CAFTA's Tragic Legacy in Central America
Failed Trade Policy That Drove Millions From Their Homes

After more than a decade of the Central America Free Trade Agreement (CAFTA), the region has seen hardship for workers and farmers, corporate attacks on health and environmental laws, and political instability leading to deplorable human rights conditions. President Trump is scapegoating Latin American immigrants for the economic insecurity facing many Americans with his racist attacks and xenophobic obsession with building a wall along our southern border. But it is the same U.S. trade policies that harm working people in the United States that also have left many in Central America with no option but migration as they struggle to feed and care for their families.

Background

After observing the devastation that the North American Free Trade Agreement (NAFTA) caused in Mexico's countryside in the 1990s, many Latin American nations rejected the NAFTA model. This became evident in 2003, when negotiations for a U.S.-proposed hemisphere-wide NAFTA expansion called the Free Trade Area of the Americas (FTAA) collapsed. But the big pharmaceutical, agribusiness, oil and retail corporations that were reaping windfall profits under the NAFTA model wanted more. Plan B for the George W. Bush administration was to seek NAFTA-style deals with a subset of Latin American countries they dubbed the "coalition of the willing."

Among those agreements was CAFTA. It expanded to Guatemala, El Salvador, Honduras, Costa Rica, Nicaragua and the Dominican Republic the agricultural provisions included in NAFTA that had devastated Mexico's rural economy. Oxfam predicted that up to 1.5 million people in Central America whose livelihoods were connected to rice production alone could face displacement. Early in the negotiations, Central American immigrant advocacy groups warned that CAFTA could destroy millions of livelihoods and were ignored by the Bush administration. CAFTA faced fierce resistance by U.S. Latinx organizations, including the League of United Latin American Citizens and the Labor Council for Latin American Advancement, and much of the Congressional Hispanic Caucus. Despite this, CAFTA passed Congress in 2005 by one vote.

Economic Devastation Leads to Displacement

USDA data show imports of food into the United States from Mexico and Canada have risen more steadily and to a greater degree than U.S. food exports to those nations in recent years. The volume of U.S. food imports from NAFTA partners rebounded quickly after the 2009 drop in global trade following the financial crisis. But U.S. food exports to NAFTA nations have increased at only half the rate that food imports have grown, relative to 2008, when exports declined significantly during the global financial crisis. Today, the U.S. is importing 31 percent more food from Canada and Mexico than it was prior to the financial crisis.

Small U.S. Farms Disappear During NAFTA Era

The warnings that CAFTA would spur further displacement have unfortunately proven accurate. Under CAFTA, family farmers in the "Northern Triangle" of Honduras, El Salvador and Guatemala – three countries experiencing high rates of violence and forced migration – have been inundated with nearly a doubling of agricultural imports (mainly grains) from U.S. agribusiness. While these exports represent a small fraction of U.S. agricultural firms' business, they represent a big threat to Central America's small farmers, who do not have the subsidies, technology or land to compete with the influx of U.S. grain. And contrary to promised gains, many small-scale farmers in those countries have not seen a boost in exports of their products to the United States. Agricultural exports from El Salvador to the United States under CAFTA have actually grown one-fifth slower than *global* agricultural exports to the United States. And Honduras' agricultural exports to the United States have been swamped by the surge in agricultural imports into Honduras. The country shifted from being a net agricultural exporter to the United States in the six years before CAFTA to being a net agricultural importer from the United States in the six years after the deal took effect.

Some CAFTA proponents admitted that Central America's small-scale farmers would not fare well under the deal, but promised that displaced farmworkers could find new jobs in the garment assembly factories, or *maquilas*, producing clothing for export to the United States. These factories are not only notorious for abusing workers' rights and paying low wages, but for leaving a country as soon as cheaper wages can be found in another country. Indeed, apparel exports to the United States from each of the three Northern Triangle countries were lower in 2017 than in the year before CAFTA took effect. Honduras' apparel exports to the United States fell more than 24 percent under CAFTA. Guatemala and El Salvador have seen export reductions of 40 and 5 percent, respectively, contributing to the economic instability feeding the region's violence and migration.

Corporate Attacks on Public Interest Laws

CAFTA also included the NAFTA-style extraordinary rights for foreign investors to challenge environmental and public health laws before panels of three corporate lawyers. Shocking cases of corporate bullying and multi-million dollar payments from taxpayers of these poor nations to multinational corporations have occurred under this Investor-State Dispute Settlement (ISDS) regime.

Under CAFTA's rules, multinational corporations need only to convince the corporate lawyers that a given law violates their broad CAFTA rights. The lawyers can be awarded unlimited sums of taxpayer money, including for the loss of expected future profits. Multinational mining corporations have used these extreme ISDS rights to try to bully governments in El Salvador and Guatemala to allow them to pursue environmentally destructive mining projects over the intense opposition of local communities.

CAFTA ISDS tribunals have ordered Guatemalan taxpayers to pay more than $50 million after attacks on transportation and energy policies. And the country faces a $300 million claim from a U.S. mining corporation after its Supreme Court decided in favor of community organizations that petitioned to block an environmentally-damaging gold mine over a lack of community consultation.

In El Salvador, mining corporations seeking to engage in cyanide-leaching gold mining launched a pair of CAFTA ISDS cases. They used the ISDS attacks to pressure the government to authorize water-polluting mine projects while the Salvadoran people pushed for a ban on metallic mining to protect the country's meager potable water. While the government ultimately prevailed against the two frivolous cases, the ISDS attacks resulted in a years-long delay in El Salvador's democratic process to ban the practice and drained millions of taxpayer dollars in legal fees.

The Dominican Republic was forced to pay a settlement of $26.5 million to a U.S. investment management corporation. The company had purchased one of the Dominican Republic's three electricity distribution firms for $2 from another investor. It then launched a CAFTA claim against the government for $500 million after the government was unwilling to raise electricity rates on the population, a decision undertaken in response to a nationwide energy crisis. The government ultimately paid the company the multimillion dollar settlement to avoid further legal defense costs.

Violence, Political Instability and Tragic Human Rights Conditions

The promises that CAFTA would improve democracy and human rights in the region proved to be cynical and empty. During the congressional debate on CAFTA in 2005, one Republican congressman touted the deal as "the best immigration, anti-gang, and anti-drug policy at our disposal." In the years following CAFTA's implementation, however, political instability and violence have increased in the region.

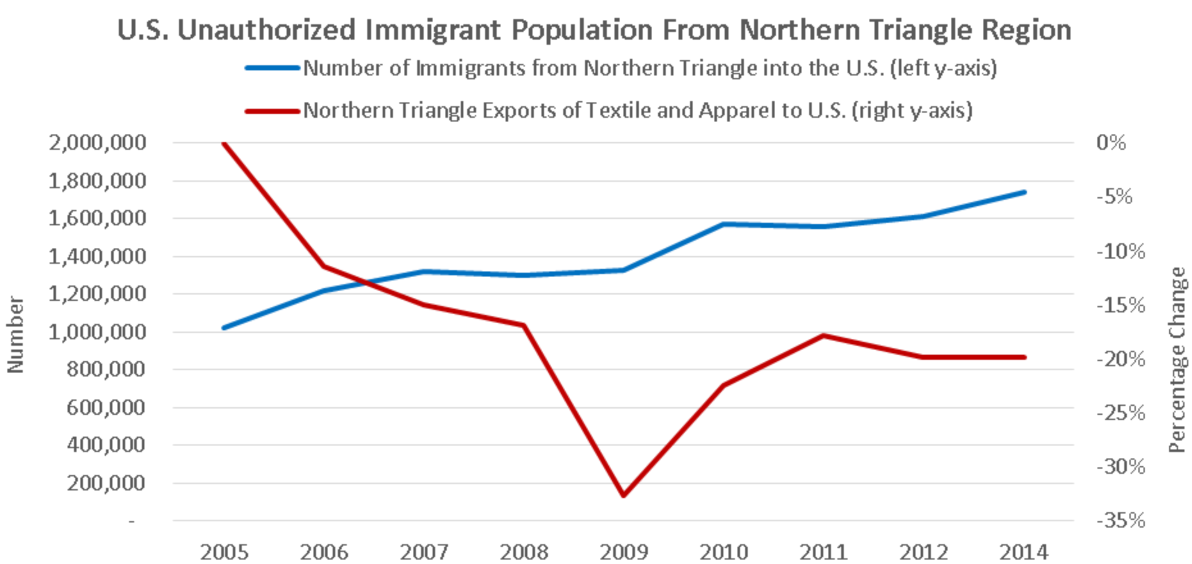
In 2009, the Honduran military ousted democratically elected President Manuel Zelaya,[1] leading the Organization of American States to temporarily suspend Honduras' membership.[2] It was the first military coup in the region in 25 years, dealing a blow to democratic governance among the United States' closest neighbors.

The Dominican Republic has also faced political challenges since CAFTA's implementation in 2005. Freedom House ranked the country as "Free" before CAFTA, but lowered the ranking to "Partly-Free" in 2016 due to less space for independent media and new restrictions on the political rights of Dominicans of Haitian descent.[3]

In 2018, the International Trade Union Confederation released a report labeling Guatemala "one of the worst violators of workers' rights with widespread and systemic violence against workers and trade unionists."[4] CAFTA's labor standards were shown to be as weak and unenforceable as labor unions and other critics had predicted when the AFL-CIO and Guatemalan labor unions spent more than seven years trying to push the U.S. government to enforce the labor standards that CAFTA proponents touted as a great improvement on NAFTA. The CAFTA tribunal ruled that the systemic labor rights violations and violence against unionists in Guatemala did not violate CAFTA's rules.

A 2016 report by Civil Society Watch lists El Salvador as having severe violations of freedom of association and expression.[5] According to a 2018 CIVICUS report: "With levels of violence that are still among the highest in the world, El Salvador is a difficult location for human rights work, and risks for activists could increase as the government responds with military force to fight crime."[6] As a whole, Central America remains one of the most violent regions in the world, with murder rates in countries like Honduras and El Salvador higher today than in 2005, before CAFTA took effect.[7] One of the main causes of violence is an increase in drug trafficking. The U.S. State Department estimated that 90 percent of documented cocaine flows into the United States in 2016 "first transited through the Mexico/Central America corridor."[8]

As violence and political instability increased alongside unfavorable economic circumstances in the years since CAFTA, Central American migration to the United States has climbed upwards. From 2005 to 2014, the number of undocumented immigrants from El Salvador, Honduras and Guatemala living in the United States increased 49 percent, 122 percent and 73 percent, respectively.[9] Tragically, many of these immigrants have been unaccompanied children. In 2017, the U.S. Border Patrol apprehended 31,754 unaccompanied children from the Northern Triangle region and a staggering 208,000 since 2013.[10]



Sources: U.S. Department of Homeland Security; U.S. International Trade Commission Notes: Data for 2013 unavailable.

The devastating NAFTA/CAFTA model cannot be allowed to continue its damage to our economies, laws and human rights. We need a new trade agreement model that eliminates special corporate protections, puts the economic needs of working families first, and protects our planet.