



CAFTA and AFTA

A central component of the U.S. trade strategy is using bilateral and subregional trade agreements to leverage increased liberalization of trade and investment flows at the regional and global levels. The Central America Free Trade Agreement (CAFTA) and the current negotiations to establish an Andean Free Trade Agreement (AFTA) are regarded as the building blocks of the proposed Free Trade Agreement of the Americas (FTAA).

1. NAFTA MODEL HAS MET SIGNIFICANT RESISTANCE IN LATIN AMERICA

NAFTA was negotiated over a decade ago. Since then, many countries in Latin America have seen the growth of civil society movements in opposition to the NAFTA trade model. The governments of several nations, notably Brazil, Venezuela, Argentina, and Uruguay, have criticized the model and urged modifications while emphasizing alternative forms of regional integration under Mercosur. The Free Trade Agreement of the Americas (FTAA) is at an impasse.

2. MODEL REMAINS THE SAME

CAFTA is a close cousin of NAFTA, and the AFTA proposed by the United States follows the same model. Despite being given side-room status, for example in El Salvador, civil society actors failed to modify the agreement. Their proposals were consistently squelched either by the negotiating teams of their own governments or U.S. refusals.

3. U.S. BILATERAL AND SUBREGIONAL TRADE STRATEGY

Instead of heeding the wave of opposition to free trade models, the United States has dug into its trenches, and in economic policy those trenches are the bilateral trade agreements. From the FTAs, the U.S. government hopes to gain the strength to launch renewed trade offenses in broader multilateral organizations like the WTO and any eventual FTAA. Each NAFTA-style FTA signed not only locks the partner country into a series of pro-corporate measures but also sets a precedent for later negotiations.

4. FREE TRADE FACES OPPOSITION IN UNITED STATES

The U.S. Congress ratified the Central American Free Trade Agreement in a close vote in July 2005. The time it took to negotiate and ratify this agreement was much longer than what the Bush administration had anticipated. Some of the obstacles that faced CAFTA proponents—concerns of an increasing trade deficit, pressures from affected unions and industries, and a deepening disenchantment with free trade policies—are illustrative of what's in store for future negotiations.

5. FREE TRADE FACES OPPOSITION IN CENTRAL AMERICA

Popular protest has broken out in most of the Central American nations, led by farmers and labor organizations. The political costs for the governments involved are high. Just as the Bush administration was forced to delay ratification in the U.S. Congress due to lack of votes, Costa Rica is delaying ratification due to fears of major opposition in their legislatures and in the streets. In Guatemala, the CAFTA debate took a life when a demonstrator against ratification was killed by police.

6. FREE TRADE FACES ROUGH GOING IN ANDEAN REGION

In the Andean countries, the political prospects for free trade agreements are even worse. Bolivia is out of the picture because a showdown over the Andean Free Trade Agreement (AFTA) could cause the fall of yet another government, caught between the dictums of the economic model and the anger of a people fed up with empty promises. Venezuela under the U.S. nemesis, Hugo Chavez, has denounced all prospects of an FTA

with the United States. Both Ecuador and Peru face possible referendums on the issue in their countries and may be barred from participating anyway by the United States, which-acting openly as a corporate advocate rather than a government-has premised their participation on resolution of several cases of investor claims by major U.S. transnational corporations.

7. UNITED STATES PLAYS HARDBALL

In both CAFTA and AFTA, rather than take a conciliatory stance faced with the probable negative and destabilizing impacts of the agreements, U.S. negotiators have played hardball. They have threatened to withdraw or not renew the current trade preferences these countries enjoy-under the Andean pact for Trade Promotion and Drug Eradication in the Andean case and the Caribbean Basin Initiative and others in Central America. Since many industries had already oriented production toward markets assured under these measures, the threats have real weight. Even government officials have complained that in effect the FTA process means that these nations are forced to concede in non-trade areas such as intellectual property and investor protection only to assure the market access they already have.

These Talking Points were prepared by Laura Carlsen, director of the Americas Program of the International Relations Center (IRC), online at www.irc-online.org. Carlsen is the author of numerous essays and book chapters on globalization, and speaks widely on trade and development.

These Talking Points on CAFTA and AFTA reflect the principles of the Global Good Neighbor Ethic for International Relations, especially Principle Six:

“The U.S. government should support sustainable development, first at home and then abroad, through its macroeconomic, trade, investment, and aid policies.”

See IRC’s A Global Good Neighbor Ethic for International Relations online at:
<http://www.irc-online.org/content/ggn/0505ggn.php>

For More Information:

The Price of Going to Market
By Laura Carlsen (September 19, 2005)
<http://americas.irc-online.org/am/654>

The Price of Market Access
By Laura Carlsen (October 20, 2005)
<http://www.fpif.org/fpiftp/2895>

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INTERNATIONAL RELATIONS CENTER, IRC
Box 2178 • Silver City • NM 88062-2178
Phone: (505) 388-0208
Email: irc@irc-online.org
Web location: <http://www.fpif.org/fpiftp/2896>

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Editor: Tom Barry, IRC
Production & Layout: Chellee Chase-Saiz, IRC
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