the affected populations. Thus, chapter 10 of CAFTA, similar to the extremely controversial Chapter 11 of NAFTA, increases the power of large corporations while attacking the sovereignty of governments and their ability to act in public interest.

Mining

Free trade dehumanizes society and legalizes destruction of the environment. Evidence of this is the way that CAFTA has facilitated open-pit mining activity in Guatemala which, because of its geomorphologic configuration, is a country rich in hydrocarbons and hard minerals. The Mining Law in Guatemala, implemented by the neoliberal government of President Alvaro Arzu (1995-1999), dictates that 99% of revenues be repatriated by multinational companies, leaving royalties in Guatemala of only 1%, a reform based on the neoliberal ideology that aims to attract foreign investment by creating favorable conditions for investors at the expense of the benefit to the population. Meanwhile, the mining industry is unsustainable by nature, as it aims to exploit a resource until it is used up entirely. Metal mining sucks community water sources dry, contaminates the environment that supports biodiversity and the lives of communities, and decreases agricultural productivity, leading to the underdevelopment of our communities.

¹ Global Oil and the Nation State, Ali Rodriguez Araque. Oxford Institute for Energy Studies, 2002.

Somehow, Guatemala's national oligarchy, and financial institutions like the World Bank, have promoted this type of exploitation under the discourse of development. Social organizations in Guatemala, as well as the Catholic Church, have expressed their opposition to mining activity, often utilizing data from other parts of the world that show that this industry, far from contributing to the development of communities, has generated higher percentages of poverty and misery.

Mining companies must solicit licenses of recognition, then exploration, and finally exploitation from the Guatemalan government. The current regime, while defining itself as "social-democratic," continues to liberally grant mining licenses to multinational companies. Today there are over 400 mining licenses granted in the country, presenting an immense threat to Guatemalan rural communities and to the agricultural economy. In Guatemala two subsidiary companies of mining transnational Goldcorp Inc. are operating: Montana Exploradora, with its "Marlin" mine project in the department of San Marcos, and Entre Mares, S.A. The Marlin mine has already generated great conflict in a region damaged by decades of war.

In the face of this reality, grassroots and social organizations, as well as the Episcopal Conference of Guatemala and specifically the diocese of San Marcos (COPAE), propose alternative forms of development that are born from the people and that respect human life and the environment.

Guatemala's highland populations are resisting mining in many different ways, but the most salient form of resistance lies in the organizing of community referenda, or community-level "votes". These referenda are carried out through community assemblies, in accordance with the Mayan communities' very own customs and histories. There have been community referenda organized in over 26 municipalities in the nation, where more than 500,000 people have declared themselves against this model of "development."

Hydroelectric Dams

As an excuse to build hydroelectric dams and electrical lines without the consent of affected peoples, it has been claimed that there is an energy crisis in Guatemala. With this justification, the Executive Branch of the government declared on March 4th of this year, through decree 88-2008, that "with a character of national urgency, we will execute all plans and projects necessary to avoid a crisis in the system of generation, transport, and distribution of electrical energy." In fact, according to the vice-minister of Energy and Mines, "the first indispensable project to execute is the interconnection between Guatemala and Mexico." This interconnection is part of the System of Electrical Interconnection between Central American Countries (SIEPAC), a mega-project that forms part of Plan Puebla Panama (PPP) and whose goal is to connect a continuous electricity transmission line from Mexico to Panama. With this, supporters hope to "achieve greater efficiency in the exportation of energy to the United States market," according to Marcelo Antinori, coordinator of the Plan Puebla Panama in the Interamerican Development Bank (IDB). Carlos Colóm, of the National Institute of Electrification (INDE), announced last year that, "In the long term, Central America could turn into a net exporter of electricity." According to the Nicaraguan newspaper Nuevo Diario, "This potential has awakened an interest in developing sources of renewable energy, with special attention to hydroelectric plants..." But the owners of new hydroelectric dams in Guatemala will not pay taxes because, according to the "Law of Incentives for the Development of Renewable Energy Projects," they will be exempt from import taxes, including the added value tax, and from rent taxes for 10 years.

The benefits of these projects will reach the same wealthy masters as always: the oligarchy, large landowners, and owners of large businesses. Nothing will be left for the general population, or for the communities that live in the highlands and lowlands of the mountains—the communities that protect the forests and ecosystems in which they live. Private companies will continue to charge these communities exorbitantly high prices for electricity, leaving them only the negative impacts of the dams, which include risks of landslides and floods, displacement, loss of biodiversity in their ecosystems, contamination, and lack of water, among other things.

The population is not against hydroelectric dams as a source of energy; they are opposed to the fact that private national and multinational companies use their natural resources to achieve luxurious ends. The proposal of the communities is to construct small community hydroelectric dams, where the owners are the very municipalities, without the redirecting of rivers, and where there is no damage to the environment.

Community Expression

Rejection of resource extraction has culminated in different popular protests seen throughout the country in the last few years against open-pit mining activity and hydroelectric dams that don't take the people into account. These protests have showed how the indigenous peoples of Guatemala express themselves peacefully regarding issues that directly affect them. The community referenda carried out in a growing number of municipalities are

founded in Convention 169 of the International Labor Organization (ILO). This convention speaks of the right of indigenous peoples to consultation regarding industrial activity on their lands, above all articles 7 and 15. Similarly, the right of indigenous peoples to make decisions over the exploitation of their natural resources is included in Guatemalan legislation: Article 66 and 253 of the Guatemalan Constitution; articles 35, 65, and 66 of the Municipal Code; article 18 of the Decentralization Law; and article 20 of the Law of Development Councils—all laws that took root in the Guatemalan Peace Accords of 1996. However, the institutions of the state, in an open disrespect for the will of the people, continue on their mission to grant licenses for mega projects.

The position of the Guatemalan Church is to defend the life of human beings and nature. God created nature so that man and woman could live in harmony with her and protect her. If open-pit mining will provoke negative social impacts regarding the health and life of the people, and damage biodiversity, our position is one of firm and active resistance. This was made clear in the Catholic Bishops' Conference of Guatemala and when Bishop Alvaro Ramazzini made a call to the communities of Guatemala to resist selling their land to multinational companies.

Proposals

- The organization of activities together with civil society so that the state prohibits concessions for mega projects. This involves the government declaring community referenda both legal and binding.
- The construction of a legal framework that supports a mining and energy policy that protects human rights and natural resources, as controlled and guaranteed by the communities of Guatemala.
- The strengthening of initiatives that are developed from the indigenous peoples in their territories to build their own economic, cultural, social, and environmental destinies.

Conclusions

There is an effort being made to articulate this social movement so that in forming a national and regional network, we can see the day when the people become the subjects of their own development.

We have started on a path that leads us to the construction of a more humane, clean and hopeful future. There is more and more consciousness every day urging people to live lives without ambition or desire for luxury or power, and with a spirit of justice, caring for our natural resources, solidarity, tenderness, respect for nature, and contemplative gratitude. We are faced with a great challenge: reverse neoliberal globalization and its trade agreements and work for the globalization of human rights, justice, solidarity and caring for the environment.

ALBA: A Different Kind of Trade Agreement

By Jill Hokanson and Stephanie Selekman, Nicaragua Network

Introduction

As the US government worked to harness support for free trade agreements in Central America, many Latin American countries were in the midst of elections that would change the political tides away from long held neoliberal economic practices. Led by President Hugo Chavez and the Bolivarian government of Venezuela, several of these new leaders have joined together in an unprecedented move to reclaim Latin American economic resources for Latin America through the creation of the Bolivarian Alternative for Our Americas, or ALBA. The Spanish acronym means dawn, and alternative models of economic development like ALBA could be the early glimmer of the region's rise through a new, cooperative development model. Members now include Venezuela, Cuba, Bolivia, the island nation of Dominica, and Nicaragua. President Manuel Zelaya of Honduras signed on to the ALBA in August 2008, and the Honduran Congress ratified the agreement on October 9.

Beginnings

Like the Central American Free Trade Agreement (CAFTA) and the Free Trade Agreement of the Americas (FTAA), ALBA is a trade agreement between Latin American countries. Unlike those arrangements, it leaves the driver of CAFTA and the FTAA, the United States, out. Rather than being a product of rigid negotiation, ALBA is a framework of principles that has been amended since its creation in December 2004. Instead of embracing the free-market capitalism and neoliberal economics of the aforementioned agreements, ALBA was created so that Latin American countries could trade and support one another in ways that are conducive to development, solidarity, and overall regional integration.

The framework of ALBA has been used to facilitate projects between the participating countries in nineteen sectors, including energy, healthcare, food sovereignty, natural resources, education, land reform and technological development. The first project, initiated by Venezuela and Cuba, provided free treatment by Venezuelan and Cuban doctors to primarily low-income citizens with cataracts and other eye diseases in 30 Latin American and Caribbean nations.

The program, called Operation Miracle, treated more than 650,000 people between 2004 and 2007. The program has not only contributed to the improvement of eye health in the participating countries, it has also provided opportunities for Venezuelan doctors to receive training at Cuban universities with the help of scholarships and has led to the construction of hundreds of new medical centers in Venezuela. In exchange, Cuba received discounted Venezuelan oil, allowing the country to become less dependent on oil sources outside the region. By June of 2008, 25,000 Nicaraguans with vision problems had benefited from Operation Miracle.

At the Sixth Summit of ALBA in January of 2008, Venezuela and Nicaragua signed a bilateral agreement for Nicaragua to export to Venezuela dairy products, meat, beans and corn in exchange for some of the oil that the country has received and expects to continue to receive. Also as part of the bilateral agreement, the two nations promised to carry out forestry projects and projects to guarantee the well-being and security of children and adolescents.

Oil

In July 2005, an agreement specifically regarding oil was signed by Venezuela and participating Caribbean nations. The accord created PetroCaribe, an oil system in which Venezuela agreed to provide the Caribbean countries with Venezuelan oil (from state-owned PDVSA) at a preferential rate, with the flexible option of paying for it in 25 years at low-interest rates. Venezuela also gave the Caribbean countries the option of paying off the low-interest oil loan with goods and services. Present members of Petrocaribe include Nicaragua, Honduras, Cuba, the Dominican Republic, Belize, Jamaica, Surinam, Guyana, Granada, Bahamas, Dominica, St. Vincent

and the Grenadines, St. Kitts and Nevis, Antigua and Barbuda, and Haiti. Guatemala joined the grouping at a July 2008 meeting and Costa Rica became an observer.

For Nicaragua, the principal benefit of membership in ALBA has been the access to oil at a favorable rate, to provide both electrical energy and fuel for transportation. [Venezuela has also provided Nicaragua with petroleum-burning generators to relieve the nation's electricity shortage.] The accounting of the Venezuelan money has been a point of some controversy in Nicaragua, with some local analysts saying that the government and its agencies were violating the constitution and the law on public debt, adding that the country could be faced with an enormous national debt. Government officials said that the money from the sale of the oil by the mixed company Albanisa (the state oil company PDVSA of Venezuela and Petronic of Nicaragua) did not constitute a public debt.

According to the ALBA agreement, 25% of the income from the sale of Venezuelan oil is turned over to Nicaraguan public entities to invest in improvements in infrastructure and 25% is turned over to the ALBA Fund. Full reporting on Venezuela oil monies became an issue for Nicaragua's International Monetary Fund agreement. On August 28 the Nicaraguan government signed a letter of intent with the IMF and on Sept. 1 posted an accounting of the use of the money on a Central Bank web page.

On August 25, 2008, representatives of several member countries of ALBA met in Tegucigalpa where President Manuel Zelaya of Honduras signed his country on as a member. The signing took place in the middle of a burning controversy between the government and business sectors. The latter opposed joining the ALBA, saying that it was conspiracy against free enterprise. However, the agreement was ratified by the Honduran congress on October 9th. In his speech on August 25, President Zelaya accused the private business groups that opposed Honduras joining the ALBA of being responsible for the poverty that he said affects 70% of the 7.5 million Hondurans. "We are sovereign enough," Zelaya said, "so that we can tell the world that Honduras does not have to ask the permission of any imperial power to join the ALBA." He added that the ALBA would help to end the country's energy dependency by building a hydroelectric dam, would reduce illiteracy, help with health care and permit the injection of US\$400 million into productive projects.

Guiding Principles of ALBA

The Joint Declaration for the Bolivarian Alternative for the Americas was first signed by Venezuela and Cuba on December 14, 2004, in Havana. The Joint Declaration from the founding of ALBA included twelve principles to be used as a guide in future agreements and implementation of ALBA. These guiding principles act as a reference for the creation of agreements between member countries. They include:

- Trade and investment should not be ends in themselves, but instruments to achieve just and sustainable development.
- Special and differential treatment [of each country], that takes into account the level of development of the diverse countries and the dimension of their economies.
- Economic complementarity and cooperation between the participant countries.
- Special plans for the least developed countries in the region, including a Continental Literacy Plan, a Latin American plan for free health and treatment for those in need and a scholarship plan for study in areas of greatest importance for economic and social development.
- The creation of a Social Emergency Fund.
- Integrated development in communications and transportation between the Latin American and Caribbean countries including plans for highways, railroads, shipping and airlines, telecommunications and others.
- Actions to sponsor sustainable development through norms that protect the environment.
- Energy integration between the countries of the region in order to ensure the supply of stable energy products to benefit Latin American and Caribbean societies, including Venezuela's proposal of the creation of Petroamerica.
- Promotion of investment of Latin American capital in Latin America and the Caribbean, with the objective of reducing dependency on foreign investment.
- Defense of the Latin American and Caribbean culture and the identity of the peoples of the region with particular respect for autonomous and indigenous cultures; includes the creation of TeleSur.

- Intellectual property norms to protect the heritage of Latin American and Caribbean countries from the voracity of transnational corporations.
- Coordination of all negotiations with countries and blocks from other regions, including the struggle for democratization and transparency in international organisms, particularly the United Nations.

Resources:

Kiraz Janicke, "Summit of the Bolivarian Alternative (ALBA) Concludes in Venezuela," January 27, 2008: <http://www.venezuelanalysis.com/news/3104>

Mariela Perez, "ALBA: Justice in Deeds" Jan. 19, 2007: http://www.bilaterals.org/article.php3?id_article=6964&var_recherche=5.%09ALBA%3A+Justice+in+Deeds+Mariela+Valenzuela

James Petras, "ALBA: Propuestas para el Nuevo Orden Social, Económico y Cultural," May 22, 2006: http://www.bilaterals.org/article.php3?id_article=4784&var_recherche=ALBA

Association Agreement with the European Union: Better than CAFTA?

By Katherine Hoyt, Nicaragua Network

Introduction

At a summit held in Vienna, Austria, in May of 2006, the European Union and the Central American countries plus Panama reaffirmed their goal, which dated from 2004, of negotiating an Association Agreement. Since then, negotiating rounds have been held in San Jose, Costa Rica, in October 2007; in Brussels, Belgium, in February 2008; in San Salvador in April 2008; and again in Brussels in July of 2008.

Along with a trade agreement, the Association Agreement is intended to include a political agreement on such matters as respect for democratic principles, fundamental human rights, sustainable development, achievement of the United Nations millennium goals, environmental protection and the strengthening of the rule of law, and a chapter on cooperation, namely development assistance.¹ Central America and the EU signed an “Accord on Political Dialogue and Cooperation” in Rome in 2003 which has not gone into effect. It is expected that this will be the base for the non-trade aspects of the Association Agreement being negotiated.² The EU has association agreements with Chile, Mexico, South Africa and other countries. Each one of the member states of the European Union has to ratify each new Association Agreement.

Progress

The Central Americans want the trade aspect of the agreement to include an expansion of the access privileges that the countries already enjoy under the Generalized System of Preferences Plus (GSP+). The GSP+ is a system whereby World Trade Organization members can give preference to poor countries without having to give them to rich ones, based on need and participation in major international covenants.³ The Europeans are reportedly interested in gaining political partners in a region that has been known for a long time as the “back yard” of the United States while also protecting farmers in their former colonies, especially in Africa.⁴

The Central Americans met in San Salvador before traveling to Belgium for the fourth round in order to form a joint proposal for the talks, something they were never able to do in talks with the United States on the CAFTA agreement. They were at first unsatisfied with the offer brought to the fourth round of talks by the Europeans because, while it included most of the products that come under GSP+, it did not include some key products for the Central Americans such as bananas, sugar and lobsters. Costa Rica’s Foreign Trade Minister Marco Vinicio Ruiz said that the EU offer failed substantially to improve upon the region’s current level of access.⁵ In the end, the EU accepted free access to its market for 8,930 products and Central America agreed to remove import tariffs on 80% of the products the EU exports to that region.⁶

In 2003, the Central American countries plus Panama received only 0.4% of European Union exports and in turn were the source of only 0.3% of the EU’s imports. [As of the end of the fourth round, Panama was not fully incorporated into the talks, preferring to remain as an observer.] Nevertheless, the EU is a very important trading partner for Central America. For example, the EU is Nicaragua’s third most important destination for its exports, after Central America and the United States. In 2007, the European Union accounted for US\$168.4

¹ “Que es el Acuerdo de Asociación?” Acuerdo de Asociación entre Centroamérica y la Unión Europea, <http://www.aacue.go.cr/informacion/que/default.htm>

² Jorge Balbis, “¿Algo más que un TLC? El Acuerdo de Asociación Centroamérica-Unión Europea,” Nueva Sociedad, No 209, May-June 2007, 8, http://www.nuso.org/upload/articulos/3425_1.pdf.

³ The Central American countries were granted GSP+ status by the European Union Dec. 21, 2005. http://ec.europa.eu/trade/issues/global/gsp/pr211205_en.htm

⁴ “Trade negotiations continue with European Union,” Nicaragua News Service, Vol. 16, No. 29; “Fondo de cooperación sin respuesta,” La Prensa, July 26, 2008.

⁵ “Costa Rica: EU not interested in free-trade agreement,” Tico Times, July 9, 2008.

⁶ “CA logra acuerdo de asociación con UE,” Radio La Primerísima, Julio 20, 2008.

million of Nicaragua's US\$1.257 billion in exports.⁷ For all of Central America, between 2001 and 2005, Central American exports to the EU averaged 10.9% of the region's total exports, while imports from the EU averaged 9.4% of the total imports.⁸

The European Union dropped its requirement that all Central American countries join the International Criminal Court before an association agreement could move forward. Of the five Central American countries, only Costa Rica and Honduras are members of the Court. All the countries united to ask the EU to reconsider its demand given the decades of civil war that three of the nations had recently experienced. The three non-members agreed to "take steps" toward an eventual signing of the Treaty of Rome, which set up the court, without any specified time limit.

During the fourth round, discussions about intellectual property included biodiversity, genetic resources and traditional knowledge. Discussions were marked by the Central American countries' efforts to clarify that measures in that area should not keep the countries of the region from protecting their biodiversity. Proposals from the Central American side also included specific mechanisms to promote the transfer of technology from Europe to Central America. All of these are to be analyzed by the Europeans for further discussion in the next round.⁹

Discussion of trade and sustainable development focused on how the treatment of sustainable development in the "trade" pillar of the association agreement differed from how the subject was being treated in the "political" pillar of the agreement. Proposals from Central America and Europe differed, with Central America emphasizing a focus on cooperation. It was agreed that the proposal made by the Central American countries would be the basis for fifth round discussions in October 2008 in Guatemala City.¹⁰

Costa Rican President Oscar Arias has been critical of the protectionist policies of the EU, where European farmers receive high subsidies. He said in March 2008, "The Europeans have never been congruent between what they say and what is put into practice. They speak of free trade, yet protect their farmers, which shows great hypocrisy."¹¹ Just before the fourth round, Nicaraguan Foreign Minister Samuel Santos said that Central America would insist on a fund to compensate those who lose out under the agreement, with 90% of the funding to come from the European Union. He noted, "The European Parliament said clearly that the relationship between Europe and Central America must benefit both regions." In the end, there was no firm commitment by the end of the fourth round for an Economic Fund for Financial Credit, as it was being called, which would fund principally infrastructure improvements to help overcome Central America's disadvantages with relation to the EU.

On October 25, 2007, at the time of the first round of negotiations, numerous peasant organizations from across Central America issued a joint statement of opposition to the creation of a free trade agreement with the EU saying that "this type of agreement is designed to benefit transnational companies with little concern for the impact on local farmers." According to Honduran peasant leader Jose Santos Vallecillo, the Central American small farmers "will not be able to compete against the heavily subsidized European producers." (According to the Nicaraguan media, the European Union spends US\$62 billion on agricultural subsidies each year.) Vallecillo went on to say that the agreement would "finish off those who produce food for the local market and who guarantee our food sovereignty." He also said that the agreement would benefit "the big producers and transnational companies that produce bananas and pineapples, for example. It's the peasant farmers who are going to suffer."¹²

Another important question raised about the negotiation of the agreement has been the participation of civil society organizations. Only four Nicaraguan civil society groups attended the first round in Costa Rica. One of those was the Alexander Von Humboldt Center, which was represented by Tania Vanegas. The other three Nicaraguan civil society participants were from the business sector. Vanegas said, "There was no consultation with us, and we were only given limited information after each day's talks. The lack of information really worries us."¹³

⁷ "Istmo todavía sin consenso para unión aduanera," LaPrensa, July 12, 2008.

⁸ Balbis, 5.

⁹ "Informe de Resultados IV Ronda de Negociación entre Centroamérica y la Unión Europea," <http://www.aacue.go.cr/informacion/rondas/CA-UE/IV%20Ronda/Informe%20IV%20Ronda.pdf>, 6.

¹⁰ Ibid, 8.

¹¹ "Costa Rica negotiates Free Trade Agreement with EU," http://www.bilaterals.org/article.php?id_article=11549

¹² "Campesinos opposed to free trade agreement with the European Union," Nicaragua News Service, Vol. 15, No. 43.

¹³ "Nicaraguan Kepa partner monitoring trade negotiations with the EU," March 3, 2008, <http://www.kepa.fi/international/english/information/newsletter/2008/6373>

Larissa Bruum, of the Finnish group KEPA, noted that “several regional civil society networks” were monitoring the negotiations. She said that “some completely reject the talks and the idea of an agreement which they believe will increase inequality and poverty, whereas others such as the Iniciativa CID [Initiative on Trade, Integration and Development] want to influence the outcomes of the talks as much as they can.” She reported that Tania Vanegas thought that the two positions were complementary and hoped for better coordination with European civil society networks working on trade issues.¹⁴

The official web page of the Association Agreement in Costa Rica states that the services sector negotiations are open to the public.¹⁵ Invitations are extended, according to the web page, to businesses, trade associations, universities, professional societies, and other organizations in the various service sectors including information, energy, education, health care, telecommunications, tourism, transportation, financial services, construction, and others. An e-mail address is listed to request an invitation. According to a report on that page on the fourth round, side room activities were video-transmitted to meeting rooms in San Jose, Costa Rica, for those who could not travel to Brussels and “for all those who wanted to be informed or who had doubts about the negotiations.”¹⁶ Other countries have evidently made similar offers but if the Humboldt Center’s experience is any guide, the reality of the consultation with civil society has been limited.

Along with increased civil society participation, EU Association Agreements are supposed to include a study of the impact of the agreement on sustainability in the countries involved in the areas of the economy, social gains, the environment, and labor rights. It is unclear if such studies have been carried out in the Central American countries.¹⁷

Conclusions

When the text is revealed, it will be possible to analyze whether the Association Agreement with the EU will be of greater benefit (or cause less damage) to the majority poor population of the Central American countries than the DR-CAFTA. Certainly, as of this writing there are a couple of positives to note, including the fact that the Central Americans have been able to form unified positions (evidently not easily and at the last minute) to present to the Europeans.¹⁸ The importance of this was learned in the school of hard knocks of the CAFTA negotiations where the U.S. negotiated with each country separately to its own benefit. There also appears to be some awareness that the commercial aspects of this broad Association Agreement should not blatantly conflict with the more altruistic aspects contained in the political and cooperation sections. These latter “pillars” were, of course, missing entirely from the DR-CAFTA.

¹⁴ Ibid.

¹⁵ <http://www.aacue.go.cr/informacion/>

¹⁶ Ibid.

¹⁷ Balbis, 9.

¹⁸ “Negotiations continue for trade agreement between Central America and European Union,” Nicaragua News Service, Vol. 16, No. 27; “Istmo todavía sin consenso para unión aduanera,” *La Prensa*, July 12, 2008.

Conclusion

The trends highlighted in this report clearly depict a region in economic distress. Economic opportunity for the majority of people has decreased and the effects on women, farmers, the indigenous, and the environment have been tremendous. Furthermore, intellectual property rights, including patents and copyright laws, are causing the commercialization of public goods; this will effect both the health care industry and those who earn their income through the informal sector.

The United States is not immune to the effects of DR-CAFTA. While U.S. agricultural exports have increased, other sectors such as textiles, as well as the labor movement, have been affected. As forced migration increases, Americans are seeing the consequences of our harmful trade deals through the lens of the “immigration problem”—yet most do not know the two are related. More public education is needed on the subject of the root causes of immigration.

This Coalition calls for a renegotiation of the trade agreement based on values of justice and equality. Any trade agreement must be established with the consent of the people, and must be subordinate to international and national law. Statistics, such as GDP or total exports, do not give an accurate picture of the effects this agreement has on the majority of citizens. Trade agreements should help alleviate poverty and inequality, not aggravate them, and respect for human rights must trump the pursuit of profit. Protecting the environment is also extremely important, especially in areas where indigenous groups rely on it for survival; trade agreements should reflect this and should champion sustainability. We believe that trade agreements should benefit all countries, and all citizens of all countries, involved—not simply a small number of multinational corporations. Like NAFTA before it, DR-CAFTA is built on a misguided economic theory. The trade agreement has not met its promises for the countries of Central America and the Dominican Republic and has instead caused increasing poverty and inequality. Therefore:

We pledge to only support just trade agreements, that include:

1. Democratic participation, accountability and transparency during trade negotiations;
2. Provisions that work to protect the dignified lives of small farmers, indigenous communities, women and otherwise vulnerable populations;
3. Text in the body of the agreements guaranteeing that core labor and environmental standards are strengthened, as defined by international law;
4. Space for national governments to pursue development strategies that support sustainable, locally-determined economic, social and environmental priorities;
5. Provisions permitting debt cancellation and aid to be used in direct service to the poor to help close the gaps between and within rich and poor countries;
6. A framework that focuses finance and investment on productive, long-term development that ensures economic security and sustainable use of resources;
7. A guarantee that public services like health care, education and potable water will remain public and accessible to poor communities; and
8. International trade and investment systems that emphasize fundamental human rights, in order to eclipse violence and oppression.

As we’ve seen, there are alternatives to DR-CAFTA’s model. Strong evidence exists that agreements like DR-CAFTA will never benefit Central America or its people. We recommend that the reform or abolishment of this agreement be a priority for the Obama administration. The Stop CAFTA Coalition will continue to monitor DR-CAFTA and to advocate for change, based on the above Pledge for Trade Justice.

Contributors

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Sara Skinner of the **Salvadoran Humanitarian Aid, Research and Education Foundation** translated “Promises and Failures of DR-CAFTA in El Salvador.” SHARE supports the empowerment of historically impoverished and marginalized communities in El Salvador, as they strive to meet both their most immediate needs and construct long-term sustainable solutions to the problems of poverty, underdevelopment and social injustice. www.share-elsalvador.org

The **Center for International Studies** wrote “Intellectual Property under CAFTA.” The CEI seeks to contribute to social and economic justice through research linked to the formation of a critical consciousness of the dominant international system. It works with networks and movements to build non-violent alternatives to problems related to sovereignty, democracy, social and gender equity and environmental protection. www.ceinicaragua.org

Kathy Hoyt of the **Nicaragua Network** translated “Intellectual Property under CAFTA” and “CAFTA: Will it Improve Central America?” and wrote “Association Agreement with the European Union: Better than CAFTA?” The Nicaragua Network has been organizing in solidarity with the people of Nicaragua for almost 30 years. The Network advocates for sound U.S. foreign policies that respect human rights and international law and provides information and organizing tools to committees across the U.S. www.nicanet.org

Rachel Anderson of **Witness for Peace Nicaragua** wrote “CAFTA is a Disaster: Vignettes from the Countryside and Marketplace.” WFP is a politically independent, nationwide grassroots organization of people committed to nonviolence and led by faith and conscience. WFP’s mission is to support peace, justice, and sustainable economies in the Americas by changing U.S. policies and corporate practices which contribute to poverty and oppression in Latin America and the Caribbean. www.witnessforpeace.org

James K. Polk, PhD wrote “U.S. Agriculture since DR-CAFTA.” He holds a Doctorate in Clinical Psychology and divides his time between his clinical practice, teaching at several colleges, and human rights work. He has served as the Fair Trade Liaison for the Green Party of the United States, lobbied for indigenous people’s land rights at the WTO Ministerial in 2003 for Earth Rights Institute, and served on the Board of Directors for Peace Brigades International, which provides unarmed accompaniment to human rights activists around the world.

Omar Salazar wrote “CAFTA: Will it Improve Central America?” He is the director of **Asociación Servicios de Promoción Laboral** (ASEPROLA), a Costa Rica-based organization committed to defending and promoting the full exercise of workers’ rights. www.aseprola.org

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The **Pastoral Commission on Peace and Ecology** wrote “Open Doors to Resource Extraction.” The mission of COPAE is to accompany the demands of the people from San Marcos, Guatemala, that are harmed by the exploitative natural resources policies driven by the Guatemalan State, through the concessions and licenses given to transnational companies. www.resistance-mining.org

The **Network in Solidarity with the People of Guatemala** translated “Open Doors to Resource Extraction.” NISGUA works for real democracy in Guatemala and the U.S. and strengthens the global movement for justice, building mutually beneficial grassroots ties between the people of the U.S. and Guatemala and advocating for grassroots alternatives to challenge elite power structures and oppressive U.S. economic and foreign policy. www.nisgua.org

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