DOMINICAN PARTICIPATION AND CONSULTATION ON FREE TRADE

New York, USA.

June 22, 2004

To: The Honorable Congressional Representatives of the US

The Honorable Congressional Representatives of the Dominican Republic:

We, the undersigned organizations and individuals, write to express our strong opposition to CAFTA, the proposed free trade agreement between Central America, the Dominican Republic and the United States. While we recognize that the Dominican Republic cannot remain on the outskirts of regional integration, we demand that any trade agreement promote sustainable development for the Dominican people.

We call upon our representatives to demand that:

1) Any trade treaty presented to congress first undergo extensive public consultation, particularly with the most vulnerable economic sectors

2) Small and medium agricultural industry and regional provisional production be protected

3) CARICOM be given equal priority as a guide for the establishment of trade agreements, to be constantly improved upon through bilateral and trilateral agreements that improve the well-being of the Dominican people and institutions, such 2001 FTA between the DR and El Salvador

4) That essential services such as water, electricity, health care and education be protected from privatization

5) International Labor Organization labor standards be established and enforced

6) Industrial environmental contamination be reduced and standards protecting biodiversity and public health be established and enforced

7) National sovereignty be respected and protected by the elimination of any text resembling Chapter 11 of NAFTA, which would expose governments to corporate lawsuits for the enforcement of labor or environmental standards

8) Any trade agreement facilitate technological assistance for the equitable advancement of all citizens

9) Any agreement include provisions addressing the emigration of the labor force and the subsequent concerns of immigrants

10) That regional trade treaties not depend upon compliance with US military goals

Signed:

FUNDACION IDENTIDAD CULTURAL
Domingo de la Cruz
ASOCIACION DE EGRESADOS DE LA UNIVERSIDAD AUTONOMA DE SANTO DOMINGO –UASD-
Marino Mejía
ST. MARY'S EPISCOPAL CHURCH
Revdo. Luis Barrios
IGLESIA SAN ROMERO DE LAS AMERICAS U.C.C
Simón Morell
COMITÉ DOMINICANO DE RECORDACION
Roberto Castillo
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Luis Alvarez
Manuel Alemán

Diómedes Núñez
Luis Rojas
María Díaz
Papo Toribio
Arthermio Pérez
Dagoberto López-coño
Ramón Domínguez
Manuel Marte
José L. Paulino
Rósula B. Peña
Osvaldo V. Vólquez
Ezequiel Jiménez
Alfredo Mieses

Rafael Sosa
Gregorio Mercedes
Diógenes Abréu
Dixa D'Oleo
Ana Núñez
Héctor Miolán
Lucila Rutinel Domínguez
Jorge García
José Sosa
Aurelia Carmen Mata
José R. Rodríguez
Alba Mota
Vicente Ramírez

DOMINICAN REPUBLIC

IGLESIA EVANGELICA DOMINICANA
Rvdo. Alejandro Figueroa
ALFALIT DOMINICANA
Betania Figueroa

Francisco Antonio Santos
Franc Rosario
Primo Iglesias
Reynaldo Cabral
Juan Bautista Gutiérrez
Rafael Tatis
Ketti Diaz

Radhamés García
Dr. Luis Bircam Rojas
Fausto Lantigua
Luis Abreu
Luis Henríquez
Luis Ulloa Morel
Mercedes Alfonseca Caamaño

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I. THE CENTRAL AMERICA AND DOMINICAN REPUBLIC FREE TRADE AGREEMENT (CAFTA)

History of Negotiations:

In 1997, the United States, Central America and the Dominican Republic signed the "Statement of San José", projecting the establishment of a "Free Trade Treaty", before the 2005. One year later in Miami, Florida, the protocol to negotiate the agreement was established, and in 2002, the United States, Nicaragua, Honduras, Guatemala, El Salvador and Costa Rica began to negotiate what by 2004 would be known as "CAFTA".

During that process of negations and incorporation, the countries involved did not prioritize the inclusion of the DR. The Dominican president Hipólito Mejía, pressured by business special interests and fearful that his country might be excluded from the treaty, offered greater concessions and abandoned previous efforts toward trade agreements with Central America without the United States, such as its bilateral trade agreement with El Salvador, in practice since October 4th, 2001.

US Trade Minister Robert Zoellick announced in August, 2003 that CAFTA would include the DR[1], and held formal negotiations for the treaty from January to March, 2004. Mejía accepted the terms previously negotiated by the US and Central America, and announced that the agreement would be signed in DC on June 22, 2004 without ever consulting with the nation. Even the most directly damaged economic sectors, such as the "free trade" zones, the pharmaceutical industry, public health, and all the micro, small and medium businesses were not allowed a voice.

[1] Isa-Contreras, Pável: "Dramas y resultados de la adhesión dominicana al CAFTA", Centro de Investigación Económica para el Caribe (CIECA)

Key Elements of CAFTA:

The key elements of this treaty demonstrate how maximum benefits and priority is offered to large US and Dominican commercial/financial interests:

1. Elimination of Protection over Dominican Markets

- Over 80% of US **consumer and industrial goods** would be immediately exempt from Central American and Dominican customs duties, including:
    - computer equipment and accessories
    - agricultural, construction, medical and scientific equipment
    - paper & chemical products
    - textiles goods

- All taxes would be removed from US **vehicles & replacement parts** within 5 years

- For the next 15 years, over 50% of all US **agricultura**l products would be immediately exempt from Central American and Dominican customs duties, including:
    - high quality meat
    - cotton
    - wheat
    - soy
    - key fruits and vegetables
    - processed food
    - wine

- All US **pork, beef, poultry, rice, fruit, vegetables, corn and milk products** would have improved access to Central American and Dominican markets; surpassing the possibilities of provisions from Canada, Europe and South America.

- US investors would be granted the same rights as local investors in Central America and the DR within areas they already operate: **the acquisition and management of investments, loans, concessions, contracts, intellectual property, etc.**

- Central America and the DR would dismantle regulatory taxes in almost every sector, including: **telecommunications; finances and banking, insurance and investments; wholesale distribution; electricity; computers and concession services; audiovisual and entertainment; energy and transportation; construction and engineering; tourism; publicity; professional services (architects, engineers, bookkeepers, etc.) and environmental services**

2. The Dominican Niche within CAFTA

- Sugar exports to the US will increase 0.12% within the first 5 years, 1.3% after that, until reaching 1.9% in the 15th year of the agreement

- More than 99% of Dominican exports would be free from tariffs, a mere 8% increase from the conditions established in 2001, that allow 91% of Dominican products to be exported to the US free from tariffs through non-reciprocated concessions.[2] Once sanitary and technical protections are implemented, this could actually signify a substantial *reduction* of Dominican products in the US markets.
- No improvements to current labor laws and environmental protections are included, nor is there an plan to enforce existing standards.

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[2] Idem, Isa-Contreras, Pável

Analysis:

The supposed advantage of increasing sugar exports offered by CAFTA to the DR means very little, considering that US dismantled the sugar and agricultural economy in order to replace it with tourism and a service sector (primarily free trade zones and telecommunications,) through its support of the counter-insurgency governments led by Joaquín Balaguer (1966/1978). Beyond that, the 3rd of June, 2004, the sugar producers Central Romana (from Washington DC), Central Azucarero Vicini, Cristóbal Colón, Cía., Anónima de Exportaciones Industriales, Cía. Anónima de Inversiones Inmobiliarias, Central Azucarero Consuelo, Federación Dominicana de Colonos Azucareros, Consorcio Azucarero Central y Consorcio Agroindustrial Cañabrava, communicated to the Dominican government's trade negotiators that they were not in agreement with the treaty. The 2nd of January, 2004, they reiterated their position, headed by the director of the Sugar Institute (Instituto Azucarero). Their position was supported by 10 of the 29 sentators.

The idea that the United States would improve environmental standards is not credible when one considers the widespread ecosystem destruction resulting from promotion of its corporate and military interests. For more than 30 years, the US/Canadian company *Falconbridge Dominicana* has been responsible for some of the worst, irreversible environmental destruction in the northern region of the country through its iron/nickel exploitation. The same can be said for the North American owned gold refinary *Rosario Dominicana*, to only cite two examples.

The token mention of existing labor and environmental laws is misleading, given that no plans are included for the enforcement of these regulations, which do not even reach the international standards set by the International Labor Organization. It is also fact that a basic requirement within US free trade zones in the DR is the absolute prohibition of labor unions and protections. A recent *Human Rights Watch* study[3] documents "gender discrimination based on reproductive conditions" that the respective governments have done nothing to improve.

Even worse, the infamous "Chapter 11" clause of NAFTA, the North American Free Trade Agreement, would be included, enabling corporations to sue the Dominican government for perceived profit loss upon enforcement of the existing labor and environmental standards in private trade courts outside of national and international jurisdiction and oversight.

Enforcing economic dependence through elite multinational alliances and consolidation of power is part of US neocolonialistic strategy to protect its economic and military interests. The current structure of CAFTA would clearly concentrate the wealth and future of the nation into fewer and fewer hands, putting the Dominican Republic on the fast track to losing its sovereignty by:

- eliminating the Dominican agricultural, agro-industrial and industrial manufacturing sectors
- virtually eliminating micro and small businesses
- strangling medium sized national companies
- increasing the monopoly of big companies
- triggering merges between large national companies with transnational corporations

[3] "Gender discrimination based on pregnancy in the Dominican Republic Free Trade Zones": Implications for CAFTA, the Central American Free Trade Agreement, April 2004

- forcing the DR to depend upon imports, tourism and free trade zones, in worse and worse conditions

Other results:

- 23% of the country's taxable income and 3.5% of the Gross National Product (GDP) will be lost to the elimination of tariffs, forcing increased imports from free trade zones for domestic consumption.
- the already high unemployment rate will sky rocket, due to the rapid elimination of employment providers
- the Dominican peso will continue its inflationary spiral and depreciation in relation to the US dollar.
- the external debt will increase beyond its current $7 billion, an amount already equivalent to 40% of the GDP, forcing greater dependency on international financial institutions (such as the IMF, World Bank and Paris Club, etc.)
- transnational corporations will have more control over national production

In conclusion, poverty will continue to expand beyond the current 30% rate, as is documented by the UN Development Program (UNDP), even as underdevelopment is reinforced by the fall of the GDP (0.4% in 2003) and the reduction of per capita income (from $2,109 to $1,818 in 2004). This crisis would only increase with the proposed FTAA and the nearing 2007 expiration date of the Caribbean Basin Trade Partnership Act (CBPTA) that protects free trade zones, the production and service sectors, international tourism and the increasingly deficient national tourism infrastructure.

Other aspects for consideration:

Central America and the DR are at an enormous comparative disadvantage with the US, given the traditional limited productivity of their economies and subsequent inability to compete.

The US is a country historically set apart by virtue of its enormous and unique access to economic and technological resources, resulting in unarguable power and comparative economic advantage for its producers. It is the largest agricultural exporter in the world, subsidizing its producers as part of "national security." On May 13, 2003, president Bush signed the Agricultural Law[4] that increased agricultural subsidies to $190 billion through 2008. Add to that its development of energy, telecommunications, and transportation infrastructure, in addition to technical, agro-industrial, and financial/capital regulations. Trade treaties such as CAFTA is part of the "*aggressive policy of pursuing and opening external markets to US agricultural products*."[5] Its wealth extends over incomparable human resources, quality and quantity of production, and domination over international financial institutions where it acts as both plaintiff and judge.

[4] El Tiempo Newspaper, June 1, 2002
[5] Idem, Acevedo Vogl, Adolfo José

II. FREE TRADE: MULTINATIONAL CORPORATE DOMINATION NOT SUSTAINABLE DEVELOPMENT

Historical Context:

The emerging unipolarity of the planet, symbolized by the fall of the Berlin Wall in the 90s, served to relaunch US neoconservative capitalist ideology through military, technological and corporate domination over territory, politics, and the economy through its huge military and technological power and corporate capital. The International Monetary Fund serves this agenda through unstoppable external debt, privatization of essential services and the deepening of the dependence of poor countries. Following the same logic, Free Trade treaties remove the remaining restrictions on the mobility and development of transnational capitalist businesses, disregarding the extermination of national economies. All are designed to control the circulation and accumulation of capital around the world through globalized import/export commerce. All participating nations are forced to submit to this logic, which concentrates great wealth in the hands of very few.

The capitalist restructuring of economic regions and sub-regions envisioned after World War II with the establishment of the World Bank and the IMF strategy led to continental treaties dominated by the most developed countries in the region:

1) The European Union (EU), signed the European Community Single Economic Market in January, 1993 as a mechanism to recover its continental protagonism and improve its geopolitical self-determination.

2) The Asian Economic Association (New Zealand, China, Japan, South Korea, Taiwan, Hong Kong, Indonesia, Malaysia, Philippines, Singapore, Thailand and Brunei), sought the same geopolitical power. This broad scope of the association in the mid-80s led to the 1989 Asian Pacific Economic Council (APEC), which included Australia, the US and Canada. In November of 1993, Mexico and Papua-New Guinea were accepted as well.

Current Developments:

The relative advance of these continental blocks motivated the United States to launch a similar project, the "Free Trade Area of the Americas (**FTAA**), that aims to integrate the 34 countries of the American continents. But the US is ignoring the historical continental relationships and the long existing impediments to economic, technologic and socio/cultural advancement under continental submission. **CAFTA** is considered to be the first step toward this hemispheric agreement, offering the US a seven country block with which to negotiate with the rest of Latin America (excluding Cuba.) This would immediately deactivate regional treaties such as **CARICOM** and the Caribbean Basin Initiative, and reduce the regional advantages offered to small and developing countries under the "special & differentiated treatment" category in the **WTO** (World Trade Organization).

III. DIFFERENCE BETWEEN US FREE TRADE TREATIES AND OTHER REGIONAL AGREEMENTS

Historical Context:

In December of 1965, the governments of Trinidad and Tobago, Antigua, Barbados and British Guyana, met in Antigua to debate the Trinidad and Tobago proposal for a sub-regional common market. The resulting **CARIFTA**, the Caribbean Free Trade Association, was signed by nine Caribbean nations between July/August of 1968 and May of 1971.

In order to promote regional development within poor countries with respect of the developmental differences among them, they established:

- common tariffs
- integration and incentives promoting regional industrial activities
- special procedures to commercialize agricultural products

In 1969, logic dictated the formation of the **Caribbean Development Bank**, which included twenty nation members from the Caribbean sub-region by the end of the 80's. The additional integration of the developed countries of Canada, France, Germany, Italy and the United Kingdom, due to their historical connections to the region, slightly shifted its original purpose. Nonetheless, the idea of the powerful contributing to the improvement of the weaker countries without taking comparative advantage prevailed, and thus was formed **CARICOM**, the Caribbean Community. Subsequently, the similar purposed "**Like Minded Group**," was instituted in the WTO.

In March of 1991, "**MERCOSUR**", a common market of the South American countries was formed, initiated by Brazil, Argentina, Paraguay and Uruguay, through the Asunción Agreement. The project was presented as a means toward sustainable development for its members, respecting the developmental differences between nations and proposing means to diminish inequality and achieve regional equilibrium and harmony.

That same year, Canada and the US signed **NAFTA**, the North American Free Trade Agreement. Three years later, (January, 1994) they included Mexico, an under-developed nation, to continue the "rich and poor" experiment.

This directly contrasts with what rich countries offer the poor (Spain, Portugal and Greece) in the European Community: *technological and economic transfer standards; human resources training, regulations for technical/managerial updates; support for the development of environmental and labor norms; job security plans, and the strengthening of benefits for families.* [6]

Ten years of "Free Trade" experimentation has been sufficient to reveal the true goals of large US corporate interests in the continent: capitalize upon the inequality between the nations of this hemisphere. Mexico was forced to complicate its own underdevelopment, poverty and huge external debt with accelerated monopolic/oligarcic capitalist pressure toward further dependency and underdevelopment. The results have been "*a combination of a production stagnation, an accentuated increase in rural*

[6] José Acevedo Vogl,

poverty and the progressive loss of jobs provoking migratory tendencies."[7] Even more alarming, Chapter 11 of NAFTA contains a serious threat to the fundamental aspects of national sovereignty by prioritizing foreign companies over national interests. There is ample documentation of the disaster in the lives of the majority of Mexicans caused by free trade, such as the 4 million Mexicans that dropped into severe poverty since the 1994 signing of NAFTA.

We must learn from them, before it is too late.

Signed

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Domingo de la Cruz
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DE SANTO DOMINGO –UASD-
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ST. MARY'S EPISCOPAL CHURCH
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FUNDACION MINERVA MIRABAL
Carlos Leiter
ACADEMIA DOMINICANA DE DEPORTE DE QUEENS
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UNION DE ORGANIZACIONES DEPORTIVAS HISPANOAMERICANAS

[7] Acevedo Vogl, Adolfo José: "Los impactos potenciales del tratado de libre comercio Centroamérica-E. U. en el sector agrícola y la pobreza rural de Nicaragua", American Friendo Service Comité, Mayo, 2003)Idem, Adolfo
[8] José Acevedo Vogl,
[9] Idem, Acevedo Vogl, Adolfo José
[10] Idem, Isa-Contreras, Pável

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