

March 12, 2004

The Honorable George W. Bush
President of the United States
1600 Pennsylvania Avenue, NW
Washington D.C. 20500

Dear Mr. President:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit the report of the Advisory Committee for Trade Policy and Negotiations (ACTPN) on the U.S. - Central America Free Trade Agreement, reflecting the main and dissenting opinions of the ACTPN on the proposed agreement.

The ACTPN, with one exception, endorses the U.S. – Central America Free Trade Agreement (CAFTA). We believe the agreement fully meets the negotiating objectives laid out in the Trade Act of 2002, and believe it to be strongly in the best economic interest of the United States. We also believe the CAFTA is a comprehensive state-of-the-art agreement that not only will benefit the U.S. and Central American economies and employment opportunities, but also will provide a strong base on which to construct additional bilateral or regional agreements.

In addition to its economic benefits for all parties, the CAFTA agreement will contribute to political stability in the Western Hemisphere and advance regional economic cooperation. The CAFTA should be enacted into law as soon as possible, so American farmers and ranchers, factories, services providers, and consumers can begin to receive the benefits of this agreement at the earliest possible date.

We also strongly endorse your stated intention to integrate the Dominican Republic into the agreement with the five Central American countries.

All ACTPN members concur with these recommendations and with the report of the ACTPN except for the representative of the International Brotherhood of Teamsters, whose dissenting views are included at the end of the main report.

Sincerely,

Bill Frenzel
Chairman
Advisory Committee for Trade Policy and Negotiations

The U.S. – Central America Free Trade Agreement (CAFTA)

**The Report of the
Advisory Committee
for Trade Policy and Negotiations
(ACTPN)**

March 12, 2004

**The Advisory Committee
for Trade Policy and Negotiations (ACTPN)**

**Report to the President, the Congress,
and the United States Trade Representative on the**

U.S.-Central America Free Trade Agreement

I. Preface

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135 (e)(I) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement. Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations must include an advisory opinion as to whether, and to what extent, the agreement promotes the economic interests of the United States and achieves the applicable overall and principal negotiating objectives set forth in the Trade Act of 2002.

Pursuant to these requirements, the Advisory Committee for Trade Policy and Negotiations hereby submits its report.

II. Executive Summary of Committee Report

The ACTPN, with the exception of the representative of the International Brotherhood of Teamsters, believes the U.S.-Central America Free Trade Agreement (CAFTA) fully meets the negotiating principles and objectives laid out in the Trade Act of 2002, and believes the CAFTA is strongly in the interest of the United States. It will level the playing field for America's farmers and ranchers, factories, and service establishments. It will provide increased market access for American goods and services. It will provide lower-cost U.S. producer and consumer access to Central American goods and services, and does so in a manner not disrupting the U.S. economy. Appropriate transition and adjustment times have been built into the agreement.

This is an exceptional agreement with a large trading partner. The ACTPN notes that, counting the European Union as a single market, CAFTA was America's 13th largest export market in 2003, just behind Malaysia and ahead of Switzerland. The \$11 billion of U.S. exports to CAFTA last year were four times as large as our exports to Chile, with which the United States recently implemented a free trade agreement.

The agreement meets or exceeds the negotiating achievements of the recently implemented Chile and Singapore agreements, and in many ways has set the highest standard yet achieved in free trade agreements. It has the strongest anti-corruption obligations to date in any free trade agreement, requiring parties to adopt measures to punish domestic or trans-national bribery in all matters affecting international trade or investment. The ACTPN particularly commends this achievement, and urges that it become a standard part of all future U.S. trade agreements.

The ACTPN believes the agreement will strongly advance the expansion of trade and economic relations between Central America and the United States. The agreement provides for new consultation mechanisms to expand possibilities for improving trade cooperation and heading off disputes. The agreement is an excellent model to promote development and we endorse the institution-strengthening, the creation of a permanent trade capacity-building committee, and the extensive opportunities for cooperative activities.

Additionally, the CAFTA makes significant advances in protecting intellectual property, ensuring fair and effective protection for investors, providing improved business facilitation, greatly improving access for service providers, and containing state-of-the-art treatment for new forms of doing business, including e-commerce. Importantly, the CAFTA agreement also incorporates labor and environmental protections into the body of the agreement, and affords these obligations equivalent procedures and remedies under dispute settlement.

The committee, moreover, urges that the Administration's stated intention to integrate the Dominican Republic into the agreement with the five Central American countries be completed as quickly as possible so that the expanded agreement can be submitted to the Congress for action this year. Adding the Dominican Republic will make the expanded CAFTA America's largest export market in Latin America after Mexico.

The ACTPN, with one exception, believes this agreement to be strongly in the U.S. economic interest and to be a model and an incentive for additional agreements. We urge its quick adoption. The dissenting view of the representative of the International Brotherhood of Teamsters is included at the end of the ACTPN's main report.

III. Description of the Committee

The Advisory Committee for Trade Policy and Negotiations (ACTPN) is the U.S. government's senior trade advisory panel. It was established to provide the U.S. Trade Representative with policy advice on: (1) matters concerning objectives and bargaining positions of proposed trade agreements; (2) the implementation of trade agreements once they are in force; and (3) other matters arising in connection with the trade policy of the United States. The ACTPN provides an overview of trade policy and issues. Advice on matters affecting individual sectors or policy areas is expected to be provided by several Policy Advisory Committees in the areas of agriculture, non-Federal governments, labor, environment, and the Industry Sector Advisory Committees (ISACs), and Industry Functional Advisory Committees (IFACs).

In keeping with its broad charter, the membership of the ACTPN is representative of key economic sectors affected by trade. Members are drawn from business, industry, labor, agriculture, small business, service industries, retailers, and consumer interests. The membership of the ACTPN is appended to this report.

IV. Advisory Committee Opinion on Agreement

The ACTPN (or “the committee”), with the exception of one dissenting member, fully endorses the U.S. – Central America Free Trade Agreement (the CAFTA or “the agreement”) as negotiated by the President’s U.S. Trade Representative with Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Our report draws on the views of all ACTPN members, representing a broad spectrum of trade-related industries and interests. We believe the agreement strongly promotes the economic interests of the United States and fully achieves the overall and principal negotiating objectives set forth in the Trade Act of 2002. The dissenting view is set forth at the end of this report.

We believe the CAFTA will substantially improve market access in Central America for American farm products, industrial and other non-agricultural goods, and services. We also believe it will expand two-way trade opportunities and will benefit employment and living standards for all parties. We further believe the agreement will reinforce the commitment of the Central American countries to democracy and greater economic openness. It will contribute to the political stability and economic integration of the region and provides a strong incentive for further trade liberalization in the Western Hemisphere, as well as adding to the imperative of the Free Trade Agreement of the Americas negotiations.

The committee also believes that the economic interests of the United States are advanced on the import side of the agreement. Consumers will benefit from trade liberalization, and the staging of U.S. liberalization has taken account of the need of sensitive sectors to adjust to the reduction and eventual elimination of trade barriers to Central American goods and services.

The ACTPN’s more detailed views on salient parts of the agreement follow. We urge the Administration and the Congress to act expeditiously so that the agreement may come into effect as soon as possible.

Consumer and Industrial Products -- Market Access -- The ACTPN believes that the provisions on trade in goods achieve the Trade Act’s market access goals. We particularly applaud the fact that over 80 percent of U.S. exports of consumer and industrial goods will become totally duty-free as soon as the agreement goes into effect. Another five percent will become duty-free within five years, and all such exports will be duty-free within 10 years. The ACTPN applauds this schedule as being highly beneficial to U.S. exporters while meeting the transition needs of Central American producers. The ACTPN is especially pleased that an important result of the agreement will be that Guatemala, Honduras, and Nicaragua will join Costa Rica and El Salvador in becoming full members of the WTO Information Technology Agreement, which provides for duty-free treatment of information technology products. This has been a key objective of U.S. high-tech industries.

The agreement will provide a competitive advantage for U.S. exporters to Central America by leveling the playing field with countries that currently enjoy free trade agreements with this region, and in many instances offering even better access for U.S. exporters. The ACTPN notes that under the Caribbean Basin Trade Partnership Act most U.S. imports from Central America are already duty-free.

The agreement, however, will make this treatment permanent and will also extend duty-free treatment to other products on implementation of the agreement, providing access to the U.S. market for a region that has enjoyed unilateral trade preferences for over two decades.

Agriculture -- The committee endorses the provisions covered in this agreement for agriculture. More than half of current U.S. agricultural exports to Central America will be duty free upon implementation of the agreement, and tariffs on most U.S. farm exports will be phased out within 15 years. The ACTPN notes that the agreement is comprehensive in its coverage, providing commercially-meaningful access for U.S. agricultural priorities while taking due account of U.S. agricultural sensitivities. The agreement specifically addresses sanitary and phytosanitary (SPS) cooperation. Most notably, the Central American countries have already agreed to move toward recognizing U.S. export eligibility for processing plants inspected under the U.S. food safety and inspection system. The agreement also recognizes agricultural sensitivities in Central America, with such as on products of social importance like white corn.

The agreement establishes a Committee on Agricultural Trade which is required to meet at least once a year. We find that establishing a mechanism to work through trade disputes prior to formal remedy measures is very helpful for the agriculture community. We encourage the Administration to continue to include this mechanism in future agreements.

Services -- The ACTPN is pleased that the agreement's services commitments cover both the cross-border supply of services and the right to invest and establish a local service presence, strengthened by a set of detailed disciplines on regulatory transparency – which is fundamental to meaningful services market access. The ACTPN applauds the breadth of the sectors accorded substantial market access under the agreement's "negative list" approach. It is the ACTPN's belief that the agreement will provide substantial opportunities for U.S. business in the services sector.

The committee praises the agreement for its ground-breaking provisions that will dismantle the dealer protection laws that have saddled U.S. firms with inefficient dealer distribution arrangements in the region and which are prevalent throughout Latin America. This has been a significant disincentive to the export of U.S. products, for example sometimes banning imports of U.S. products when a dispute arose with local distributors. The ACTPN strongly urges the inclusion of similar provisions in future trade agreements.

Without delving into detail on individual services sectors, the committee nevertheless wants to highlight particularly significant services industry accomplishments including the market opening achieved for U.S. telecommunications and insurance providers in Costa Rica – a major accomplishment.

E-commerce -- The e-commerce and digital products provisions meet the ACTPN's objectives and provide state-of-the-art recognition of the increased importance of this issue. The ACTPN finds the e-commerce provisions and the liberal treatment of services in this agreement to continue the high standard that has been set for these provisions in other recent U.S. trade agreements. The committee draws particular attention to the fact that the CAFTA establishes guarantees of non-discrimination and a binding prohibition on customs duties on products delivered electronically, and creates a favorable environment for the development of increased e-commerce.

Investment -- The committee believes the CAFTA fully meets the investment requirements laid out in the Trade Act of 2002, and applauds the comprehensive nature of the investment provisions. The committee stresses the importance of covering both investment authorizations and agreements, and cannot urge strongly enough that these provisions must be part of all future agreements. The ACTPN believes that an excellent job was done in improving the investment climate and protections for investors while simultaneously addressing the concerns that had been raised for possible abuse of investor-state provisions. The CAFTA provides for rights that are consistent with U.S. law and also contains fully transparent dispute settlement procedures that are open to the public and that allow interested parties to provide their input. The ACTPN applauds the full inclusion of investor-state provisions that provide access to impartial third-party arbitration of investor disputes with governments, which provide an important safety net and provide assurances of fair treatment of possible disputes.

Intellectual Property Rights (IPR) -- The ACTPN applauds and endorses the state-of-the-art IPR provisions in the Central America agreement. In the view of the ACTPN these provisions are the best that have been negotiated in any U.S. trade agreement, and should serve as the template for other agreements in the Hemisphere. The protection of patents, trademarks, geographic indicators, internet domain names and copyrighted works sets a new standard for free trade agreements that the committee hopes will be incorporated into additional agreements. The ACTPN also commends the strong IPR enforcement mechanisms and penalties provisions, particularly the criminalization of end-user piracy and counterfeiting and Central America's guarantees of authority to seize and destroy not only counterfeit goods but also the equipment used to produce them. The committee wishes to stress the importance of full IPR protections including those for trademarks and states its full support for the excellence of the agreement in this respect. Important achievements in the trademark area are the provisions stipulating that trademark recordal is not required for any purpose, including the assertion of any rights, and a requirement to accede to the Trademark Law Treaty by 2008. The parties also agree to accede to the WIPO internet treaties.

Customs Procedures and Rules of Origin -- The ACTPN endorses the customs chapter of the agreement. The specificity of obligations with regard to customs procedures coupled with the commitments to information sharing to combat illegal trans-shipment of goods and facilitate express shipment maintain a high standard. Steps to ensure transparency and efficiency are also included. Provisions also provide that the release of goods should be accomplished quickly -- within 48 hours to the extent possible. These provisions greatly improve customs administration in the Central American region -- a major objective for U.S. business. Transparency and ease of doing business will be greatly improved by provisions for advanced customs rulings and providing customs laws and regulations on the internet.

Smaller U.S. exporters will particularly benefit from these provisions. Without commenting specifically on products within individual industry sectors, the ACTPN nevertheless urges that all FTAs include rules of origin that balance the desirability of promoting the sourcing of raw materials within the relevant territory with rules that permit US businesses with the flexibility and opportunity to take full advantage of the agreement.

Government Procurement -- The ACTPN is pleased with the provisions on government procurement and believes that they meet specified objectives. The breadth of coverage across central, regional and municipal governments, the strength of the transparency disciplines, and the criminalization of bribery in government procurement represent very significant improvements for U.S. firms. The broad coverage of Central American central government purchasing agencies does much to help level this particular playing field. The ACTPN notes that additional significant coverage can be obtained once a sufficient number of U.S. states offer access, and urges that efforts be made to bring this about so that the fullest access to Central American government procurement may be obtained.

Labor Provisions -- The ACTPN, with the exception of the representative of the International Brotherhood of Teamsters, whose dissenting view is attached to the main ACTPN report, believes the CAFTA fully meets the labor objectives that emerged from the Trade Act of 2002. The text of the agreement provides an effective and balanced means of implementing the negotiating objectives for labor. The labor provisions follow the TPA-mandated approach that was adopted in the Chile and Singapore agreements and enhance the procedural guarantees to transparency and due process. They meet the Trade Act's requirements while still providing strong assurances that the provisions cannot be used as a means of disguised protectionism. The Congress decided that dispute settlement in labor matters should be limited to failure to enforce existing laws, and should not seek to have countries change their laws. The ACTPN believes the CAFTA faithfully implements that requirement.

The committee particularly notes the agreement's emphasis on cooperation and mutual agreement in working together on labor issues. The ACTPN endorses this approach, and believes it to be particularly important for countries in which labor enforcement resources are likely to be strained. Under the agreement, all parties reaffirm their commitments under the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. They guarantee in an enforceable manner, as provided for in the Trade Act of 2002, that they will not fail to enforce their labor laws in a way that could affect trade. They also agree to strive to ensure they do not weaken their labor laws in a manner that would affect trade.

Members of the ACTPN want to see high labor standards and effective enforcement of laws, but also want to ensure that the new labor provisions called for by U.S. law cannot be used as protectionist devices to restrict trade. Except for the dissenting view, the committee believes that an excellent job was done by U.S. negotiators in achieving the objectives laid out by the Trade Act of 2002 in a manner that is likely to improve labor conditions and standards of living and avoid protectionism.

Environmental Provisions -- The ACTPN endorses the environmental provisions of the CAFTA and believes they provide effective and creative ways of contributing to environmental improvement. The agreement meets the requirements of the Trade Act of 2002 by requiring in an enforceable manner that neither country shall fail to enforce its environmental laws in a manner that could affect trade.

The CAFTA agreement contains provisions that break new ground by providing for transparency and input both from local as well as international interested parties. All parties will develop public processes to ensure that views of civil society are considered in environmental questions, and that input from international organizations in evaluating progress can be considered. An environmental cooperation agreement that provides for capacity building is another significant factor, as well as the establishment of an Environmental Cooperation Commission. While some comments sought stronger financial and legal support for capacity building and environmental cooperation, the ACTPN is pleased that the institutionalization of environmental provisions continues to move forward in these agreements.

Dispute Settlement -- The ACTPN believes that effective dispute settlement provisions are essential to ensure that trade agreements are actually implemented and enforced. These provisions must provide for timely and effective resolution of disputes and application of enforcement mechanisms that are suitable to provide an adequate incentive for compliance when needed.

Suspension of tariff benefits under the agreement is available for all disputes, including disputes over enforcing labor and environmental laws, as a last resort -- but there is a clear preference that fines be used for all disputes where consultation fails to resolve matters. The ACTPN views this as a particularly good feature in bilateral trade agreements, since no bilateral agreement can override the parties' World Trade Organization (WTO) commitments -- e.g., the maximum U.S. trade retaliation could only be a snap-back to its WTO tariff levels. As the average U.S. WTO tariff world-wide is only 1.6 percent, fines are a potent -- and non trade-distorting -- alternative.

The ACTPN wants to stress that trade retaliatory measures should be taken as a last resort, for they have the capability of interfering with trade and causing considerable economic disruption. The committee also believes that the best way to deal with trade disputes is through consultation and mutual understanding, and expresses its support for the excellent provisions in the CAFTA that seek such amicable resolution of disputes. The agreement also sets high standards of openness and transparency for panel procedures, including opportunities for interested parties to provide views, open hearings, and public release of submissions by parties.

The ACTPN, save for the dissenting view included at the end of this report, believes that the dispute resolution provisions fully meet the requirements of the Trade Act of 2002, and that they provide equivalent enforcement for all parts of the agreement -- including the new labor and environmental provisions. The committee endorses the dispute settlement provisions and considers them to advance the state-of-the-art in trade agreements.

**DISSENTING VIEWS OF
JAMES P. HOFFA, GENERAL PRESIDENT
INTERNATIONAL BROTHERHOOD OF TEAMSTERS**

The International Brotherhood of Teamsters, on behalf of its 1.4 million members, strongly opposes the U.S.-Central America Free Trade Agreement (CAFTA). We believe that CAFTA fails to promote the economic interests of the United States and fails to meet the congressional negotiating objectives laid out in the Trade Act of 2002. We believe CAFTA simply replicates the flawed trade policies of the past and falls far short of incorporating what we, and our allies abroad, have learned about the problems and weaknesses of our current trade policies.

The fact is that the labor provisions in CAFTA are based on the flawed model of the Chile and Singapore Free Trade Agreements, which is unacceptable in the context of Central America where labor laws fall far below international standards and governments and multinational corporations remain hostile towards unions and even their own workers.

CAFTA like the Chile and Singapore Free Trade Agreements will require Central America to enforce its own labor laws. This presumes that Central America's labor laws and practices essentially conform to the internationally recognized core workers' rights as outlined by the International Labor Organization and by U.S. trade laws. However, the U.S. has long recognized that Central America's labor laws are not up to international standards. The Administration even admitted the serious problems with Central America's labor laws when CAFTA negotiations began, and pledged to take action to address those problems before duplicating the labor rules of the Chile and Singapore Free Trade Agreements in CAFTA. When Deputy USTR Peter Allgeier testified before Congress on June 10, 2003, and was asked whether the Chile and Singapore agreements' labor provisions were sufficient for Central America, he responded:

"... it depends in part on what changes in their laws they make during the negotiating process We certainly are aware of the importance of this issue in the Central American countries and, frankly, the different circumstances that exist in those countries and among those countries compared to, for example, Chile and Singapore And so part of our negotiation is not simply negotiating the obligations, for example, that we have in Singapore and Chile but having a very detailed and concrete dialogue with these countries about the kinds of changes that they would need to make in their labor laws, either in association with this agreement or prior to it So we need to get those, the labor standards and the enforcement of labor rights up to a certain level before we would find acceptable a commitment to enforce those laws."

Despite this pledge from USTR, Central American countries have done nothing to bring their labor laws closer to international standards during the CAFTA negotiations. Labor law reform proposals introduced in response to International Labor Organization recommendations and U.S. pressure have been languishing in Central American parliaments for years, and still have not moved forward.

Even the U.S. State Department and the United Nation's International Labor Organization (ILO) have repeatedly criticized the CAFTA countries not only for failing to bring their labor laws into compliance with ILO standards, but also for failing to enforce those laws they already have on the books, as documented in the following examples:

- Delays and obstruction are common in Central American labor ministries. In El Salvador, labor inspectors do not follow proper procedures and erect obstacles to union registration. Costa Rican labor inspectors, required to complete their investigations within two months, simply certify violations by the deadline but fail to file charges. In Nicaragua, the process for calling a legal strike is so drawn-out and complicated that there have been only three legal strikes since 1996. The State Department has called Guatemala's labor inspection system "ineffective, inadequate, and corrupt."
- In some cases, labor ministries not only ignore violations but are themselves complicit in violations of the law. Salvadoran officials participate in violating the law by ceding to illegal employer requests. The Costa Rican Labor Ministry has provided information about newly formed unions to employers who then used the information to fire and blacklist union members. In Honduras, labor inspectors have in some cases sold the names of workers seeking to form a union to employers who then target the workers for retaliation.
- Collusion between Labor Ministry officials and employers to deny workers' their right to organize is also a problem in Nicaragua. In one case, the Ministry granted an employer's request to fire most of the workers seeking to form a union when the employer cited "economic" reasons, and then the Ministry denied the union's request for certification because they lacked the minimum number of workers required by law. Workers charged that the Ministry improperly backdated the employer's dismissal request just so it could deny union recognition.
- The judicial branch is also guilty of systematic enforcement failures in Central America. The State Department reports that collective bargaining has diminished in Costa Rica as a result of workers' inability to get efficient judicial relief when they are fired for union organizing. Even if workers are able to overcome burdensome procedures in the labor courts to win cases against abusive employers, enforcing judgments against these employers in El Salvador and other countries is often difficult, if not impossible. In Honduras, labor and civil courts rarely require employers to reinstate employees fired for union activity, though they have the legal right to do so.
- Guatemala's court system is particularly dysfunctional. Guatemalan courts fail to apply the law and allow employers to delay proceedings, mount frivolous appeals, and defy legally binding court orders. In a case involving anti-union violence and assassination of workers, the ILO expressed its concern that such problems amounted to a denial of justice. The State Department noted that in Guatemala, "The prevailing business culture ignores labor contracts because, in practice, they are largely unenforceable due to the weak, cumbersome and corrupt legal system [the system] perpetuates the violence that workers face if they attempt to exercise their rights."

Given these concerns, how does the USTR intend to compel Central American countries to enforce their own labor laws? Through fines, which are more often than not viewed as just the cost of doing business. Like the Chile and Singapore Free Trade Agreements, the CAFTA labor obligation for Central American countries to enforce their own laws is itself enforceable through fines, not sanctions, unlike CAFTA's commercial obligations. Moreover, the fines are paid to the country that violated the workers' rights provisions in the first place, essentially rewarding itself for violating the Agreement. There is no way to prevent a violating country from also transferring money out of its labor budget so the fine adds no new net resources for enforcement. And nothing prevents a county from wasting the fine money on unrelated or ineffective labor ministry initiatives. As long as the violating country continues to pay itself a fine, even if the fine does nothing to remedy workers' rights abuses, its trading partners are barred from withdrawing trade benefits under CAFTA.

Furthermore, the fact that the USTR enforces labor obligations through fines while it enforces commercial obligations through sanctions violates Congress' mandate in the Trade Act of 2002 that our trade negotiators seek provisions in trade agreements that "treat United States principal negotiating objectives equally," with equivalent dispute settlement procedures and equivalent remedies for all disputes.

This "enforcement through fines" mechanism means that the U.S. will permanently give up its ability to tie labor law improvements to trade benefits in CAFTA – a right we currently have in our Generalized System of Preferences (GSP). The GSP worker' rights clause is one of the few tools that has created the political will to upgrade labor laws in the region:

- 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.
- 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.

Though the link between trade benefits and adequacy of labor laws has been instrumental in securing reforms, even these reforms have been insufficient. The ILO and the State Department have recognized that serious deficiencies remain in each country's labor laws. Subsequent promises for further reform have gone unfulfilled. Once CAFTA becomes permanent, the likelihood of future reform will be more remote – even more so now that this type of trade pressure will become obsolete once CAFTA goes into effect.

Finally, the USTR also proposes compelling Central American countries to enforce their own labor laws through financial assistance and cooperative education programs. But USTR is misleading in its portrayal of the financial assistance that will be made available for labor rights activities in Central America.

The administration highlights its \$6.7 million program to educate workers about core labor standards, but neglects to mention the programs it is eliminating in the region. RELACENTRO, an ILO program to promote collective bargaining and build labor law systems, is being eliminated, along with a program to build trade union capacity. The PROALCA program, which focused partly on labor law harmonization, is actually getting less money from Department of Labor than in previous years. Finally, a multi-million dollar program in El Salvador to end child labor is being replaced by a less well-financed child labor program that is supposed to cover the entire region. While cutting money from labor law improvements and trade union capacity, more assistance is being channeled to programs on worker training, productivity, and support for corporate codes of conduct – programs that are not designed to improve labor standards.

As far as cooperation goes, the labor cooperation mechanism created in CAFTA is almost identical to the NAALC's Commission for Labor Cooperation. Far from being "groundbreaking," as USTR claims, the CAFTA mechanism may be even weaker than the NAALC mechanism it is modeled after. The CAFTA mechanism specifically excludes the possibility of using cooperative programs to reform labor laws. CAFTA requires that all cooperative initiatives operate with "respect for national sovereignty and the domestic requirements" of each country, and thus it bars labor law reform as a topic for cooperation in the future. In fact, the CAFTA mechanism sets no substantive goals for labor cooperation – all that labor officials are required to do under the mechanism is meet once after the agreement is signed.

* * *

All-in-all, this Agreement is a complete failure for America's working families. Without a binding obligation to meet the ILO's core labor standards, this Free Trade Agreement will only allow the serious flaws in Central America's labor laws to continue to go un-remedied, to the detriment of both American and Central American workers, and to the credit of the USTR.

On a personal note, it is deeply disturbing that the U.S. Trade Representative, even though he and his staff clearly had the ability to include meaningful and enforceable workers' rights in this Agreement, refused to do so, and continues to refuse to do so with every agreement they put forth. The purpose of ACTPN is for members like myself to provide the Administration with input and advice on trade policies and ongoing negotiations. The Teamsters' advice – the same advice that warned of the destruction of NAFTA and of implications of China PNTR, all of which have proved accurate – unfortunately, seems to be continually ignored by this Administration. Clearly, it's time for this country and the Teamsters Union to move in a new direction – one that addresses the needs of working families, not just corporate profits.

Membership:

Advisory Committee for Trade Policy and Negotiations (ACTPN)

Name	Organization
Bernard W. Aronson	ACON Investments, LLC
Paul Norman Beckner	Citizens for a Sound Economy
JoAnn Brouillette	Demeter
Melinda S. Johnson Bush	HRW Holdings, LLC
Jill M. Considine	The Depository Trust and Clearing Corp.
Edward C. Emma	Jockey International, Inc.
George B. Fitch	Mayor, City of Warrenton, VA
William E. Frenzel	The Brookings Institute
Robert E. Grady	The Caryle Group
Michael Goldstein	Toys AR@ Us Children=s Fund
Frank H. Habicht	Global Environment & Technology Foundation
Peter Hanna	Hanna Steel Corporation
Walter B. D. Hickey Jr.	Hickey Freeman Company, Inc.
James Philip Hoffa	International Brotherhood of Teamsters
Jerome J. Jasinowski	National Association of Manufacturers
Fisk Herbert Johnson	SC Johnson & Son, Inc.
Hersh Kozlov	Wolf, Block, Schorr and Solis-Cohen LLP
Charles E. Kruse	Missouri Farm Bureau
Luis A. Lauredo	Hunton & Williams, LLC
Larry A. Liebenow	Quaker Fabric
James W. Morrison	Small Business Exporters Association
Thomas D. Mottola	Sony Music Entertainment
Grace E. Andrews Nichols	Victoria=s Secret Stores
Samuel J. Palmisano	IBM Corporation
Edward J. Perkins	University of Oklahoma
Kevin B. Rollins	Dell Computer Corporations
Steven R. Rogel	Weyerhaeuser
Jean-Pierre C. Rosso	CNH Global
John G. Rowland	Governor, State of Connecticut
Hector Ruiz	Advanced Micro Devices
Rodolphe M Vallee	R.L. Valle, Inc.
Morgan Y. Wang	Angeles Optics, Inc.
Margaret C. Whitman	eBay, Inc.
Wythe W. Willey	National Cattlemen=s Beef Association