



# CENTRAL AMERICAN FREE TRADE AGREEMENT

## Outsourcing Democracy

The Central American Free Trade Agreement (CAFTA) is a regional agreement between the U.S., the Dominican Republic and five Central American Countries: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. CAFTA, is modeled after the North American Free Trade Agreement (NAFTA). Like NAFTA, CAFTA includes controversial provisions that threaten family farmers and ranchers, rural communities, workers and the sovereignty of all countries involved by favoring multinational corporations.

### NAFTA, CAFTA - Attacking our Democracy

The U.S., Canada and Mexico entered into NAFTA in January 1994. NAFTA was the first of a new type of international trade agreement that went beyond reducing tariffs and other traditional trade barriers. NAFTA granted new and sweeping protections for multinational corporations and international investors at the expense of local economies and the democratic process.

One of the most dangerous of these protections is found in Chapter 11's Investment Provisions. These provisions give foreign corporations or subsidiaries the ability to sue local, state and federal governments over any law or regulation that may affect the corporation's ability to make a profit—even if those laws or regulations protect the health and safety of citizens. Legal actions under NAFTA, known as Investor-to-state dispute resolutions, occur in a secret tribunal system, where judges are not required to be experts in the particular country's legal system. To date over \$13 billion in lawsuits have been brought against U.S. state and federal laws through NAFTA's Chapter 11.

CAFTA would expand Investment Provisions to five Central American countries and the Dominican Republic—eroding the ability

of national, state and local governments to protect public interest. American laws including local zoning statutes, antitrust laws, health protections and many others are at risk.

### NAFTA, CAFTA, and U.S. Agriculture

NAFTA's export-oriented model keeps commodity prices low for all countries involved. The result has been a loss of U.S. market share for these commodities.

Since the beginning of NAFTA, farmers' incomes have been slashed. In the first five years, prices declined 42% for wheat, 33% for corn and 34% for soybeans. The U.S. Census Bureau reports a loss of over 183,000 U.S. agriculture related jobs to NAFTA.

#### Jobs destroyed by NAFTA in WORC States 1993-2002

Colorado	19,684
Idaho	6,395
Montana	4,125
North Dakota	2,570
Oregon	18,075
South Dakota	6,238
Wyoming	1,519
Total	58,606

CAFTA promises even more job losses. It is estimated that CAFTA will cost the U.S. 370,000 jobs nationwide. Although a state-by-state analysis of job loss from CAFTA has not been completed, it is estimated that North Dakota alone would lose approximately 13,000 jobs if CAFTA is ratified.

Sources: EPI Analysis of Bureau of Labor Statistics and Census Bureau and the Center for Agricultural Policy and Trade Studies, North Dakota State University

*A recent example of the implications of Investor Provisions is a potential case against the U.S. filed by a group of Canadian cattle producers. In May of 2003, a case of, Mad Cow Disease, was found in Canada. In order to protect the consumers of the United States, the U.S. government blocked importation of Canadian beef and beef products. Now, a Canadian group is threatening to sue the U.S. government through a Investor-to-State dispute resolution. The group claims that the restrictions passed by the U.S. to protect its consumers violate NAFTA when it took away the ability for Canadian cattle producers to make a profit.*

CAFTA will further threaten family farmers and ranchers by favoring corporate agribusinesses that keep commodity prices low and flood local markets with cheap imports raised under questionable standards and conditions. The very same corporations that have monopolized the U.S. agricultural markets control business in the CAFTA countries. This allows these multinational corporations to buy their inputs at the lowest possible price, process their products with the lowest cost labor and standards, and retail that food in the U.S. at the highest possible price.

NAFTA's promoters promised U.S. farmers and ranchers that the agreement would provide access to new export markets and raise farm incomes. Instead, farm income has declined, consumer prices have risen and giant agribusinesses have reaped huge profits. CAFTA only promises more of the same.

## CAFTA Erodes Food Sovereignty

Trade agreements like CAFTA change the landscape of production agriculture and rural culture. NAFTA, the first major trade agreement, moved the three countries involved away from sustainable, domestic agricultural markets toward declining agricultural economies.

Current trade policies promote trade regardless of the cost to food sovereignty. Through trade agreements, multinational corporations encourage countries with lower production costs to become net exporters of the products they would traditionally consume.

This may seem like a good idea until a disaster, like BSE (Mad Cow Disease), halts the ability to export and that country is "stuck" with a glut of a commodity that cannot be exported. This situation, as it has in Canada, destroys family farmers and rural communities.

Low cost agricultural imports compete with domestically grown foods. Farmers cannot compete with both cheap imports and manipulated markets. The domestic agricultural sector is thereby thrown into turmoil.

In the case of a worldwide natural disaster or food shortage, nations who have opted to import their food, leaving their own agricultural system to fail, will be the first to go hungry. In that event, it will be too late to turn the tractor around because the production capacity will be broken.

When fewer crops are raised domestically, less new wealth is created. Farming and ranching are two of the very few industries that can actually add new wealth to an economy. CAFTA reduces the ability of the United States to create new wealth while it destroys our food security.

## What You Can Do

*By working together, we can ensure trade that is fair for all farmers, ranchers, workers, consumers and the environment.*

*Call your Congressmen and tell them not to expand the mistakes of NAFTA — Tell them to take a position against CAFTA and Vote No.*

*For more information on how you can play a role in stopping CAFTA and ensure fair trade policy, log on to the WORC web site at [www.worc.org](http://www.worc.org).*



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