

CAFTA Deals Watchdog Report

A decade of revealing meaningless, worthless and stupid deals-for-trade-votes

WEDNESDAY, JUNE 29, 2005

What Bingaman Buyout? Microscope sought to search for funding

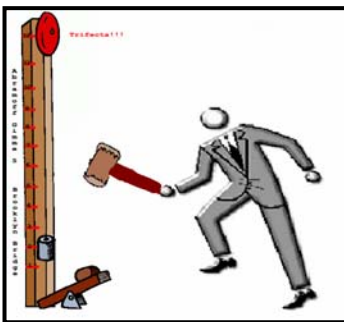
Washington, D.C -- Faced with Bush administration indifference to his call for \$1 billion¹ in labor rights capacity building funds for CAFTA target countries and aid for displaced Central American farmers, today Senator Jeff Bingaman (D-N.M.) revealed what many suspected: the senator wants to support CAFTA no matter what.

At the Senate Finance Committee hearing, Bingaman announced that he had received a letter from USTR Portman announcing that the Bush administration would:

- support Bingaman's future attempts to wrestle a token \$40 million out of the appropriations process each year from 2006 to 2009 to support labor and environmental capacity building for CAFTA countries;²
- reallocate \$3 million of 2005 U.S. Central American trade capacity building funds (a meager \$20 million total) to the International Labor Organization (ILO) to produce reports monitoring labor conditions in CAFTA target countries, but the administration makes no commitment to fund such ILO work beyond 2006; and
- "give high negotiating priority" to establishing Millennium Challenge Corporation (MCC) contracts with El Salvador, Guatemala and the Dominican Republic, and in the interim the Bush administration is "*willing to support*" Bingaman pushing in the appropriations process to obtain additional funds for "rural development assistance" of up to \$10 million annually for each of those nations "starting FY2007 for a total of five years, or until the signing of an MCC compact with such country, whichever comes first."

In exchange for administration support for Bingaman's future quest for funds to help Central America in an amount totaling less than Bingaman's home state of New Mexico spends annually on paper clips and other everyday office supplies,³ Bingaman then voted for CAFTA in today's Senate Finance Committee mark-up. This allowed the Committee to break an impasse over CAFTA and send CAFTA to the Senate floor where it is expected to have a smaller than usual margin of passage in the typically trade-agreement-loving Senate. Past Senate "yes" votes: China PNTR 83, WTO 76, Australia FTA 80, Fast Track '02 64, NAFTA 61)

Bingaman's Bargain Basement, Transparent Fig Leaf Gets only 5 of 50 Possible Points on Public Citizen's Deal-O-Meter



The Bingaman "deal" gets a 5 out of a possible 50 points on Public Citizen's Global Trade Watch's Deal-O-Meter. This puts it in the "**Brooklyn Bridge**" category of deals – our lowest ranking – because if Bingaman really thinks that this deal offers him any political cover, we have a bridge in Brooklyn we'd like to sell him. (Please see our description of our methodology at the end of this text.)

- **Funding is not appropriated before vote:** The USTR letter's commitment is simply for administration support in whatever budget and appropriations battles getting this money would entail – hardly a sure-thing guarantee. The Senate has not yet agreed appropriated money. (0 points)
- **Funding is not even authorized or in the implementing legislation, much less in CAFTA text:** While some past trade deals whose funding was authorized within a trade bill's implementing legislation never had funds appropriated, the funds for no past "side letter" deal have even been fully appropriated. The safest deal is one that becomes an amendment to the agreement's text, such as the fix to the Integrated Sourcing Initiative rules of origin for which the U.S.-Singapore FTA was reopened.⁴ (0 points)
- **Given inefficiency of and cuts in the Millennium Challenge Corporation budget, as well as recent massive \$100 million budget cuts on U.S. international labor programs, the record does not give hope that the Bush administration will actually deliver on this promise to Bingaman:** There is no indication that the Executive Branch will be able to politically defend or technically implement the deal it has made with Bingaman. In the

White House's 2006 budget request, the Bush administration cut funding for the Department of Labor's International Labor Affairs Bureau by 87 percent.⁵ Furthermore, the Millennium Challenge Corporation, through which Portman suggested agricultural assistance *might* flow, has been shown to be enormously inefficient, disbursing less than 0.016 percent of its Congressional-approved appropriations, and has been criticized for spending too much on consultants rather than getting money directly to affected communities. These criticisms have led to Congress recommending halving the agency's budget from that requested by the Bush administration.⁶ Between cutting funding for ILAB and MCC, it is not clear that the Bush administration will have the technical capacity to deliver on these deals, and has certainly not demonstrated the political commitment to related programs. (0 points)

- **Scope and funding of deal insufficient to task:** The \$40 million the Bush administration agrees to support is to cover both labor *and* environmental funding and \$3 million is supposed to come off the top for ILO. Even if the money were ever appropriated, it would total slightly more than \$6 million per country annually to be divided between labor and environmental capacity building. The Bush administration would not agree to even agree to support efforts to obtain funding for displaced rural poor until 2007, meaning *campesinos* that are displaced in the first few years of a CAFTA (if passed) would not be eligible for assistance. In his initial request of \$1 billion for CAFTA labor and environmental programs alone, Bingaman himself signaled the large amount of funds needed to make a dent in the problems. A study commissioned but censored by the Bush administration's Department of Labor shows the labor standards in CAFTA target countries fall short of ILO standards in over 20 different ways. (0 and 0 points)
- **No certainty for multiple year funding:** While the Bush administration has indicated it is "willing to propose and support" to fund the \$40 million a year from 2006 through 2009, the commitment is not appropriated for multiple years; it is not even authorized; and it is not even in the CAFTA implementing legislation. (0 points)
- **Duration of funding insufficient to scope of problem:** Given that the United States has contributed tens of millions of dollars over the last decade to labor capacity building in CAFTA target countries – without a noticeable rate of improvement in labor conditions in those countries – it is highly unlikely that three years of additional funding from 2006 to 2009 will result in a sea change in labor problems in CAFTA countries. (0 points)
- **The promise relies on cooperation with bodies not controlled by the Bush administration:** Given that this deal requires the ongoing cooperation of Congressional appropriations committees – as well as of CAFTA target country governments and international organizations like the ILO – it is not solely within the Bush administration's control to make promises to fund. (0 points)
- **Promise does not have labor support in Central America or United States:** Eighteen of the most democratic, independent and representative union federations throughout Central America representing workers in the private and public sector, including in export-oriented manufacturing and agriculture, have demanded stronger workers rights than those provided under CAFTA.⁷ The AFL-CIO also does not support the agreement. Since Bingaman is ostensibly trading his CAFTA vote to curry favor with people who care about labor issues, the fact that all voices of organized labor in Central America and the United States oppose CAFTA is likely to expose the senator to extreme voter and public ire. (0 points)

The two things the deal does have "going for it" are the following:

- **Promise in writing in a publicly available document.** (1 point)
- **This deal is unlikely to be challenged by other countries as a trade violation, in part because it is a meaningless deal:** It is unlikely that a CAFTA, NAFTA or WTO member country would mount a challenge to Bingaman's touted meager increase in U.S. foreign aid. (4 points)

How the Deal-O-Meter Works:

Public Citizen's Global Trade Watch Deal-O-Meter will rate each rumored deal on a scale of 0 to 50, with 50 being a smart deal and 0 being a dumb deal. Rumored deals will get points for each of the following:

1. **Is design of deal sufficient to scope of problem? 3 points** Outcome of deal, if promise is kept, is likely to significantly ameliorate negative impact of the trade agreement. In other words, a promise for a possible commission to consider the possibility of studying and perhaps releasing a report on possible environmental damage under CAFTA is not likely to have a direct impact.
2. **Is proposed funding at a level sufficient to scope of problem? 4 points** The funding level is likely to be sufficient to the task of ameliorating damage from the trade agreement. In other words, if independent estimates put the cost of environmental clean-up at \$20 billion, the promised funding level cannot be \$2 billion.

3. **Has the funding been appropriated before the vote? 5 points** Necessary funding obtained ahead of the vote on the trade agreement.
4. **Is the funding appropriated for multiple years? 5 points**
5. **Will the promised funding last as long as the problem the deal supposedly targets? 5 points** The promised ameliorative policy fix will last as long as the possible damage from the trade agreement. In other words, if a proposed policy fix can only be guaranteed for two years, but possible economic devastation wrought by the trade agreement is likely to last eight years, then the rumored deal does not get these points.
6. **Is the deal in writing? 1 point** Promise is in writing in a public document, i.e. no spoken word of honor or blood oaths.
7. **Is it in the implementing legislation? 2 points**
8. **Is the deal in the CAFTA text? 5 points** Promise amends the actual text of the agreement, i.e. not a side letter, which tends to be heavily disputed, as was the U.S.-Mexico side letter on sugar in NAFTA.
9. **Is the deal beyond WTO/CAFTA/NAFTA challenge? 3 points** Policy tools that will be used to deliver on promised deal are beyond WTO or other international trade tribunal challenge. Many Bush and Clinton administration promises to safeguard agricultural or industrial sectors from the fallout of a trade agreement were never pursued, but among the few that were, WTO panels predictably ruled against the U.S. safeguard measure. Since the United States has only a ten percent success ratio in defending its safeguard policies, most safeguard policies are doomed to fail.
10. **Is the deal supported by the industry or sector likely to be affected by CAFTA? 4 points** Industry or sector affected supports the deal that the Member(s) of Congress made. For the “political cover” potentially bought by a deal to be politically meaningful, the industry or sector likely affected by the terms of the deal needs to also feel that the deal was worthwhile. If not, the Member of Congress stands the possibility of being “primaried.”
11. **Is the deal safe from being undone in ongoing FTAA or WTO negotiations? 4 points** The promised deal is not likely to be jeopardized by ongoing negotiations for a Free Trade Area of the Americas, at the WTO, or in the context of other anticipated trade deals. Bush and Clinton administration promises to protect the U.S. citrus industry, for example, are already jeopardized by the FTAA negotiations. Also, if the Bush administration commits to fund one kind of agricultural, labor or environmental deal on CAFTA – on the basis of the argument that these are necessary if the United States is to expand trade with a less developed country – will the Bush administration commit to funding similar programs in the context of an FTAA?
12. **Is the deal something that can be delivered upon by the bush administration, or will another party have to get involved? 4 points** The promised deal is one that the Bush administration, rather than a future administration, Congress or a foreign government, will be able to deliver upon.
13. **Is the Executive Branch politically and technically up to the task of delivering on the deal? 5 points** The proposed ameliorative policy fix is one that past experience indicates the Executive Branch will be able to deliver on administratively, technically, and politically. In other words, a promise to deliver massive amounts of trade adjustment assistance (TAA) to workers never before covered by the program are likely to meet administrative difficulties at a Department of Labor already resistant to administering the existing TAA program.

Trade Deal-O-Meter:

0-24 points: Brooklyn Bridge. As in, if you bought that deal, I’ve got a bridge in Brooklyn I’d like to sell you.

25-49 points: Abramoff Gimme Five. Named after a famous lobbyist who reportedly instructed subordinates to shift money from clients’ billable hours to side projects by speaking the code phrase “Gimme 5.” Like clients’ dealings with this lobbyist, trade deals of the Gimme Five caliber may work out some of the time, but are also likely to backfire in the long term.

50 points: The Trifecta. Any Member of Congress that wins a deal of this caliber gets to join Public Citizen on our next trip to the Kentucky Derby, where we’ll place a Win-Place-and Show bet on the horses of that Members’ choice in their honor.

Background:

Public Citizen’s Global Trade Watch has studied over 90 deals taken by Members of Congress for trade votes during the period 1992-2004, and found that nearly over 80 percent of promises on such deals were not kept or reversed by subsequent events. We divided these deals into pure pork barrel promises, of which 70 percent were broken; and ameliorative policy fix promises, of which 90 percent were broken. For our full report, “Trade Wars – Revenge of the Myth: Deals for Trade Votes Gone Bad,” please visit http://www.citizen.org/hot_issues/issue.cfm?ID=1113.

¹ “Bingaman, Enzi Lobbied On CAFTA Over Labor, Country Labeling,” *Inside U.S. Trade*, June 17, 2005.

² U.S. Trade Representative Rob Portman wrote that the Bush administration “is willing to support” \$40 million for 2006 and “is willing to propose and support” this amount per year from 2007 to 2009 in labor and environmental capacity for the six CAFTA target countries. (Letter from U.S. Trade Representative Rob Portman to Sen. Jeff Bingaman, June 28, 2005.)

³ Heath Haussamen, “New Mexico State Government Hopes to Pay Less for Supplies with New System.” *Las Cruces Sun-News* (NM), May 6, 2004; Silver Oak Solutions, “Client Results: State of New Mexico – “Save Smart New Mexico” Program,”

⁴ “U.S. Strikes Controversial Text From Singapore FTA Before Signing,” *Inside U.S. Trade*, May 23, 2003.

⁵ AFL-CIO, “The Bush Administration’s FY 2006 Budget,” AFL-CIO Fact Sheet, 2005.

⁶ Celia W. Dugger, “Bush Aid Initiative for Poor Nations Faces Sharp Budget Cuts and Criticism of Slow Pace,” *New York Times*, June 17, 2005.

⁷ “The Real Record on Workers’ Rights in Central America,” AFL-CIO, Apr. 2005.