

**Statement of
Mark Levinson, Chief Economist, UNITE HERE,
Before the
Senate Finance Committee
on the
Dominican Republic – Central America Free Trade Agreement
April 13, 2005**

I appreciate this opportunity to testify on the Dominican Republic – Central America Free Trade Agreement on behalf of the 450,000 members of UNITE HERE. Our members work in the apparel, textile, laundry distribution, hotel, gaming and food service industries. They live in all parts of our country and are a cross section of the U.S. workforce: native born, minorities and new Americans who have come to our shores from just about every country in the world.

Many of our members came to the United States from the Dominican Republic and Central American countries. Many maintain close contact with the region, have family living there, send remittances and visit the lands of their birth. We work with unions throughout the area. So we too, feel a special obligation to help these countries improve their economic circumstances. Furthermore, we are aware of the importance of the region to our nation's well being.

The Illusory Claims of DR-CAFTA

DR-CAFTA promoters claim that it will not only eliminate trade barriers among our countries, but also spur economic growth, create good jobs in the U.S. and Central America, lessen poverty, and strengthen democracy. These are impressive claims. They are also familiar ones.

Every time Congress is faced with a new trade agreement, promoters promise that it will stimulate growth, job creation and development. Unfortunately, the result has often been exactly the opposite. DR-CAFTA, rather than recognizing and addressing the flaws in these prior trade deals, simply expands upon them. The most likely result of passing *this* DR-CAFTA – an agreement based on the failed models of the past – is a deteriorating trade balance and more lost jobs in the U.S.; continued repression of workers' rights, intractable poverty and inequality in Central America and the Caribbean. We can't continue to apply the same prescription and hope for a different result.

We share the lofty goals articulated by DR-CAFTA's promoters: robust growth, more and better jobs, sustainable development and healthy democracies. But passing DR-CAFTA will not bring us closer to these goals. In fact, it may make it even more difficult to reach them.

It is time for policymakers to take an honest look at our trade policy and the impact it has had on workers and communities at home and abroad, and start revising the rules that

govern trade. The American labor movement, along with our brothers and sisters in Central America, has made substantive and thoughtful proposals on what changes need to be made to our trade policies.¹ We recognize that trade has the potential to spur growth and create jobs – but to deliver on these promises, we need to get the rules right. Unfortunately, DR-CAFTA negotiators ignored our proposals.

As a result, we are forced to oppose DR-CAFTA. We are working together with unions, environmentalists, family farmers, bishops, women’s groups and many others in the U.S. and Central America to stop DR-CAFTA and to build a better way to trade. Only by rejecting DR-CAFTA can we begin a real dialogue on the new kinds of trade rules we need to create good jobs, stimulate equitable and sustainable economic development, and support strong democratic institutions.

DR-CAFTA Based on a Failed Model

DR-CAFTA is largely based on the North American Free Trade Agreement (NAFTA), which was implemented in the U.S., Canada and Mexico in 1994. Like NAFTA, DR-CAFTA is not just a trade agreement; it is a template for the economies of the region. DR-CAFTA governs not only market access, but also investment, intellectual property, government procurement, and services – and these rules are based on those in NAFTA.

These rules are designed primarily to facilitate and protect foreign investment by large multinational corporations. The commercial rules of NAFTA and DR-CAFTA constrain the ability of governments to regulate foreign investors, to favor public service providers over private ones, to promote social and economic policies through procurement rules, and to limit intellectual property protections in the public interest. They grant foreign investors broad new rights to directly challenge federal, state and local measures that diminish their profits – including laws passed to protect the environment and public health and safety – and to demand public compensation for these measures.

These rules make large corporations more mobile, and, at the same time, less accountable to local communities and governments. They dramatically shift the balance of power away from democratically elected governments and towards private companies. They also increase the bargaining power of employers vis-à-vis their own workers. While companies gain powerful new rights, the basic human rights of workers are largely unprotected. DR-CAFTA, like NAFTA before it, fails to afford workers’ rights anything close to the protections afforded to corporate rights. As a result, wealthy and mobile companies are able to pit workers against one another in a desperate race to the bottom in wages and working conditions.

¹ See “Labor Movement Declaration Concerning The United States-Central America Free Trade Agreement,” San Jose, Costa Rica, November 18, 2002. This declaration was signed by the labor federations of the United States, Guatemala, Nicaragua, Costa Rica and El Salvador. It is reprinted in, “The Real Record on Workers’ Rights in Central America,” AFL-CIO, April 2005.

It is because of this imbalance in rights and protections that NAFTA failed to deliver on the promises of its supporters. NAFTA was sold as a straightforward trade deal that would open markets and increase exports. Because Mexico's import tariffs were so much higher than those in the U.S. – and thus would fall so much further under NAFTA – it was argued that the agreement would increase U.S. exports to Mexico more than it would raise Mexican exports to the U.S., and our trade balance overall would improve, creating more jobs for American workers.

But just the opposite occurred. Our trade deficit with our NAFTA partners stood at \$9 billion in 1993, the year before NAFTA was implemented. Last year this deficit hit \$111 billion – twelve times what it was before NAFTA opened our markets. As imports soared above exports, more and more U.S. workers lost their jobs. The Economic Policy Institute found that NAFTA trade deficits cost U.S. workers nearly 900,000 jobs and job opportunities through 2002, and the deficit has only grown since then.²

Those workers whose jobs were not eliminated also suffered. Employers used the leverage of their new mobility and rights under NAFTA to crush union organizing drives and win concessions at the bargaining table, driving down wages and working conditions for American workers. According to researchers at Cornell University, the incidence of employers' threats to close and relocate factories grew under NAFTA. And these intimidation tactics are very effective: workers are half as likely to succeed in organizing a union when their employers threaten to move jobs abroad.³

NAFTA was also sold as an agreement that would raise wages and alleviate poverty in Mexico. As Mexico climbed the ladder of economic development, we were told, they would automatically improve their compliance with workers' rights norms and raise working conditions. In addition, rising living standards in Mexico would reduce the flow of undocumented migrants into the U.S.

Again, the opposite has occurred. Real wages in Mexico today are actually lower than they were when NAFTA began. The poverty rate today is higher than before NAFTA began, particularly in rural areas. More than a million small farmers in Mexico have lost their land to floods of agricultural imports and become economic refugees. They are forced to seek work in factories along the border zones or in the U.S.. Undocumented immigration from Mexico to the U.S. has continued to increase under NAFTA. The most basic rights of these migrant workers are systematically violated in

² Robert Scott, "The High Price of 'Free Trade,'" Economic Policy Institute Briefing Paper, November 2003.

³ Kate Bronfenbrenner, "The Effects of Plant Closing or Threat of Plant Closing on the Right of Workers to Organize," Dallas, Texas: North American Commission for Labor Cooperation; 1997. Kate Bronfenbrenner, "Uneasy Terrain: The Impact of Capital Mobility On Workers, Wages, and Union Organizing," Commissioned research paper for the U.S. Trade Deficit Review Commission; 2000.

the U.S., resulting in regular abuse and exploitation in industries ranging from meatpacking to landscaping, from agriculture to construction.⁴

NAFTA has clearly failed to deliver on its promises to workers in the U.S. and Mexico. In the U.S., good jobs that formed the backbone of our middle class have been destroyed. Workers seeking to improve their work lives are threatened by highly mobile employers that enjoy disproportionate bargaining power. When these jobs move to Mexico, they pay poverty wages, and workers who seek to organize and bargain for a fair share of the wealth they are producing face threats, intimidation, and dismissal. Now, as these factories close their doors and move to China, workers' bargaining power is undermined even further. Prospects for building a broad-based middle class in Mexico are no brighter today than they were before NAFTA began. The democratic advances that once gave so many hope for Mexico now appear to be on the retreat, with the leading opposition candidate for President threatened with disqualification on legal technicalities, and the populace deeply distrustful of the rule of law.

DR-CAFTA fails to remedy the fundamental weaknesses of the NAFTA model. Like NAFTA, it empowers wealthy corporations, constrains democratically elected governments, and leaves basic workers' rights vulnerable and unprotected. Yet today we hear the same promises about DR-CAFTA we once heard about NAFTA: rising exports, new jobs, declining poverty, and thriving democracies and development will all follow if DR-CAFTA is ratified. The record of NAFTA requires us to view these promises with skepticism. Why would trade and investment rules that have failed in Mexico suddenly work in Central America?

In fact, the particular challenges that Central America and its workers face – the high inequality, widespread poverty, abysmal record on workers' rights, and legacy of violence – make the free trade model of NAFTA and DR-CAFTA even less appropriate, and the rosy promises even more far-fetched.

DR-CAFTA Does Not Address Central America's Economic Problems

Poverty and inequality are unacceptably high in Central America. According to the World Bank, GDP per capita in the region ranges from just \$745 in Nicaragua to \$4,375 in Costa Rica. More than 40 percent of workers in the region labor for less than two dollars a day, placing them below the global poverty line. Social and political tensions between, on the one hand, the vast numbers of poor and marginalized Central Americans who labor in the countryside and urban areas, and, on the other, the the small group of elites who own most of the land and capital and run the political institutions, are high. These underlying inequalities were in many cases the catalyst for years of civil strife and violence in Central America. The legacy of violence is still visible in Central America, and many workers in the region continue to face threats and intimidation when they attempt to exercise their most basic rights on the job.

⁴ See "Blood Sweat and Fear: Worker Rights in U.S. Meat and Poultry Plants," Human Rights Watch. 2004.

Governments in the region struggle to address these issues with very limited resources in a cultural and social context where rule of law is routinely flouted and corruption and cronyism flourish. Many of the DR-CAFTA countries are saddled with high external debt burdens that make adequate investments in public administration and basic human needs nearly impossible. Nicaragua is considered a highly indebted poor country by the international community, and is thus the only country in the region eligible for partial debt relief measures. In 2003, the Dominican Republic suffered its worst financial crisis in nearly a century, and the government is still struggling to recover. Guatemala, El Salvador and Honduras have all been required to institute fiscal austerity programs in the past decade under the guidance of the International Financial Institutions.

DR-CAFTA does nothing to address this fundamental challenge that governments face. DR-CAFTA contains no measures to address unsustainable debt burdens. DR-CAFTA does nothing to enable Central American countries to better regulate speculative investments and avoid financial crises. In fact, it prohibits governments in the region from imposing the kinds of capital controls that have been instrumental in preventing and mitigating such crises in other developing nations. These crises are not only devastating for the country directly impacted – they often also lead to major devaluations in currency and floods of cheap exports to the U.S. market, further disrupting our trade balance and displacing more American jobs. The peso crisis Mexico suffered just after NAFTA's implementation is the classic example of this kind of crisis, yet DR-CAFTA does nothing to reduce the risks of a similar crisis in Central America. Finally, DR-CAFTA countries will also face a significant loss in revenue as a result of tariff reductions under DR-CAFTA. The agreement provides no safety net or pledge of resources from the U.S. to help governments manage this transition.

Worker Rights in Central America

Labor laws in Central America uniformly fail to protect basic workers' rights, and deficiencies in the laws have been repeatedly criticized by the International Labor Organization (ILO), the U.S. State Department, and independent human rights organization for many years.⁵ Despite this criticism, these flaws persist today. The ILO, in its 2003 and 2004 reports on Central American labor laws, identified no less than 27 key deficiencies in the laws with respect to freedom of association and the right to organize and bargain collectively. Amazingly, the U.S. Trade Representative and Central American countries continue to cite these reports as evidence that laws in the region largely meet ILO standards – a gross mischaracterization of the reports themselves. And even these reports, with all the deficiencies they identify, omit some flaws that the ILO

⁵ Such reports include: "Fundamental Principles and Rights at Work: A Labour Law Study - - Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua," International Labor Organization, 2003; "Fundamental Principles and Rights at Work: A Labour Law Study - - Dominican Republic," International Labor Organization, 2004; "2004 Country Reports on Human Rights Practices," U.S. Department of State, 2005; "2004 Annual Survey of Violations of Trade Union Rights," International Confederation of Free Trade Unions, 2004; and "Deliberate Indifference: El Salvador's Failure to Protect Workers' Rights," Human Rights Watch, 2003. A summary of these reports is available in "The Real Record on Workers' Rights in Central America," AFL-CIO, April 2005.

itself had identified with regard to these countries in earlier observations because of the reports' limited scope.

A quick review of the ILO reports and other ILO observations, along with U.S. State Department reports and independent analyses of human rights groups, reveals a wide array of loopholes, gaps, and deficiencies in labor laws in the region. On issues including penalties for anti-union discrimination, employer interference with workers' organizations, obstacles to union registration, restrictions on the right to organize above the enterprise level, restrictions on the rights of temporary employees, onerous requirements for trade union leadership, limits on the activities of federations and confederations, and limits on the right to strike, labor laws throughout the region fail to meet the minimum standards enumerated by ILO core conventions. The only country to actually reform any of its laws in these areas during the DR-CAFTA negotiation process was Nicaragua; but some gaps in the law remain even there. In every other country major deficiencies identified by the ILO remain on the books today. In fact, some countries have actively weakened their labor laws during the DR-CAFTA negotiations: Guatemala's Constitutional Court overturned key elements of major labor law reforms, while the Costa Rican government introduced legislation to weaken worker protections.

Employers take advantage of these weaknesses in the labor law to harass, intimidate, and fire workers who dare to organize an independent union. Employers refuse to bargain with legitimate worker representatives, and have most strikes declared illegal. Even where employers are flagrantly in violation of the law, they enjoy near total impunity in many of these countries. The result is a climate of fear, insecurity, and even physical danger for workers in the region who try to exercise their most basic rights on the job.

As violation after violation of workers' rights accumulate, and as governments refuse to improve their laws or enforce those that do exist, the very institutions of independent trade unions and collective bargaining founder. Trade union density in Central American countries is minimal: 7 percent in Honduras, 5 in El Salvador, 3 in Guatemala. In El Salvador, no independent trade unions have been registered in the past four years. The most recent denial came this year, when the Ministry of Labor found that port workers did not meet the legally required minimum number to form a union, as a result of the fact that their employer had fired most of the founding members of the union in direct retaliation for their organizing activities. There are only two collective bargaining agreements in force in Guatemala's maquilas – zero in El Salvador's. In Costa Rica from 1999 to 2004, for every employer that negotiated a collective bargaining agreement with a legitimate trade union, more than fourteen employers negotiated direct arrangements with employer-dominated solidarity associations. In Guatemala, 45 incidents of threats against trade unionists were reported to the government in 2004 – only one conviction was achieved.

DR-CAFTA is a Step Backward on Worker Rights

In the face of these inadequate labor laws, DR-CAFTA only requires that countries enforce the labor laws they happen to have. Obligations to improve one's labor laws, to meet ILO standards, and not to derogate from or waive laws in the future are all completely unenforceable under DR-CAFTA. Thus a country can maintain its laws far below ILO standards, weaken its laws even further in the future, and face no consequences under DR-CAFTA. As the discussion above demonstrates, this is not just a theoretical possibility in Central America – it is the reality that workers live with every day.

DR-CAFTA's failure to include an enforceable requirement that labor laws meet ILO standards represents a step backwards from the labor rights provisions of the U.S.-Jordan Free Trade Agreement. The Jordan agreement enjoyed broad support from labor unions in the U.S. and Jordan, and passed the U.S. Congress unanimously in 2001. The Jordan agreement allows each one of its labor rights obligations to be brought up under the agreement's dispute settlement and enforcement mechanism, including provisions committing countries to meet ILO standards. In contrast, DR-CAFTA excludes the vast majority of its labor rights obligations from the accord's dispute settlement and enforcement mechanisms, and only the requirement that countries enforce their own labor laws is subject to dispute settlement and enforcement.

DR-CAFTA also backtracks from the Jordan agreement by giving labor rights second-class status within the agreement's dispute settlement and enforcement apparatus. In the Jordan FTA, the dispute settlement and enforcement measures that apply to the agreement's labor provisions are identical to those that apply to the agreement's commercial provisions, and can include fines or sanctions. Under DR-CAFTA, only violations of the agreement's commercial provisions can lead to sanctions or punitive fines sufficient to compensate the harm caused by the violation. Violations of the agreement's labor obligation must be remedied through the assessment of a non-punitive fine, and that fine is capped at \$15 million regardless of the harm caused by the violation.

Perhaps most disturbing is the fact that DR-CAFTA's rules on workers' rights are actually weaker than the current labor conditions that apply to Central American countries under our unilateral trade preference programs, the Generalized System of Preferences (GSP) and the Caribbean Basin Initiative (CBI). DR-CAFTA's labor chapter backtracks from the labor standards in GSP and CBI, and the agreement eliminates enforcement tools currently available in the unilateral programs.

- The GSP requires countries to have taken or be “taking steps to afford internationally recognized worker rights,” while the CBI instructs the president to consider “the extent to which the country provides internationally recognized worker rights” when granting preferential market access under the program. These rules enable workers to complain about the inadequacy of national labor laws, not just about the government's failure to enforce the law. DR-CAFTA, on

the other hand, only requires countries to enforce the labor laws they happen to have, no matter how weak those laws are now or become in the future.

- The GSP includes a public petition process for the removal of trade benefits. The AFL-CIO and other labor rights advocates have used the process, in conjunction with unions in Central America, to bring public pressure on Central American governments to improve labor rights. Even when the U.S. government exercises its discretion to reject meritorious GSP petitions, the public forum provided by the petition process can help focus public attention on workers' rights abuses and pressure governments to reform. DR-CAFTA contains no direct petition process for workers – enforcement can only happen through government-to-government disputes.
- The GSP and CBI directly condition market access on respect for international labor rights. While preferential benefits are rarely withdrawn under the programs, the credible threat of reduced trade benefits has successfully changed government behavior. In addition, petitioners have been able to tailor request for withdrawal to specific sectors and producers responsible for workers' rights violations, helping to create a specific incentive for employers to respect workers' rights. DR-CAFTA, on the other hand, makes it extremely difficult to withdraw trade benefits for workers' right violations. Even if a government has been found in violation of DR-CAFTA's labor provisions, it can continue to enjoy full market access under the agreement as long as it pays a small, capped fine to finance labor enforcement activities. The fine in no way penalizes producers for violations of workers' rights, and exerts little pressure on governments, who can reduce their labor budgets by an amount equal to the fine and avoid spending the fine on projects with political sensitivity such as labor law reform.

The only tool that has helped create the political will to reform labor laws in Central America in the past is our unilateral system of trade preferences. While the labor rights provisions of these programs are not perfect, they have led to some improvements in labor rights in the region. In fact, nearly every labor law reform that has taken place in Central America over the past fifteen years has been the direct result of a threat to withdraw trade benefits under our preference programs.

Even the United States Trade Representative (USTR) touts the reforms that have been made to Central American labor laws as a result of GSP petitions. USTR argues that the reforms demonstrate Central American governments' commitment to workers' rights, and thus argue for approval of DR-CAFTA. Quite to the contrary, the reforms demonstrate that governments in the region rarely undertake labor law improvements without outside pressure – pressure that will no longer be applied if DR-CAFTA is ratified.

- The U.S. government accepted a GSP workers' rights petition against Costa Rica for review in 1993, and Costa Rica reformed its labor laws later that year.

- The Dominican Republic reformed its labor laws in 1992 in response to a GSP petition on workers' rights.
- El Salvador was put on continuing GSP review for workers' rights violations in 1992, and the government reformed its labor laws in 1994.
- Guatemala reformed its labor laws in response to the acceptance of a 1992 GSP petition, and when their case was reopened for review in response to a 2000 petition they again reformed their labor laws in 2001.
- Nicaragua's GSP benefits were suspended in 1987 for workers' rights violations, and it reformed its labor laws in 1996.

The GSP process has also been helpful in addressing enforcement and rule-of-law problems in the region. Too often, these patterns of violation are the result not just of limited resources, but of insufficient political will on the part of Central American governments. GSP cases have helped create that political will. As the result of a 2004 petition on El Salvador, for example, the Salvadoran government finally enforced a reinstatement order for union activists that had been locked out for three years. All appeals to national mechanisms in the case had been fruitless, and the employer was in outright defiance of a reinstatement order from the nation's Supreme Court. The last independent union granted legal registration in El Salvador was only registered after appeals to the Salvadoran Supreme Court, the ILO, and a GSP petition.

Central American countries need a trade regime that will improve compliance with fundamental workers' rights. As long as independent trade unions are thwarted, collective bargaining avoided, and the right to strike repressed, workers will be unable to win a voice at work and negotiate with their employers for decent working conditions and wages that reflect the true value of their production. Trade rules must ensure that governments protect fundamental workers' rights, and require that the companies who take advantage of the new rights and mobility that trade agreements provide be held accountable for their treatment of workers.

DR-CAFTA fails this test. Rather than tie the incentives that additional market access provides to required improvements in workers' rights, DR-CAFTA does exactly the opposite. While granting expanded market access to Central American countries, DR-CAFTA actually reduces the labor rights conditions those countries are required to fulfill under current trade programs. This failure is particularly egregious in the Central American context – in countries where labor laws fall far short of minimum international standards, where governments have a record of indifference towards workers' rights and hostility towards trade unions, and where the only tool that has proven successful in improving workers' rights has been the threat of the withdrawal of trade benefits.

The Expiration of Apparel and Textile Quotas

The apparel and textile industries in the U. S. are in crisis. Since January 2001, 381,000 apparel and textile workers have lost their jobs. Hundreds of plants have closed devastating communities. To make matters worse, 103 days ago all apparel and textile quotas ended. In the first 90 days of 2005 17,200 apparel and textile workers have lost their jobs.

For the first time workers in the apparel and textile sector in the U.S. and around the world are in direct, unregulated competition with China. Hundreds of thousands of jobs are at risk in the United States and millions of jobs are at risk in developing countries around the world.

Categories where import quotas have already been phased out offer a glimpse of what is to come. For the products removed from quota in 2002, China increased its exports to the U.S. by \$4.1 billion while the rest of the world's declined by \$1.3 billion. In the apparel categories where quotas disappeared in 2002, China's share of U.S. imports jumped from 10% to 73%. At the same time the countries from Central America and the Caribbean saw their share decline from 10% to 3%. And in the last three months since all quotas have expired, imports from China in important categories such as trousers and shirts have soared (in some cases over 1,000%) while imports from DR-CAFTA countries have either declined or remained flat.

UNITE HERE along with a number of industry associations have filed 7 China safeguard petitions to supplement the 3 petitions that were initiated by the Administration. These actions are endorsed by the Global Alliance for Fair Trade in Textiles (GAFTT) representing 96 trade groups from 54 countries and the International Textile Garment Leather Workers Federation (ITGLWF) representing apparel and textile unions from around the world.

The U.S. government can help workers in the U.S. and in DR-CAFTA countries by implementing the safeguards immediately. Because the safeguard mechanism expires at the end of 2008 the U.S. government should also urge the WTO to undertake an urgent review of the impact of the quota phase-out and to develop new permanent instruments to prevent the textile and clothing sector from being monopolized.

DR-CAFTA is not an adequate response to the ending of apparel and textile quotas. Central America cannot lower its wages to Chinese levels, and shouldn't aim to. The only alternative for the region is to occupy a different niche in the global economy. Central America can position itself as a supplier with proximity to the U.S. market, high skills and productivity, sound infrastructure, and high labor standards that comply with internationally recognized labor rights.

The U.S. has not only a moral responsibility to help DR-CAFTA countries take the high road on labor; we have a direct economic interest in doing so. U.S. workers and firms cannot hope to increase exports to the region if Central American workers are mired in poverty. Eliminating tariff barriers will be of little consequence if consumer demand in the region is ultimately constrained by abysmally low wages. At the same

time, American workers placed in more direct competition with Central American workers will not be able to compete on a fair playing field if countries in the region refuse to take a high road on labor. As long as workers' rights in Central America are violated with impunity, the rights of workers in the U.S. are at risk. And as long as wages in the region fall far below the poverty level, wages in the U.S. will be under downward pressure.

An Alternative DR-CAFTA

Along with many allies throughout the region, we are urging that DR-CAFTA be rejected. Only then can we begin to construct a new way to trade that recognizes the failures of the current model, and finds solutions for working families in all countries involved.

We support economic integration that will produce equitable and sustained economic development. Enforceable workers' rights provisions are necessary, though not sufficient, to make a trade agreement with Central America a successful model for economic integration. An adequate agreement would also include enforceable protections for the environment and market access rules that allow for protection against import surges. NAFTA style commercial provisions that protect corporate rights at the expense of public health and safety, the environment, essential human services and equitable economic development must be rejected. An alternative DR-CAFTA would have the following provisions:

Worker Rights: Promoting respect for internationally recognized rights of workers is an important means of ensuring that the workers within developing countries benefit from access to U.S. markets. The capacity to form unions and to bargain collectively to achieve higher wages and a better working conditions is essential for workers to attain decent living standards. The denial of internationally recognized worker rights in developing countries tends to perpetuate poverty, to limit the benefits of economic development and growth to narrow privileged elites, and to sow the seeds of social instability. If workers' rights are vigorously enforced, then impoverished workers may improve their standard of living and generate new domestic demand in a virtuous cycle of equitable development, while providing new markets for overseas investors and workers.

Debt and Finance: Debt relief is needed to allow Central American countries to adequately fund education, health care, and infrastructure needs and reduce the financial instability caused by mounting debt burdens. Countries should also be allowed to regulate the flow of speculative capital in order to protect their economies from the kind of excessive volatility that has led to financial crises in Mexico and Argentina.

Investment: Governments should be allowed to regulate corporate behavior to protect the public interest. Government regulations pertaining to environmental protection, public health and safety, consumer protection, the regulation of anti-competitive practices, and the protection of human rights and workers' rights – including protections

necessary to fulfill a governments obligations under ILO conventions and international human rights instruments – should not be subject to challenge.

Services: An alternative DR-CAFTA would not create any pressure to deregulate and privatize services. National, state and local governments should be allowed to regulate private service providers in the public interest.

Procurement: Trade agreements should not constrain procurement rules that serve important public policy aims such as environmental protection, local economic development and social justice, and respect for human rights and workers’ rights. Governments should have a right to invest their tax money in local firms and to use procurement policy to pursue broader social goals.

Intellectual Property Rights: All countries should have the right to license life-saving pharmaceuticals to respond to public health crisis. Public health must take precedent over patent rights.

A DR-CAFTA that honored these principles could gain broad support from workers, farmers and small producers in the U.S. and Central America, and form the basis of a lasting economic partnership to promote growth, raise living standards, and reduce poverty.

The negotiators of DR-CAFTA chose a different path. The result is a broad and diverse opposition to DR-CAFTA in the United States as well as throughout the DR-CAFTA countries. Trade unions, small farmers, people of faith, doctors, students, environmentalists, parliamentarians and many others are outspoken in their opposition to the agreement. Tens of thousands have taken to the streets in Central America to protest DR-CAFTA. Thousands more have organized sign-on statements, petition drives, and popular education campaigns around the agreement.⁶

Workers and civil society organizations, in all countries covered by the agreement, understand that when income, dignity and conditions of work are undercut in one country it will eventually be cut in others as well. That understanding, which is the reason for opposing DR-CAFTA, is also the foundation for creating a global economy that works for all.

⁶ See “Central Americans Speak Out Against DR-CAFTA: Major Issues and Mobilizations,” Alliance for Responsible Trade, March 2005.