Exhibit No. 5
Date 2-17-05
Bill No. SJ-23

Central American Free Trade Agreement (CAFTA)

Basic Information

What is CAFTA?

- CAFTA is the Central American Free Trade Agreement
- It is an expansion of NAFTA throughout Central America
- It includes: Guatemala, Costa Rica, Nicaragua, Dominican Republic, El Salvador, and Honduras

What is the status of the agreement?

CAFTA has been signed by 6 Central American countries and President Bush. It is now pending congressional approval and could be voted on as early as Spring 2005.

Why are we concerned about it?

Democracy:

This agreement is inherently anti-democratic! Why?

- It gives foreign corporations the right to sue governments if social, labor, or environmental protections cut into corporate profit. (ie. It establishes a legal right to earn profit that supercedes the rights of citizens to act through their democratically elected governments).
- For example, the state of California is currently wrapped up in litigation of this sort for banning a proven toxic gasoline additive made by a Canadian company. Also, under WTO rules, the U.S. recently lost a similar lawsuit brought by Mexico challenging an American ban on Mexican semi-trucks in spite of the fact that the Mexican trucks fail to meet U.S. clean air standards.
- It is negotiated in secret—no citizen input process at all.

Labor:

- We have seen the effects NAFTA had on Mexico and the United States. It promised prosperity for workers. Instead:
    - According to a report issued by the Economic Policy Institute, NAFTA caused the direct loss of 1,700 jobs in Montana—900 losses in manufacturing alone. (Please note that these stats only include *reported* jobs lost) Surveys indicate that when displaced workers do find new jobs, their wages are 13% less on average.
    - In 2003, Stream International, a call-center for software services, closed its Kalispell office, displacing 575 Montana jobs to Canada, where wages and benefits are lower.

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- CAFTA creates starvation-wage jobs in Central America.
    - A recent study of the post-NAFTA Mexican economy concluded that income inequality, job growth and environmental performance have *worsened* under this development strategy.[1]
    - In El Salvador, the government has promised business leaders that it will apply the rural minimum wage to work in the maquilas (sweatshops), reducing salaries by more than 40%, from just $130/month to a mere $78/month.

Gender Impact:

- CAFTA investment rules will undermine Central American governments' right to regulate Foreign Direct Investment (FDI) for sustainable development and the protection of the human rights of all its citizens. Governments therefore will be challenged to provide protections and benefits to the countless women workers who are employed by the foreign companies and who are often paid less than the legal minimum wage, face physical, verbal, and sexual abuse, age discrimination, and have little or no job security.
- A study conducted by EPICA of maquila workers in Honduras show that they earn approximately US$120/month. However, the minimum basket of goods for a family costs about US$230/month. The lack of job security was also reiterated by Honduran maquila workers in the village of San Pedro Sula who reported the loss of 25,000 jobs after the unannounced closing of 32 factories in 2001.[2]

Environment:

- The agreement doesn't include any language that will uphold environmental and public health protections.
- In fact, the agreement weakens these protections because it removes the authority of national governments to regulate foreign corporations.

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Community Action for Justice in the Americas (CAJA) works in solidarity with grassroots organizations throughout the Americas in the struggle for social and environmental justice. We are committed to building "globalización desde abajo" (grassroots globalization). Through community education, discussion, organization, and action, real democratic change will occur.

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[1] Gallagher, K and L. Zarsky (2003). Sustainable Industrial Development? The Performance of Mexico's FDI-Led Integration Strategy. Global Development and Environmental Institute, Tufts University.
[2] Ogle, K. "A Look at Maquilas in Nicaragua and Honduras," EPICA, May 26-June 8, 2002.
For more information, visit: www.epica.org.

CAFTA, Montana and Sugar

by Cliff Bradley

CAFTA and Sugar Brings the Issues Directly to Montana

Sugar is the third most important crop in Montana (after wheat and barley), bringing between $40 and 50 million per year in direct income to farmers over the past five years. Montana farmers grow about 56,000 acres of sugar beets mostly in the Yellowstone river valley. Over the past 5 years, average return from sugar beets has been about $850 per acre. (This compares to all wheat at less than $150 per acre.) MSU estimates that the two sugar mills in Montana directly contribute $200 million per year to the local economy. (Source: Montana Agricultural Statistics www.nass.usda.gov/mt).

Agriculture is where globalization and more specifically "free" trade agreements have the greatest impact on the Montana economy. True free trade –without subsidy payments, import quotas and loan programs-- would devastate Montana's rural economy. US trade policy promotes the untenable position that poor countries must eliminate internal subsidies and open their markets to US agricultural products while protecting US farmers with massive subsidies. Subsidies to support rural economies may benefit Montana and the nation as a whole, the citizens of the US through their elected representatives should be free to make that choice, but citizens of other countries should also have this choice. More than any other issue US and European agricultural subsidies brought down the WTO meetings in Cancun, the FTAA meetings in Miami and threatens the CAFTA negotiations.

The 2002 Farm Bill continued support for the US sugar industry in several programs. Although sugar beet and cane farmers do not receive direct government payments (as in corn, wheat etc), these programs effectively support incomes of sugar farmers and protect the US industry from global competition. These programs are in effect until 2007. (sources USDA Foreign Agriculture Service Fact Sheet The US Sugar Program, www.fas.usda.gov/info/factsheets/sugar; American Sugar Alliance, US Sugar Policy, How it Works, www.sugaralliance.org/sugarpolicy; Citizen Trade Campaign, CAFTA: Family Farmers and Food Security, www.citizenstrade.org).

- The first is a loan program using the crop as collateral with a set price, in effect setting a floor price for sugar—currently 22 cents per pound for beet sugar (18cents for cane sugar)
- Marketing allotments which limit the amount of sugar domestic producers can sell when markets are oversupplied.
- Tariff rate quotas that establish quotas for low tariff or tariff free import of sugar from each of about 40 countries. Above these quotas, high tariffs effectively limit sugar import. The US imports about 15% of domestic sugar consumption under the tariff rate quota system.

With CAFTA, the tariff rate quota system is the crux of the sugar issue for farmers in Montana and Central American. CAFTA would eliminate protection for Central American farmers growing staples for local markets and would significantly increase US sugar imports from Central America under the tariff rate quota system. Corn farmers in Central America cannot compete with subsidized US corn and Montana sugar beet farmers cannot compete with the higher yields and lower production costs of Central American cane.

The five Central American countries of CAFTA grow sugar cane on nearly 1 million acres with sugar yields per acre averaging 1.6 times greater than Montana beet sugar. The largest producer, Guatemala produces sugar from almost 500,000 acres with nearly twice the yield of sugar beets and with significantly lower production and processing cost. (Source: UN Food and Agricultural Organization Statistical data 2004; www.faostat.fao.org). The US set the 2004 tariff rate import quota for Guatemala at 50,540 metric tons, less than 0.5% of Guatemala's sugar production. Organizations as diverse as the industry supported American Sugar Alliance and Ralph Nader's Public Citizen predict the demise of the US sugar industry with increased imports under CAFTA. Montana will lose more farmers, a valuable crop, and an industry that supports hundreds of workers in harvest transport and processing the sugar beet harvest

Citizens and their elected representatives need to address the issues affecting the livelihoods of farmers and rural economies.

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