

United States Senate

WASHINGTON, DC 20510

TO: Senator Barbara Boxer

FR: Jonathan Gast
Legislative aide

RE: S 1307 - Central American Free Trade Agreement (CAFTA)

DA: June 29, 2005

Vote NO on S 1307, the Central American Free Trade Agreement (CAFTA). S 1307 will create a free trade area for the US with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic. This will more than certainly hurt California and America economically, while resulting in horrific environmental and labor degradation in Central America. This in turn could lead to an increased flow of illegal immigrants into California seeking a greater standard of living.

A Washington Post article outlines the threat that free-trade agreements have on American jobs and the economy. NAFTA—which you opposed—has not only increased the US trade deficit with Mexico and Canada from \$9.1 to \$110.8 billion, but nearly one million jobs have been lost in the US as a result. To be sure, job allocation problems which arise due to trade adjustment can be offset with trade adjustment assistance to affected sectors of the economy. However, the White House ignored Senator Wyden's (D-Ore.) proposal during the mock markup session of CAFTA that would offer such trade adjustment assistance to affected workers.

Looking back at NAFTA, the results have not even made Mexico better off. Real wages for Mexicans actually decreased, because it enabled big business to exploit lax wage protection laws. CAFTA, under its "Generalized System of Preferences" provision, allows member countries to weaken their already sparse labor standards because it does not directly specify labor standards to be implemented. Instead it asks signatories "to afford internationally recognized worker rights." This provision would simply leave it to the individual countries to decide what constitutes worker rights. The AFL-CIO as well as Central American labor unions all oppose CAFTA because of this. In the Ways and Means Committee mock markup of CAFTA, several Democrats proposed labor protection clauses, all of which were defeated. Only Chairman Bill Thomas' (R-Calif.) most modest proposal to periodically report on negative effects that CAFTA has on labor laws in member countries was included in the version presented by the White House. Even if labor laws in CAFTA member countries do not directly affect us, the potential human rights catastrophe could. The abuse of labor standards and wage protection will result in an increase of illegal immigration to the US as Central American workers seek a higher standard of living in the US. It is presumed that NAFTA is responsible for an enormous increase in illegal immigration to the US from Mexico—a problem which directly affects California. It is probable that CAFTA will have a similar effect. The supposed economic benefits of CAFTA do not outweigh any deficiencies in the agreement.

Unlike NAFTA, the presumed economic benefits of CAFTA that would result from free trade are in fact, miniscule. The US already has bilateral trade agreements with these countries which export only \$18 billion a year in goods, 80% of which is duty-free, meaning that American consumers will see only a slight change in prices on imported goods. The US, on the other hand, exports \$15 billion in goods and services to these countries yearly despite high tariffs. For California, the only tangible economic advantage would go to the Blue Diamond Growers, a group of Californian almond growers, and to Californian wineries. Blue Diamond Growers' profits on almond exports may go up from \$1 million to \$5 million as a result, and Californian wineries may also benefit since they export about \$3 million to the CAFTA region currently. A San Francisco Chronicle article notes that American clothing retailers, high-tech companies, ocean shippers, and agriculture interests (excluding sugar) favor CAFTA. Silicon Valley tech companies, such as Apple, Oracle, Hewlett-Packard, and Cisco favor CAFTA since tech tariffs range up to 30% in those countries. In addition, CAFTA would help enforce intellectual property laws for our high-tech industry. However, the obvious reason for these companies to favor CAFTA is not due exclusively or largely to these benefits, since most inhabitants of these countries cannot afford American products as it is. The real reason behind their support is to make production-side profits by off-shoring American jobs to CAFTA member countries with lax labor and wage standards. Yet American corporations will have more reason to off-shore American jobs because of lax environmental regulation in Central America.

The San Francisco Chronicle article mentions notable cases of environmental degradation in CAFTA countries as a result of multinational corporations' abuse of poor environmental regulations. In Honduras, foreign loggers have already destroyed the country's once large rain forests. Water tables have declined as a result, making subsistence farming extremely difficult. Similarly, the AFL-CIO blames NAFTA for the loss of American jobs to Mexico, because environmental and labor laws could be circumvented there. In fact, since the implementation of NAFTA, Mexico has lowered its environmental protection standards to encourage foreign investment. Most environmental problems are not local, and thus they affect us all. In addition, it will only propel more illegal migrants toward the US as their standards of living are continuously lowered.

Because the passage of S 1307 threatens the environment, American jobs, and labor rights in the CAFTA countries, your vote against it will not only signal to constituents your long-standing support of tough environmental and labor regulations, but it will protect Californian jobs from being outsourced to these countries. True, some Californian businesses may benefit from increased exports, but the overall economic advantages of this agreement are so miniscule that they will not have any tangible results. Although California Senator Feinstein supports the agreement, most Democrats do not, because it does not effectively address issues related to labor, the environment, and trade adjustment. By voting no on an issue which divides the Republican Party, the Democratic Party may win out against Bush's policy objective, thus hindering any momentum he may have gained from the 2004 election. Lastly, increased illegal immigration through our common border with Mexico will present California with a problematic socioeconomic and security situation that will need to be addressed in the future.

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