

Inhuman Economies: What CAFTA and free trade agreements REALLY mean for Nicaragua, and the rest of Central America

“Today I announce that the United States will explore a free trade agreement with the countries of Central America [CAFTA]. Our purpose is to strengthen the economic ties we already have with these nations to reinforce their progress toward economic, political, and social reform...and to take another step toward completing the Free Trade Area of the Americas.” –President George W. Bush, January 16, 2002

CAFTA means FOOD INSECURITY

Porfirio is a Nicaraguan farmer who supported his family his whole life by growing staple crops to eat and sell. But, under the free trade model, he can't get a decent price for his beans. The cheapest beans at the market are imported from the U.S. where the average farmer receives \$21,000 a year in subsidies from the U.S. government. Under free trade it is impossible for Porfirio's beans to compete against corporate agribusiness in the U.S., where the price of production is lowered by access to technology and subsidies, because he can't even get a loan to help cover the costs of planting. After producing beans his entire life, Porfirio has been told that the best way for him to compete in the free market, under CAFTA, is to produce sesame, an export crop. Commercial banks will loan him money to plant sesame, but not beans. His success will be dependent on the whims of the international market. When international sesame prices fall, Porfirio will not be able to sell his sesame. He will have no money to buy food for his family, and his family can't survive eating sesame. Like many other farmers, he may have to sell his land and become one more unemployed person desperately looking for work in the cities or migrating to a wealthy country.



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CAFTA means WORKER EXPLOITATION

Maricela sews the back pocket onto blue jeans for a major U.S. retailer, working for \$2.33 a day in a *maquila* (export assembly factory) in Nicaragua's Free Trade Zone. Free Trade Zones invite foreign "investment" by offering companies a desperate work force, no taxes or tariffs, subsidized electricity and water, and poorly enforced labor and environmental standards. Although Maricela earns some of the lowest factory wages in the hemisphere, she is thankful for her job because the majority of Nicaraguans are unemployed.

But even after working over-time, Maricela is unable to send her two children to school. She is planning to travel to Costa Rica or the United States to look for work. Free Trade Agreements encourage more corporations to invest in "development" in Nicaragua's Free Trade Zones, where factories pay no taxes to host countries and workers make starvation wages. This dead-end development strategy may bring more jobs like Maricela's to Nicaragua, but it does not provide long term investment in Nicaragua's people or services, only short-term profits for corporations and the rich.



Terms of Trade:

Free Trade opens up markets by eliminating all taxes and tariffs on products being imported and exported, creating one large economy in which everyone competes. Free trade is part of the **neoliberal** model, that encourages countries to produce for export rather than for their own consumption. Under this model, poor countries like Nicaragua are supposed to use their "**comparative advantage**" to compete against large economies like Mexico and the United States. Nicaragua's "comparative advantage" is a cheap, abundant labor force. In order to exploit this "advantage", Nicaragua must drive down wages to compete with other poor countries that are also trying to attract foreign investment. This is the infamous "**race to the bottom**".

Following in the footsteps of **NAFTA** (North America Free Trade Agreement), The Bush Administration begins negotiating **CAFTA** (Central America Free Trade Agreement) in January 2003, hoping to have the agreement in place by the end of the year. The signing of this regional agreement would be a strategic step towards the hemisphere-wide **FTAA** (Free Trade Area of the Americas), to be negotiated by 2005.

CAFTA means MORE MIGRATION

Patricia picks strawberries in California, thousands of miles away from her family in Nicaragua. One of almost a million Nicaraguans who live in the U.S. and Costa Rica, Patricia's only hope to find work was to migrate. After she had exhausted every other possibility to stay close to her family and friends, she applied for a visa to work in the United States. Along with thousands of others, her visa was denied, leaving her with little choice but to make the dangerous journey to the United States without documentation. Vulnerable, alone, and afraid of deportation, Patricia works hard to send a check home every month, which her family uses to buy food and school uniforms for her children.



Under the Free Trade model, Nicaragua's most valuable export is its people. Remittances sent home by family members working in the U.S. and Costa Rica are the primary source of income in Nicaragua, far exceeding income by foreign investment and exports. As Free Trade policy displaces farmers and drives wages and working conditions down in factories, more Nicaraguans migrate to wealthier countries to survive, leaving behind families, often their children. It is impossible to measure the devastating effects of migration on Nicaraguan families, as thousands of parents like Patricia may not see their children for many years. Free Trade Agreements promote the free movement of capital, but not the free movement of people, which causes the poor to risk their lives crossing borders illegally.

CAFTA means LESS DEMOCRACY

Corporations have strong input in trade agreement negotiations, while citizens do not. The Bush administration has appointed several CEOs whose companies made large campaign contributions to the Republican party to an advisory committee for negotiations. Meanwhile, "fast track" promotion authority took U.S. congress out of the negotiations process.

Like NAFTA's infamous Chapter 11, CAFTA and the FTAA will likely carry similar provisions allowing corporations to sue governments *for damages* for inhibiting their ability to make a profit, if the government passes a law protecting the environment or labor rights. This has already happened under NAFTA! When a Mexican municipality passed a law prohibiting Metalclad, a U.S. company, from dumping toxic wastes in the community, Metalclad sued. A NAFTA secret tribunal ruled in Metalclad's favor, ordering the Mexican municipality to pay the company \$15.6 million! Moreover, a Free Trade Agreement also locks a country into an agreement that is independent of that country's elected leadership—if the people elect a leader opposed to Free Trade it will be too late to change the policy without risking serious repercussions. The Nicaraguan people will be unable to democratically determine the future of their society—their national sovereignty will be lost.

Structural Adjustment Paves the Way for Free Trade:

Neoliberal policy and Free Trade are not new to Nicaragua. For years the IMF and World Bank have forced Nicaragua restructure its economy to facilitate the introduction of Free Trade Agreements. IMF and World Bank policy has obliged Nicaragua to:

- privatize state banks, which eliminates financing for subsistence farmers, therefore promoting export production.
- attract foreign investment, which gives corporations tax breaks and the incentive of poorly enforced environmental and labor standards in Free Trade Zones.
- increase reserves needed to pay back loans, which cuts funding for health care and education and contributes to the work force's desperation.
- privatization of public services, converting a source of income for the country into commodities for multinational corporations. Rate increases following privatization make services such as water and electricity unaccessible to the poor.

CAFTA will lock this model of **structural adjustment** into place, so that future elected governments will not be able to change trade policy, even if they had the will to do so.

WHAT YOU CAN DO

- **Educate your community!** Collect Peoples Consultation surveys to build up a voice of opposition to CAFTA and corporate-centered free trade agreements. See www.peoplesconsultation.org for more info on the campaign.
- **Organize a public hearing on the CAFTA/ FTAA in your community. Contact Alliance for Responsible Trade to schedule a hearing hearings@peoplesconsultation.org or call 773-583-7728**
- **Start a campaign to pass a anti-free trade agreement resolution in your church, university, town.** see attached model resolution and tips for resolution.