Facts & Myths about DR-CAFTA & Development

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Myth 1 ***DR-CAFTA will benefit the U.S. economy and the U.S. consumer.*** • The USTR argues that Central America and the Dominican Republic represent the second largest market for U.S. products in Latin America after Mexico. • The U.S. Chamber of Commerce predicts U.S. sales to the region would expand by more than $3 billion in the first year of DR-CAFTA, and $20 billion by year ten, for 11 U.S. states studied. • The U.S. Chamber of Commerce also predicts that DR-CAFTA will create 26,000 U.S. jobs in the first year, and more than 130,000 new jobs over time in the 11 states.	***Facts: DR/CAFTA will be negligible to the U.S. economy & consumer in the short-term, but poses great risks down the road.*** • CA/DR account for only around 1.5% of total U.S. trade. • DR-CAFTA would provide a miniscule economic or employment benefit to the U.S. – increasing GDP by one hundredth of one percent, or no more than $248 million, according to the U.S. International Trade Commission (ITC). • After full phase-in, U.S. world exports are expected to increase by $2.7 billion, equal to only 0.16% of total U.S. exports or 14.8% of U.S. exports to CA/DR, according to the U.S. ITC. • U.S. imports from CA/DR would also increase by $2.8 billion (12.4%), doing little to reduce the enormous U.S. deficit of $700 billion (6.0 % of U.S. GDP) or reduce the net job losses to the U.S. economy stemming from trade liberalization. • Without DR-CAFTA, U.S. trade with the region is already growing rapidly, 16% since 2000 and the U.S. already controls 60% of CA/DR beef import market, 75% for pork, 85% for wheat, 88% for soybeans, 98% for rice, and 99% for corn. • CAFTA will undermine U.S. state sovereignty in the areas of government purchasing and enforcing hard-won environmental, consumer & labor rights.
Myth 2 ***DR/CAFTA will benefit the people and economies of Central America and the Dominican Republic.*** • Preferential benefits under the Caribbean Basin Initiative and its expansion have delivered benefits to both the U.S. and its CA/DR trading partners. • But, the USTR warns that CBI related benefits are temporary and can be revoked unless DR-CAFTA is ratified. • DR-CAFTA will ensure continued flows of foreign direct investment.	***Facts: DR-CAFTA is an extra-ordinarily one-sided deal that is likely to benefit a few and condemns Central America to a failed development model that is increasingly obsolete from a global competitiveness perspective.*** • Basic CBI benefits are guaranteed on a permanent basis, unless the U.S. Congress amends current U.S. law, which is unlikely. • Despite CBI related preferential trade benefits, the average CA/DR household has fallen far behind the U.S. average in terms of per capita income. • Given the substantial risks that DR-CAFTA presents for vulnerable sectors, the estimated gains for the CA/DR economies are likely to be surprisingly small. • For reciprocal tariff concessions to the U.S., CA/DR gets little in return. 75% of CA/DR exports, including 99% of agricultural exports, already enter duty-free and the rest face low average tariffs. • FDI flows have not generated the expected number of linkages to local production, privileging a small export sector over investment for the domestic market. • As the last ten years have shown in the region, increased trade does not equal poverty reduction and has actually increased the gap between rich and poor. • No adequate mechanisms exist in DR-CAFTA to compensate for enormous asymmetries between the U.S. and the region • Loss of tariff revenue could be as much as 5% of GDP in CA/DR countries already facing severe fiscal crises and expected to implement trade adjustments that could cost of as much as $500 million per year. • DR-CAFTA clearly erodes consumer access to basic medicines and other public health protections under the WTO DOHA Declaration on TRIPS and Public Health.
Myth 3 ***DR/CAFTA is a good deal for farmers.*** • The American Farm Bureau Federation estimates DR-CAFTA could expand U.S. farm exports by $1.5 billion a year. • 56 U.S. farm producer groups support DR/CAFTA	***Facts: DR/CAFTA will do little for U.S. small farmer, and threatens the livelihoods of 4.5 million small farmers and farm workers in Central America.*** • Lower tariffs will increase U.S. agricultural grain exports by an estimated $157 million according to the U.S. ITC and but will tend to benefit the large agribusiness grain trading & food processing firms. • Thousands of small farms in both the U.S. and CA/DR will continue to go under in the face of unfair dumping of U.S. grains, meats, and dairy. • Agriculture contributes on average 15% to the GDP in CA/DR (as high as 32% in

	Nicaragua) and employs 32% of the labor force. • As many as 1.7 million small agricultural producers will be hurt by DR-CAFTA due to the dumping of subsidized U.S. grains, meats and processed foods. • In the Central American agricultural sector, losers outnumber potential winners by a ratio of 5 to 1. • With little to no existing social safety net or economic alternatives, removal of tariffs means fewer public resources for combating poverty.
Myth 4 ***DR/CAFTA is a life preserver for the CA/DR maquila sector and will protect U.S. and CA/DR textile and apparel producers from Asian imports.***	***Facts: DR/CAFTA mistakenly promotes an export strategy that depends on cheap labor and tax waivers, neither of which are sensible ways to compete with China.*** • About 600,000 are employed in CA/DR maquilas and free trade zones – about 4% of the region's economically active population. • Few, if any, maquila and FTZ workers are protected by collective bargaining agreements while labor rights violations are frequent. • Maquila trade incentives are obsolete and illegal under WTO rules and must be phased out in a few years. • These free trade zone benefits enshrined by DR-CAFTA are now widely considered as the wrong policy tools to ensure the survival of the sector in the face of surging Asian imports to the U.S.. • Even with DR/CAFTA, Central America could lose as much as 75% of U.S. textile market share (the region's primary export) to China, India and other Asian imports. • As many as 30,000 CA/DR textile and apparel jobs have already fled to China.
Myth 5 ***The Labor and Environmental aspects of DR-CAFTA are "groundbreaking" and comprehensive in scope.*** • DR-CAFTA requires that countries effectively enforce their labor and environmental laws includes penalties for a pattern of labor violations • DR-CAFTA establishes a Commission on Environmental Cooperation • Ten environmental nongovernmental organizations from the region have endorsed CAFTA.	***Facts: DR-CAFTA places faith in the voluntarism of the CA/DR governments to live up to modest and flawed existing labor and environmental laws.*** • DR-CAFTA does nothing to correct weak labor laws that still fail to comply with international norms relating to freedom of association and collective bargaining. • Instead of clear and firm conditions within DR-CAFTA for the improvements necessary for ILO compliance, the U.S. has watered down its labor demands by accepting as a baseline, compliance with current national labor laws and not linking market access to improvement of labor practices. • Environmental groups argue the trade pact weakens Central American countries' ability to enact new environmental legislation and defend local resources against investor lawsuits initiated by multinational companies. • The proposed Environmental Commission has no binding authority over trade related polluters and the U.S. has yet to propose a funding mechanism for the expected environmental reforms.
Myth 6 ***DR-CAFTA is a win-win proposal for the U.S. and Central America.***	***Facts: DR-CAFTA costs far outweigh the benefits, and the benefits will be captured by a few, deepening inequality and social tension.*** • A minority of large firms, exporting producers, importers, and some skilled workers in CA/DR will likely gain, most from CA/DR will lose. • DR-CAFTA fails to compensate for the immense asymmetries between the U.S. and region, which will make certain that the wealth gap separating the U.S. from CA/DR will continue to widen. • A recent poll shows that a majority of Americans (51%) oppose DR-CAFTA due to the prospect of job loss at home, and another in Guatemala shows that opposition to DR-CAFTA has increased by 30%, to nearly two-thirds of all respondents, since December. • DR-CAFTA provides greater security to investors and may bring a modest increase in trade, buy fails to offer much hope to the working poor of the region.

Myth 7 ***DR-CAFTA is a way for the United States to further support freedom, democracy and economic reform in our own neighborhood.*** • DR-CAFTA will promote U.S. security by stabilizing CA/DR region and providing economic alternatives to illegal narcotics and illegal immigration.	***Facts: The secretive, exclusionary DR-CAFTA negotiations have polarized society in CA/DR and further weakened the legitimacy of their democratic institutions.*** • U.S. insistence on quick, secretive negotiations has left most CA/DR citizens feeling excluded from the DR-CAFTA negotiations. • Biased public promotion of CAFTA benefits, funded illegally with U.S. taxpayer money, has fueled confusion, lack of public awareness and reduced trust of CA/DR government officials. • Opposition protesters to DR-CAFTA in Guatemala have been killed, others in CA/DR have been injured. When Guatemalan Bishop Alvaro Ramazzini spoke in opposition to DR-CAFTA, he received death threats. • Constant USTR threats to exclude countries that attempt to safeguard vulnerable sectors to DR/CAFTA fuel anti-American sentiment. • Current migration levels have increased during 1990s, to about 250,000 per year, and are not expected to decline. • According to recent polls, nearly 60% are unsatisfied with their market economies, two-thirds oppose further privatization, 85% have little to no faith in their political parties, and 1 in 2 is losing faith in democracy. • Rather than stabilize a delicate social balance in Central America and the Dominican Republic, DR-CAFTA could accelerate its deterioration.
Myth 8 ***DR/CAFTA will strengthen regional economic integration within Central America.***	***Facts: The imposed timeframe and prioritization of U.S. trade & investment interests in DR/CAFTA has sidetracked authentic Central American integration.*** • By ignoring pre-requisite integration reforms (common external tariffs) and independent, accountable regional institutions, CA/DR weakened their own bargaining capacity. • U.S. bilateral deal making and heavy-handedness on the protection of sensitive products has only deepened divisions in the region among and within countries.
Myth 9 ***DR-CAFTA is a state of the art trade pact.*** • It creates both the predictability needed for investment, as well as the flexibility needed to accommodate the constant change demanded by this fashion-sensitive and consumer-oriented industry. • It does not repeat the mistakes of NAFTA, and it provides the U.S.-CA& DR industries the tools they need to compete globally. • DR-CAFTA will lock in key policy reforms taken recently in CA/DR.	***Facts: DR-CAFTA missed the opportunity to craft a responsible and effective agreement with CA/DR that puts trade at the service of development.*** • Absent adequate recognition of huge asymmetries between U.S. and CA/DR, this bilateral trade strategy undermines a potentially more equitable and welfare enhancing negotiation at the multilateral level (WTO). • Any trade strategy should preserve the necessary policy space and tools to induce high levels of growth prior to any further economic integration. • DR/CAFTA instead strengthens investor rights, throws open new service markets for liberalization, and codifies the U.S. preferred TRIPS Plus protections – all areas for which there is no consensus among developing countries. ***Minimal conditions for a fair trade agreement would include:*** • Special and Differential Treatment for CA/DR, including stronger, unrestricted agricultural safeguards, exemptions for sensitive products, and permission for higher tariffs as long as unfair U.S. agricultural subsidies are not reduced or eliminated. • Commitments to fund adequate compensation programs or trade capacity building assistance, untied to U.S. interests, are dramatically underestimated. • Progressive fiscal reforms that increase public funds for development and shift burden away from the poor. • Anti-trust laws and stronger regulatory capacity over regional corporations prior to further liberalization of investment laws. • Systematic consensus building around trade scenario impact evaluations preceding any trade negotiation. • Strengthened CA/DR labor laws must be in place prior to any FTA that adheres to international standards and a prior pattern of improved labor practice. • Environmental protections with clear and enforceable sanctions are needed to slow or prevent increasing ecological vulnerability linked to unregulated development.