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Despite overwhelming popular disapproval, the Dominican Republic has ratified the Central America Free Trade Agreement (CAFTA). It is the fifth country do so, leaving Costa Rica and Nicaragua as the lone holdouts.

On Aug. 26, the Senate approved the deal with 27 of 29 members present voting for it, and, on Sept. 6, 118 of 122 members of the Chamber of Deputies followed on. Aware of the disapproval of the majority of the Dominican people, legislators and representatives of several productive sectors demanded that President Leonel Fernandez approve compensatory measures for the anticipated damage from the agreement before it is permitted to go into effect.

In a poll conducted by Gallup Dominicana for the Asociacion Dominicana de Hacendados y Agricultores (ADHA), 60.8% of respondents said they believe CAFTA will damage agriculture, the cattle industry, and the manufacturing sectors of the country. The same percentage also believes the trade agreement will increase US interference in Dominican internal affairs.

The ADHA, asserting that the poll represents the majority of the people, called upon the government to guarantee compensation for losses. Without government support, the organization said that agriculture and cattle raising would not survive. Several organizations have joined the demand, saying that the agreement will cause the loss of 600,000 jobs in the country.

Added to those losses, the government's own figures predict a loss of US$78 million to the national coffers in the form of tariffs during the first two years CAFTA is in effect. To counter the loss, the International Monetary Fund (IMF) has required that the government send the Congress a fiscal-reform bill. As has been the case with all the other countries except the US, anti-CAFTA sentiment in the streets was high (see NotiCen 2005-01-06, 2005-03-17), causing the police to cordon off the Congress, but there was no violence, just a large turnout of protesters chanting anti-CAFTA slogans.

A spokesperson for the approximately 46 organizations assembled, Leonardo Valverde, said that ratification would not end their opposition. "We are asserting the rights of citizens not to be left subjugated to a free-trade agreement with so many asymmetries, handled in such a hurry and so prematurely," he told reporters. Valverde said the organizations he represents would, from that moment, be on "permanent social vigil."

Not all the protesting organizations have rejected CAFTA per se. Valverde said their main objection was to the way in which the treaty was negotiated, excluding as it did those most affected from the bargaining table, including rice, coffee, and textile organizations.

Among the organizations represented by Valverde are the Federacion Nacional de Productores de Arroz, the Comite Nacional de Emergencia Agropecuaria, the Federacion de Asociaciones de

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Caficultores de la Region Norte, and associations of the textile industry. Organizations supporting ratification included the Federacion de Camaras y Asociaciones Industriales Centroamericanas y de la Republica Dominicana (FECAICA), an international body.

FECAICA president Napoleon Guerrero of El Salvador acknowledged CAFTA "is not the panacea" for the region's problems, but said it did present some important opportunities. Guerrero said, "United as a group we have better possibilities to confront challenges that might arise." The president of the Asociacion de Industrias de la Republica Dominicana (AIRD), Yandra Portela, was a shade less supportive. She said that, before the Dominican Republic market opens its doors to the US, it must put its own house in order and define a trade policy that will minimize the negative effects of the treaty.

CAFTA can't go into effect without reforms

In some important ways, the Dominican Republic has begun to put its house in order. The GDP more than doubled in the first six months of the second presidency of Leonel Fernandez, now a year into the job. GDP rose 5.8%, compared to 2.6% for the period a year ago. Fernandez inherited an economy reeling from the collapse of the country's second-largest bank because of fraud. The regime of Hipolito Mejia (2000-2004) was corrupt and inept.

Fernandez was elected again with the expectation that he could repeat the strong economic accomplishments of his first term in 1996-2000. Since his return, he has cut government spending and secured a US$665 million standby loan from the International Monetary Fund (IMF). He has solid popular-approval numbers, but with CAFTA approved, he may see some erosion of support. He may have trouble pushing the tax reforms through the legislature that will be needed to make up for the tariff losses.

The opposition party, Mejia's Partido Revolucionario Dominicano (PRD), holds the majority there. Also, despite his efforts, the country still sees the government as corrupt. The August Gallup poll found that 52% of the respondents think corruption is severe; 43% think it is serious. Participacion Ciudadana, a leading civil-society organization, published a letter to the president in May lashing him about corruption, questionable public spending, and lack of transparency.

The letter said expectations for him have been diminished by "events that have generated scandals and reduced the government's credibility, all made much worse by unconvincing investigations and judicial processes." In the short term, Fernandez has more to gain from Venezuelan President Hugo Chavez's Alternativa Boliviariana para las Americas (ALBA) than he has from CAFTA. He recently signed on to Petrocaribe, a Venezuelan initiative to supply oil at cut-rate prices to Caribbean countries.

The country is buckling under the burden of fuel costs and blackouts, already a severe problem (see NotiCen, 2004-12-16). Prices of hydrocarbons for electricity production have reached prohibitive levels.

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