Two years of CAFTA:

deep impacts in Central America and the Domincan Republic

GRAIN (November 2007)

In just two years since the Central America–Dominican Republic Free Trade Agreement with the United States (CAFTA) was concluded, not only did its projected benefits fail to materialise, but many sectors of society in the countries which signed and implemented it are already feeling its negative impacts.

So far, the impacts are perhaps most visible in the fields of manufacturing and agriculture. But we should not overlook the longer-term broader transformations that CAFTA heralds: many changes in national legislation, the imposition of new rules on intellectual property rights, "national treatment" for transnational corporations (TNCs), etc.

Honduras was one of the countries most affected by the fiscal impact of the tariff reduction policies promoted by the FTA: the government agreed to slash tariffs immediately on US imports by 74.4%, resulting in a US$148 million loss of tax revenue. [*see* reference 1 on p.87]

- Honduras' Ministry of Agriculture and Animal Husbandry (SAG) decided in mid-2007 to stop the domestic production of transgenic corn. This was reversed owing to pressure from agribusiness TNCs and the Ministry of Natural Resources – which invoked CAFTA to suspend the order given by SAG. [8]
- Honduran imports of US goods rose during the first quarter of 2007 by 24% over the previous year, from US$1.2 billion to US$1.5 billion, while exports dropped by 6.1%, from US$178.1 million to US$167.2 million. [9]
- For the Dominican Republic, the loss of tax revenue from tariff reductions on US imports was US$727 million (2.91%). To compensate, the government is initiating fiscal reforms to collect more personal income tax from its citizens. [1]
- CAFTA was supposed to lead to increased exports that would reduce El Salvador's trade deficit with the US. After a year of implementation, exports grew by a mere 3.8%, while imports shot up by 11%, resulting in a 19% growth of the trade deficit, now standing at US$4.1 billion. [3]
- Nicaraguan markets have been flooded with industrial products from the US since CAFTA. From April 2006 to March 2007, the amount of goods imported from the US reached US$649.7 million, an increase of 27.5% compared to the same period the year before CAFTA (April 2005–March 2006, imports cost US$509.4 million).
- In 2007, Guatemala's textile industry closed 35 factories and lost over 17,000 jobs, despite promises of a revival after the implementation of CAFTA. The textile sector was one of the strongest domestic proponents of the treaty, but did not receive any of the alleged benefits it was promised. [4]

In regional terms:

- Imports from the US have grown in all countries: El Salvador (11.7%), Honduras (26%), Nicaragua (27.5%) and Dominican Republic (13.5%). [1]
- All countries that have ratified CAFTA have seen their national debt with the US grow, and their national markets flooded with US goods, services and raw materials. [5]
- Foreign investment decreased significantly during the first year of CAFTA. It fell by 42% (loss of US$180 million) in El Salvador, by US$182 million in Honduras, by 3.8% (loss of US$23.4 million) in the Dominican Republic, and Nicaragua received only US$57.8 million in 2006. [5]
- The dismantling of the rural economy in the region has been consolidated. "In each country," says one study, "the agricultural trade deficit has grown as imports of basic grains increased and prices for these have increased dramatically, as these imports are controlled by a few groups that concentrate the market and engaged in speculation." [5]
- Regarding rights to knowledge and to health, initial impact studies find that "under CAFTA, the possibility of producing generic medicine is limited, and it is being prohibited, resulting in an increase of cost of medicines, affecting people's right to health as well as undermining the national pharmaceutical industries." [5]

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NACIONALES

DIARIO Extra
... El periódico de más venta en Costa Rica

▼ Afirma el ex presidente Rodrigo Carazo

"EL TLC ES UNA FÁBRICA DE POBRES"

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El ex presidente Rodrigo Carazo visitó DIARIO EXTRA acompañado de José Miguel Corrales, para explicar los alcances del Tratado de Libre Comercio, al cual califica como una fábrica de pobres, porque ya ha visto que donde se aplica empobrece los pueblos, a cambio de favorecer a unos pocos ricos.

Sostiene, además, que fue escrito para que la gente no lo entendiera y tampoco han querido explicarle al pueblo lo que realmente significa para el país y las implicaciones que tiene.

Defiende la importancia de mantener la Ley Seca y el voto con la huella digital como garantía de la pureza del sufragio, porque de lo contrario se estarían dando las condiciones para caer en los errores del pasado, que llevaron al pueblo a la división, al enfrentamiento y para salvaguardar las garantías constitucionales se incluyeron esas reglas en la Constitución y que hoy se están desconociendo por parte del Tribunal Supremo de Elecciones.

-Don Rodrigo, ¿usted es enemigo de Estados Unidos?, ¿por eso está en contra del TLC?

Carazo: No, no. Nunca he sido enemigo de Estados Unidos, yo siempre he sido muy amigo de ellos. Lo que no quiero es que sean mis dueños. Nunca he sido ni adversario ni mucho menos, claro una vez se me enojó el presidente Carter porque yo estaba defendiendo a Costa Rica y le dije, que no se enojara porque ese era mi deber, al igual que el suyo era defender a

El ex presidente Rodrigo Carazo, visitó DIARIO EXTRA acompañado de José Miguel Corrales, impulsor del referendo, para explicar las razones por las cuales se oponen al TLC, y afirman que se están violando las garantías electorales y eso puede ser el detonante de la paz social. En la foto conversan con Mario Ugalde, Sub Director del periódico de más venta en Costa Rica.

miento de unos pocos y la pobreza de mucho, mucho, mucho pueblo, esa es la fábrica de pobres a la que me estoy refiriendo, pero a la vez, es un tratado que no considera ningún factor de distribución de la riqueza.

Carazo: No mienten, ignoran que es peor.

-¿Dicen que son los del No los que miente?

Carazo: Ellos pueden decir eso, pero nunca van a un diálogo, ellos nunca quieren hablar cara a cara, ¿entonces?

Pedro, Pablo o Juan sean presidentes o regidores, no hay ninguna razón para que vengan dineros de otros destinos a financiar la aprobación de una ley que puede cambiar el destino de nuestro país.

"Si Nicaragua está mejor que nosotros ¿por qué se vienen los nicaragüenses para acá?

-¿Debe haber ley seca el día del referendo?

Carazo: Por supuesto, es que no hemos podido lograr que no se le de guaro a los alcohólicos para que vaya a votar Sí. Costa Rica logró la Ley Seca hace muchos años para evitar eso, pero en esta elección hay mucho dinero de por medio.

Corrales: Debe conocerse los orígenes de la Ley Seca, desgraciadamente en lo que llamaban los portones o galerones de muchas casas existían barriles de licor donde le daban a la gente para que fuera a votar por A, B o C candidato y ese voto no es limpio. Además la violencia que se presenta cuando ya vos tenés rotos los frenos inhibitorios a propósito del alcohol. Son normas que el pueblo tiene por sanidad y por seguridad, ¿cómo es posible que a estas alturas las quiten?

-¿Respetaran el resultado del referendo?

"CAFTA is a factory that makes poor people" says this headline of a Costa Rican newspaper on 3 September 2007. "If Nicaragua is better off than us [because it is implementing CAFTA, while Costa Rica is not], then why are so many Nicaraguans immigrating to Costa Rica?" (Photo: Quest-Nicanet)

In March 2005, as part of the struggle, the Anti-Imperialist Bloc painted a mural denouncing FTAs and those who are selling Guatemala off to the Yankees. (Photo: Indymedia)

- Restrictions on generic drugs limit access to cheap medicine, taking into account the tremendous price difference between generic and patented products. Patented drugs cost 300% more than generics, which translates into an obvious prejudice against low-income people in the region. [7]

- A report prepared by the Regional CAFTA Monitoring Network adds that "Through intellectual property rules, which prohibit the use of trademarks, videos, sounds and even smells, CAFTA is also affecting the right to work of thousands of people who depend on informal markets to survive, given the unemployment that CAFTA is creating in the countryside. These restrictions on IPR have been accompanied by an increase in excessive and repressive actions that violate the dignity of individuals and their human rights." [5]

- On 2 July 2007, there was a peaceful popular protest in El Salvador against the launch of the National Policy on Decentralisation and the inauguration of a water project that would open the door to privatisation of water at the national level. [5] The demonstration was brutally suppressed, with leaders arrested and dozens injured. Under CAFTA, water is a commodity, subject to trade. Since the agreement's ratification will affect water conservation implementation measures, and through its rules on trade in services, the process of privatising the provision of drinking water and sanitation systems will be set in motion. [6]

(Photo: Quest-Nicanet)

As with all FTAs, CAFTA's goal is to put the heritage of the peoples of Central America and the Dominican Republic under the control of large corporations. CAFTA's impacts have spurred a new wave of popular mobilisation and resistance in the region, not least in Costa Rica. The two fronts on which actions are now emerging are in exposing the impacts and pushing for the rejection of CAFTA, and the fight against new FTAs (mainly the EU–Central America FTA right now).

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