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Region Has Squandered Its Balance of Trade Under CAFTA

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The countries that signed on to the Central America Free Trade Agreement (CAFTA) have, in the last year, all lost their favorable trade balances with the US, says a report from the Red Regional de Monitoreo de los Impactos del TLC en Centroamerica. The Red is a group of more than 15 organizations from the CAFTA countries, including the Confederacion Guatemalteca de Federaciones de Cooperativas (CONFECOOP), the Centro de Estudios en Inversion y Comercio de El Salvador (CEICOM), the Coalicion Hondurena de Accion Ciudadana (CHAAC), the Movimiento Social Nicaraguense, and the Comision Nacional de Enlace de Costa Rica.

The report is published in English as DR-CAFTA Year Two: Trends and Impacts. The organizations, as well as the Red itself, which is called the Stop CAFTA Coalition in English, are unabashedly and fervently anti-CAFTA. Nevertheless, figures and calculations used in the report are those of the US and the respective regional government agencies.

Exports ebbed as imports flowed to the region; the massive influx of companies, jobs, and investments has not materialized, and the figures cited in the report point to a general deterioration of living standards for those whom CAFTA promoters promised so much more. "In short," says the report, "the parties to the agreement are experiencing an overall worsened trade balance with the US. Imports of US agricultural products to the region have outpaced exports, Central American and Dominican producers fail to compete against subsidized US agricultural goods." The influx of these agricultural goods has created a condition whereby, as noncompetitive producers go under, the region is losing its ability to feed itself and is squandering its food security as it grows increasingly dependent on US imports.

The emergence of the biofuels industry is amplifying the negative effects, particularly for a region where corn is the major dietary staple. As local producers scale back and large producers sell more and more into the biofuels market, prices for corn and corn products spiral out of consumers' reach (see NotiCen 2007-04-12, 2007-05-03 and 2007-08-16 and SourceMex, 2007-09-05). The report details results for each of the CAFTA member countries but devotes a good deal of space to the projected effects of the agreement on Costa Rica, the one country that has not joined the pact and thus, given the agenda of Red participants, perhaps the most important.

Even though Costa Rica is not a member, the organization chose San Jose as this year's host city for their meeting and presentation of this, the second annual report just ahead of the Oct. 7 referendum on whether Costa Rica should join CAFTA (see NotiCen, 2007-09-27). The group also devoted a sizeable section of its 40 pages to a paper by Maria Eugenia Trejos, a Costa Rican labor economist, Americas Policy Program analyst, and member of Pensamiento Solidario, a nongovernmental organization (NGO) that focuses on the treaty and creation of public awareness about its content.

Membership at the cost of increased inequality

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In her paper, CAFTA in Costa Rica Would Cause Deepening Inequality, Trejos notes that the opposition in the country, which is formidable, is based on the advanced development of social services, which far outstrip the rest of the region. The people, she says, know they have a lot to lose, and she riffles through CAFTA's thousands of pages to parse out the most significant potential losses: On biodiversity, Chapter 15 on intellectual property permits patenting the genes of living organisms, while Chapter 10 prohibits requiring knowledge transfer, so that multinationals "can conduct research into our native species and maintain any knowledge they might acquire in secrecy."

The loss of sovereign control accrues to the benefit of cosmetic and pharmaceutical industries. On water and natural resources, she shows that Chapters 10 on investment, 17 on environment, and 20 on dispute resolution, when taken together, enable multinational corporations to sue the government of Costa Rica should it take measures they might consider equivalent to expropriation or that affect their earnings. "With this," she writes, "businesses' access to the water and natural resources and their 'right' to profits take precedence over any measure (whether human or social) that might be taken by the government or municipalities."

On culture and knowledge, Chapters 15 and 10 allow multinationals to own the seeds of a species and traditional knowledge of plants and animals. On markets, the early chapters allow subsidized imports from the US to enter while denying Costa Rica a tariff option.

The case of Mexico under NAFTA provides an example of how agricultural jobs disappear as food from the US replaces nationally produced food without lowering national food prices. "In fact, the price of essential foodstuffs has risen while ruining the livelihoods of rural workers." On current public investment, the strictures on water and natural resources also apply to public services including telecommunications and the insurance industries, so that the multinationals can sue the country for affecting their profits or expropriation, or for any restriction or attempt to maintain them under public dominion.

In addition to the chapters cited for these rights, there is also Annex II, Non-Conformant Measures, Costa Rica list. On cheap labor, Chapter 16 limits redress, except in limited instances, to labor violations that harm companies, but not those that harm workers. The country is committed to prevent violations "if commerce is affected." On national sovereignty, CAFTA provisions prevail over national law, such that no law can be passed or remain in force that conflicts with a CAFTA precept. Transnationals take their demands to arbitration courts whose decisions can "modify both the decisions of internal courts and of state organisms at any level, taking into account only that which is stipulated in the agreement and not in the Costa Rican Constitution." CAFTA leaves the state with the authority to take measures to protect health and life, "as long as they do not affect commerce."

Most of these provisions, save those having to do with Costa Rica's telecom and insurance state monopolies, put the country in the same boat with its neighbor CAFTA countries. But Trejos emphasizes that Costa Rica is the only country that did not make any provisions to protect its small producers, poor women, native peoples, or its poor. She argues that a treaty that does not protect its most vulnerable sectors affects women disproportionately because women already constitute a

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disadvantaged sector. So, female small farmers who feed their communities "may now encounter obstacles in the continuation of their traditional practices, not only because the intellectual property stipulations in CAFTA enable the multinational companies to patent plants and animal species, but also because the treaty reinforces multinational property rights on their seeds."

Under the numbers, the emperor has no clothes

As Trejos' piece warns her co-nationals of harder times ahead for the traditionally disadvantaged at the hands of the customarily fortunate, the rest of the report tends to bear her out. A fact sheet informs that, between January and July of 2007, the price of white corn in El Salvador increased by 81.6%. The Consumer Price Index rose by 5.1% in Guatemala between June 2006 and April 2007; the price of corn rose 26%, rice, 9.3%, bread, 9.5%. In the same June 2005 to April 2006 period prior to CAFTA those numbers were, 2.4%, 1.2%, and 2.4%. The employment picture darkened, with 22 textile companies leaving the region since CAFTA implementation and nearly 50,000 textile jobs lost since January 2006.

In Nicaragua, in the first half of 2007, seven new maquila openings created 1,993 new jobs, but in the same timeframe, other factories have shut down or moved out at a cost of 4,000 jobs. Previously positive trade balances have seesawed. El Salvador, Honduras, and Guatemala have seen drastic contractions deep into negative territory. In El Salvador a US$118 million surplus has become a US $286 million deficit. Honduras' trade deficit increased by 200%, that of Guatemala by 300%.

Nicaragua, typical of all

As the CAFTA experience lengthens to something like a track record, certain assumptions of the agreement are revealing themselves to be other than as advertised. In Nicaragua, for instance, where the overall effect of the agreement is still ambiguous, it has been observed that from January to June 2006 the country exported US$628.3 million in products, and registered US$752.4 million for the same period in 2007. This is an increase of 19.75%. But the country maintains a staggering trade deficit despite this, importing US$3.42 billion in 2006 while exporting only US$1.97 billion. "As long as Nicaragua's imports continue to outweigh the country's exports substantially, the benefits of CAFTA will remain theoretical," notes the report.

CAFTA-as-poverty-reducer is another of the assumptions that do not seem to be panning out so far. As is the trend elsewhere, in Nicaragua data from the Centro de Tramites de las Exportaciones (CETREX) show 70% of export earnings going to just 50 businesses. Only the large producers can afford to invest in the infrastructure to comply with CAFTA phytosanitary and other rules. For example, 100% of all Nicaraguan beef exports to the US is processed by only three companies. Industrial San Martin, Muevo Carric, and Macesa are the only plants that have the necessary authorizations.

These rules, and the relatively immense resources needed to meet them, result in Nicaragua in unfilled quotas. The country could not export its authorized quota of fresh milk in 2006 or 2007 despite sufficient production because most producers could not meet the phytosanitary requirements. The result is that the top 20% of producers have the CAFTA-facilitated export

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market to themselves, while the remaining 80% divide up the local market and try to compete with subsidized US imports.

Nicaraguan small producers have seen some gains in exports, particularly in specialty items that do not, says William Rodriguez of Managua's Centro de Estudios Internacionales (CEI), threaten big agribusiness. "Cargill is not going to allow corn and rice to enter the US from other countries in large amounts or at cheaper prices than it sells its crops for in the US. It puts up barriers to this kind of trade. But what doesn't Cargill produce? Pitahaya (dragon fruit), cacao, peanuts, sesame, tropical fruits." Rodriguez called these specialty exports virtually insignificant, pointing out that the country depends on seven export products-

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