The Trouble With CAFTA

By Mark Engler | February 3, 2004

On December 17 officials from Guatemala, Honduras, El Salvador, and Nicaragua finished negotiations with the United States on the Central American Free Trade Agreement (CAFTA). CAFTA is a bad deal, one that promises to extend the harmful impacts of NAFTA to Mexico's weaker southern neighbors.

At the same time, boosters like U.S. Trade Representative Robert Zoellick are premature in declaring victory for their hemispheric "free trade" agenda. A week of intense negotiations in Washington demonstrated that developing countries are not as easily browbeaten as in the past. And the coming fight to stop ratification of the agreement will likely show opponents of corporate globalization to be in a stronger position than ever.

The CAFTA text itself exhibits signs of a delicate political compromise. Zoellick's office has emphasized the decline in tariffs on consumer and industrial products that would go into effect with the agreement. But the United States and Central American countries alike exempted their most sensitive goods from immediate competition. The United States maintained protections for sugar and textile industries in exchange for exceptionally laggard phase-out periods of up to twenty years for tariffs on Central American corn, dairy, and other farm products.

For activists, other aspects of CAFTA should provide greater cause for concern than the hotly contested trade provisions. The removal of investment barriers will further open public enterprises in Central American countries to privatization. Moreover, the deal contains dispute-resolution mechanisms similar to NAFTA's Chapter 11, which allows corporations to sue governments for regulations (including the enforcement of local environmental laws) that they believe infringe on their rights.

CAFTA stipulations defending intellectual property threaten to move AIDS treatment beyond the reach of many Central Americans in need. "Generic competition has lowered HIV drug costs," says Asia Russell of the nonprofit Health GAP. "If Bush gets his way, CAFTA will lock countries into tough new patent rules that will drive the cost of life-saving drugs up and delay or obstruct generic competition."

Finally, Thea Lee, assistant director of the public policy department at the AFL-CIO, notes that CAFTA will diminish pro-worker safeguards present in the Caribbean Basin Trade Partnership Act. "Zoellick says that this agreement includes unprecedented protections for labor. That's a flat-out lie," she argues. While the previous initiative mandated that participating countries uphold internationally recognized labor norms, the new agreement only requires that governments enforce their own laws, which are often far weaker.

For these reasons, a ratified CAFTA would represent a clear blow to poor and working people in the Americas. This outcome is anything but certain, however. The Bush administration has stumbled through a series of trade setbacks in past months—the collapse of WTO talks in Cancún, the dilution in Miami of plans for a Free Trade Area of the Americas, and the delay of bilateral trade negotiations with Australia and Morocco—leaving supporters of such deals in desperate need of forward momentum.

CAFTA has yet to provide it. Central America's most developed economy, Costa Rica, withdrew from negotiations at the last minute in defiance of U.S. demands to open its telecommunications and insurance sectors. Pressure at home—which took the form of a massive strike by public telephone and electrical workers last summer—helped motivate the San José delegation's departure.

Zoellick hopes to lure Costa Rican negotiators back in the near future. But it is clear that the country has strengthened its bargaining position with the walkout. Elsewhere in the region, outrage about health-care privatization in El Salvador has put the leftist FMLN party in a strong position to win presidential elections in March, a development that would shake the country's commitment to CAFTA.

Even if the Bush administration succeeds in smoothing Central American relations, it faces a daunting challenge in Congress. The House's 216-to-215 vote in June 2002 to keep alive "fast track" negotiating authority for President Bush is a reminder of how tight trade debates can be. The outcome of a House vote this year on CAFTA is simply too close to call. The labor movement will use its election-year clout to pressure Democrats to maintain a unified front against the deal. Thus, for the president to keep the tide from turning against him, he must demand discipline from several Republicans with close links to trade-affected businesses. That will not be easy. Despite concessions in the agreement that soften the blow to their industries, sugar and textile representatives are complaining bitterly about the prospects of any opening of U.S. markets.

The White House may express confidence in its ability to push the agreement through on a single vote, but it might not be willing to pay the price necessary to try. "This agreement is more of a burden than a political asset for the Bush administration," says Larry Birns, director of the Council on Hemispheric Affairs. Birns has joined several analysts in predicting that the president's more politically minded advisers will overrule the trade representative's desire to bring CAFTA to a vote early in 2004. "As we speak, there is almost no prospect that they would send it down to Congress before the election," he says. Zoellick has already touted the accord as "an important milestone" for trade policy in the Americas. A milestone it may well be. But with their domestic coalition fracturing, and international protest against neoliberal economics growing, "free trade" enthusiasts might ultimately discover that CAFTA marks a turning point for critics, rather than an advance down the path of corporate globalization. Only the turbulent battle of the coming year will tell.

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