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PRESS RELEASE

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CAFTA Benefits Agribusiness Over Farmers

Agreement Would Erode Fair Trade and Farmers' Rights

Minneapolis - The Central American Free Trade Agreement (CAFTA) would erode farmers' rights set out in a international convention on plant breeding and establish the right of agribusiness to sue governments for regulating to protect the environment and public health, according to a new analysis of CAFTA agriculture provisions by the Institute for Agriculture and Trade Policy (IATP).

"This agreement is consistent with the Bush Administration's approach to agriculture trade - set rules that are highly favorable to transnational corporations at the expense of farmers," said Dr. Steve Suppan, IATP's Director of Research and author of the analysis. "This agreement contains some provisions that we haven't seen before that will strengthen the position of agribusiness to sue farmers and governments. And because CAFTA has no provisions against the unfair trade practice of exporting agricultural products at below their cost of production, absent drought or disease, commodity prices for farmers in all participating countries will likely remain depressed."

In February, President Bush informed Congress of his intention to sign CAFTA. But it is still unclear whether CAFTA will be presented to Congress for a vote this year. The deal is expected to face fierce opposition in Congress, and a vote may be avoided until after the elections in November. The CAFTA text is consistent with U.S. positions in bilateral and multilateral trade agreements: aggressive in market access (tariff reduction), particularly regarding agriculture and the services industries; demanding of strong intellectual property and investment protection for corporations; very weak on protection for environment and labor; and calling for the eventual elimination of agricultural export subsidies.

The IATP analysis highlighted the following CAFTA agriculture provisions:

- **Expanding Intellectual Property Protection -** Going beyond intellectual property protections set at the World Trade Organization (WTO), CAFTA requires that all Parties ratify or accede to a host of additional patent, copyright and trademark protocols, agreements and treaties. This section strengthens the legal position of biotech companies to encourage their government to seek sanctions against CAFTA members whose farmers had replanted genetically modified seeds.
- **Concealing Environmental and Health Data -** CAFTA protects agri-chemical companies from making public data used to secure a patent on an agricultural chemical after the initial regulatory review, even if the data concerns the safety and efficacy of the product.
- **Limiting Actions Against Illegal Practices -** Central American countries that have determined transnational corporate trade violates their laws are prohibited in CAFTA from cutting off trade as a way of disciplining illicit traded goods or trade practices. This provision does not apply to the United States.

- **Discriminating Against Fair Trade -** A CAFTA provision could discriminate against certified "fair trade" products by prohibiting government allocation of lower tariff rates to non-government organizations and producer cooperatives or their delegated representatives. Certified fair trade products, which include coffee, bananas, and chocolate, set environmental and social standards for their production. Certified fair trade products are often traded by producer-run cooperatives and non-governmental organizations.
- **Prohibiting Safeguards for Food Security -** CAFTA prohibits the use of agricultural safeguards once a tariff on an export has been eliminated. These safeguards protect local farm economies from import surges, including products dumped at below cost of production. Without adequate safeguards and a ban on dumping, farmers in CAFTA countries will be unable to compete fairly with U.S. exports of these crops.
- **Buying Off Sugar Exporters -** The Sugar Compensation Mechanism allows the U.S. to compensate Central American sugar exporters instead of offering duty-free access to U.S. markets. The implementation of the Mechanism is entirely at the discretion of a U.S. government, which could decide never to implement it, even if U.S. sugar producers demonstrated harm to their operations due to a global increase in tariff free sugar imports. U.S. sugar processors have calculated that under the CAFTA market access terms for sugar and under current sugar prices, the U.S. government might have to pay Central American sugar exporters $28 million in the first year of the agreement.
- **Continuing Chapter 11 -** CAFTA continues the highly controversial North American Free Trade Agreement (NAFTA) provision called Chapter 11, which gives corporations the right to sue governments if regulations, such as environmental protections, are deemed to deprive the investor of the potential value of the investment. U.S. environmental organizations that oppose CAFTA have noted that it violates the “Trade Act of 2002” by granting to foreign investors “rights and privileges that go significantly beyond U.S. law,” such as the right to receive monetary compensation for the potential effect on investment of a regulatory measure.

Read the full analysis of CAFTA on IATP's Trade Observatory - www.tradeobservatory.org.

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