

8-18-2005

US Changed CAFTA To Win Vote

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/noticen>

Recommended Citation

LADB Staff. "US Changed CAFTA To Win Vote." (2005). <https://digitalrepository.unm.edu/noticen/9330>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiCen by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

US Changed CAFTA To Win Vote

by LADB Staff

Category/Department: Central America

Published: 2005-08-18

In selling the Central America Free Trade Agreement (CAFTA), US officials made late changes to the agreement, long after negotiations concluded, that undermine the notion that CAFTA is a treaty in the commonly understood meaning of the word.

As independent congressional deputy from Costa Rica Aida Faingezicht put it, "While Central Americans are being asked to sign a treaty, the US is merely signing 'an agreement' that can be changed at will. The United States has again demonstrated that it can simply modify its trade deals to suit. Even if they are already concluded." Costa Rica still has not ratified CAFTA.

The criticisms refer specifically to two parts of the agreement. One is Section 102 of the Implementation Act, which formally ratifies CAFTA. This section states, "Nothing in this Act shall be construed (A) to amend or modify any law of the United States, or (B) to limit any authority conferred under any law of the United States." The Act even protects state law from Central American claims, but not from US federal claims: "No State law, or the application thereof, may be declared invalid as to any person or circumstance on the ground that the provision or application is inconsistent with the Agreement (CAFTA), except in an action brought by the United States for the purpose of declaring such law or application invalid." The other change at issue is Article 3.25, having to do with textiles.

Reportedly, US officials were able to secure from the ambassadors of the five Central American countries and the Dominican Republic an agreement that their countries would accept a modification to Article 3.25 strongly favoring US textile manufacturers.

The ambassadors, in a letter to US Trade Representative Rob Portman, said they could not approve the modification without consent of their respective governments, but they committed themselves to complying with the changes once CAFTA comes into effect. The letter was revealed when Inside US Trade obtained a copy.

The change, according to Maria Eugenia Trejos, a Costa Rican economist, regulates the origin of fabric used in linings and pockets of pants. It would limit the signatory countries to buying this fabric from each other or from the US. "The new measure means the US avoids competition with China [where the fabric might otherwise be bought], and increases its trade in fabric to Central America by US\$100 million," said Trejos.

Equal opportunity deception from Bush administration

Lest Trejos and other anti-CAFTA activists in the region feel singled out for deception, the Washington based Economic Policy Institute (EPI) released a report saying, "The notion that 283,000

textile and apparel jobs will be created in Central America as a result of CAFTA is a pipedream. It is based on a model that is driven only by changes in tariff and non-tariff barriers, and it ignores the role played by the enormous surge in China's exports. Those who believed that this treaty will save US textile jobs or build up those industries in the CAFTA countries will be badly disappointed." The 283,000 figure for jobs, representing a 41% increase over present employment in the sector, came from a University of Michigan study the USTR used to assert that, because "garments made in the region will be duty-free and quota-free under the Agreement only if they use US or regional fabric and yarn, thereby supporting US jobs," CAFTA would "provide regional garment-makers and their US or regional suppliers of fabric and yarn a critical advantage in competing with Asia."

The USTR made the statement in *The Case for CAFTA: Growth, Opportunity and Democracy in Our Neighborhood*, published in February. The EPI recalled in its report that similar claims were made for the North American Free Trade Agreement (NAFTA), "but new data reveal that the US-Mexico textile and apparel complex has been unable to compete with the flood of imports coming into the United States from China." The recent data show Mexico's share of US apparel imports falling 4.9%, and total apparel imports from Mexico declining by US\$1.5 billion, displaced by imports from China.

At the same time, US exports of fiber, yarn, fabric, and textiles to Mexico have fallen by 1.4%, or about US\$50 million, while China's total share of imports to the US increased 8.6% from the time it entered the WTO in 2001 to the present. "Given these trends, it is highly unlikely that textile and apparel producers in the CAFTA countries, or the US textile industry, will effectively 'Unite to compete with Asia,' as the USTR claimed," said the EPI.

Robert Scott, an EPI economist, summed up the findings. "The US\$64 million question is whether, given CAFTA, the US and Central America can compete with China," he said. "At the moment, the answer is clearly no. This year's imports coming from Mexico and other countries we tried this with are falling sharply, and from the rest of the world they are falling sharply. And there's no reason to believe that the result with Central America is going to be any different at all." Because the vote in the House of Representatives passing CAFTA was 217-215 (see NotiCen, 2005-08-04), any vote that might have been persuaded by US administration assertions was by definition decisive, and it is fairly certain that some votes were changed by the argument.

According to the Institute for Agriculture and Trade Policy, the letters allowed at least five Republican representatives to vote for CAFTA Bob Inglis (R-SC), Spencer Bachus (R-AL), Gresham Barrett (R-SC), Mike Rogers (R-AL), and Phil Gingrey (R-GA). Another change USTR offered to the House Republicans from textile districts was to delay the implementation of CAFTA's cumulation provisions pending a new customs agreement with Mexico. Cumulation allows Mexico to ship its fabric to Central America for apparel production as if it originated in the region.

It is clear that the industry was convinced. Missy Branson, senior vice president of the National Council of Textile Organizations (NCTO), said, "Our best hope in at least trying to compete against China, until the US and our global partners can force them to implement economic reforms, are through these regional trading relationships." The US is the world's third-largest exporter of textile products, but roughly since China took its place in the WTO it has lost 212,000 textile and 305,000 apparel jobs. The US Commerce Department has put together a Committee for the Implementation

of Textile Agreements (CITA) to decide whether the surge in imports from China is disrupting the market.

Meanwhile, said Branson, "When you have that kind of uncertainty in the marketplace, these retailers are going to have to diversify their sourcing strategy and that is where we maintain that CAFTA can give us a leg up." IATB noted that CAFTA opponents seized on the changes and on the fact that Central America and the Dominican Republic have yet to negotiate a formal deal with the US on Article 3.25. The opponents issued press releases "citing it as an example of how the Bush administration offered side deals to attract CAFTA votes that were really nothing more than promises that would never be implemented."

CAFTA as originally conceived is still far from a done deal, and it remains uncertain when or if the countries that have not yet ratified Nicaragua, the Dominican Republic, and Costa Rica will do so. However, President Enrique Bolanos of Nicaragua, a country heavily affected by the changes, told the media that he did not know if the legislature would ratify. It is not clear what part these changes will play in deciding the issue, but the opposition has strengthened itself with these disclosures.

-- End --