### 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 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.