

2/3/2012

The pros and cons of the Central American Free Trade Agreement (CAFTA) on the horticulture sectors in the U.S. and Central American countries.

Trading between countries is a very common practice these days. Countries need trade to stimulate their economy and supply the citizens' products and services that would not normally exist in their environment. In Florida, a large portion of our trading is associated with our close neighbor Central America.

During the Bush administration in 2003, the CAFTA was an important stepping-stone to not only create stronger political ties with our neighbors, but to broaden trade. With CAFTA, there are five trading Central American countries that will participate in trade with the United States. Those countries are: Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.¹ Despite some opposition from the participating governmental and civil society groups within the trading partners, the five Central American governments unanimously supported CAFTA. The initial objective of this agreement, along with many others, is to increase international trade, create economic stability and security along growth, and creating jobs. However, in society there are always those people who favor and oppose issues.

Pros:

For this CAFTA, there are many elements of this trade agreement that appear to be positive. For instance, in the 1990's, in Central America, trade liberalization occurred as illustrated with the decline in tariffs resulting in a surge in imports. In Nicaragua, tariffs plummeted from 43.2 percent to 5 percent in ten years. Nicaragua is one the poorest country, and with a 38.2 percent reduction on tariffs the result was an increased trade and Nicaragua became more stable economically. Another positive fact resulting from the reduction of tariffs is the export growth. The technical training that farmers are experiencing will allow farmers to be better producers of crops. This will result in more revenue; and therefore, more money to contribute to the overall economy of the country. Such is a case with a farmer in Chimaltenango, a town 30 miles west of Guatemala City. Through the initiative of the technical training school, founded in 1999, in Chimaltenango, Guatemala, this training facility works with cooperatives

¹ Fair Trade of Free Trade? Understanding CAFTA. What is CAFTA, and why is it important?
<http://www.citizen.org/documents/CAFTAbriefingpacket.pdf>

of small-scale vegetable producers.² This technical school teaches farmers to grow produce to meet U.S. quality standards.³ CAFTA, had the same concept as NAFTA, where the trade agreement would stimulate the economy and create jobs. With this motion, small countries such as Honduras would benefit greatly from this agreement. One element in the agreement included Hondurans duty-free exports to the U.S. markets.

Cons:

Although the intent of creating growth, economic strength, and jobs were some of the reasons for the agreement; the result was quite the opposite. In the 1990's, with Central America's increased dynamism and diversification, the efforts to export was still not enough to turn the countries around. The speed in which growth occurred was not fast enough to benefit the Central American economy. In fact, reducing poverty and inequality, creating jobs are still an issue today where poverty, has not changed in these countries as of today. With the current situation of 55 percent in poverty, the expected economic growth was anticipated, clearly did not happen. In the rural areas of Central America, two out of three individuals are still classified as poor. The trade agreement doesn't help to end poverty. It is going to benefit just one or two sectors.⁴

The elevated levels of violence and political instability and criminal violence are still present and associated with the liberalization movement. Although the intent to create jobs was one of the objectives, it did the opposite. With an industry having five million employees, the agricultural industry lost 600,000 Central American jobs and to top it off, hunger is still an issue, with Nicaragua, Honduras, and Costa Rica. The fact of malnutrition is still reality and there are still many cases of reported ease in malnutrition cases in Central America. One of the most important factors is the neglect of addressing the education issue of Central America. Although the Inter-American Development Bank (IDB) recommends and expects that a region spend 4 percent on education, Central America is under investing using only 2.4 percent. The margin of education between the Central Americas and the rest of the world is expanding. Another example is two-thirds of Guatemalans still live in poverty, and it has the second highest rate of illiteracy in the region after Haiti.⁵ Finally, the liberalize agriculture trading between Central America and the U.S. will have a detrimental effect for the American small family farmers and the Central American farmers. The agreement is focused on benefitting the large corporations and exporters and family farms will suffer.⁶

² Comercializadora Aj Ticonel. Aj Ticonel. <http://ajticonel.com/>

³ Miami Herald. News and Press. (6/18/2006). CAFTA threatens small farmers. Technical Training. http://lrights.igc.org/press/general/smallfarmers_miamiherald_061806.htm

⁴ Miami Herald. News and Press. (6/18/2006). CAFTA threatens small farmers. PROS AND CONS. http://lrights.igc.org/press/general/smallfarmers_miamiherald_061806.htm

⁵ Miami Herald. News and Press. (6/18/2006). CAFTA threatens small farmers. Stark Contrasts. http://lrights.igc.org/press/general/smallfarmers_miamiherald_061806.htm

⁶ Fair Trade of Free Trade? Understanding CAFTA. U.S. Farm and Trade Policy. <http://www.citizen.org/documents/CAFTAbriefingpacket.pdf>

In the process of NAFTA negotiations, the process took more than seven years to negotiate, whereas the negotiating for the Central American Free Trade Agreement (CAFTA) took one calendar year. Under the administration of President George Bush Sr. the negotiation began in January 2003 and concluded in the first week of December 2003 in Washington D.C.

In conclusion, the most likely reason this agreement is not going to the original plan of economic growth and jobs is in the process of negotiation; there were a few debates regarding this agreement. One of them was, both the United States and the Central America sides had civil society groups with issues. Due to the fast nature of the agreement, there has not been enough time to debate, consult, share information, and impact analyses.⁷

Brent Jeansonne
Commercial Horticulture Extension Agent
University of Florida/IFAS
Volusia County Extension

⁷ Fair Trade of Free Trade? Understanding CAFTA. Transparency and Participation in the Negotiations. <http://www.citizen.org/documents/CAFTAbriefingpacket.pdf>