



# CAFTA Facts

Office of the United States Trade Representative  
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## **The Facts About Improving Labor Conditions**

*In response to the bipartisan vote in support of CAFTA in the U.S. Senate, die-hard opponents of the agreement have claimed that CAFTA-DR signatory countries have not agreed to a role for the International Labor Organization (ILO) in monitoring labor rights enforcement in their countries, have resisted ILO reviews, and have not asked the ILO to assess the state of their labor laws in comparison to ILO core conventions. These assertions are false.*

*Opponents have also belittled and dismissed efforts to build the capacity of CAFTA signatories to improve working conditions in their countries. Yet CAFTA's opponents offer no strategy for the region other than economic isolation, and recommend nothing more than turning our backs on the democratically-elected governments of Central America and the Dominican Republic.*

### **ILO Role:**

- All six CAFTA-DR signatory countries *pro-actively invited* the ILO to perform an assessment of their labor laws in 2003 and 2004, and again asked for the assistance of the ILO in a white paper on labor issued in 2005.
- Moreover, these countries requested that the ILO review the extent to which their labor laws implement the ILO core conventions and internationally-recognized labor rights.
  - ***Those reports, entitled “Fundamental Principles and Rights at Work: A Labour Law Study” demonstrated that the laws on the books in these countries do, in fact, give effect to the ILO core labor standards.***
- The ILO report prompted these countries to work even harder, responding to ILO recommendations and making improvements in the enforcement of labor laws in their countries. Even CAFTA opponents in the region say enforcement is the real problem.
  - *For example, the Catholic Bishop of Guatemala, testifying before the House International Relations Committee, said “We have an excellent labor law in Guatemala, but it is not routinely complied with.”*
- CAFTA responds to this enforcement problem. In a White Paper, “The Labor Dimension in Central America and the Dominican Republic: Strengthening Compliance and Enhancing Capacity”, the governments of the region outlined priority areas for improvement and ***specifically requested that the ILO prepare periodic monitoring reports*** to verify their progress on this implementation plan.

*Democratically-elected governments have requested assistance from the United States and the International Labor Organization.*

*CAFTA responds.*

*Opponents turn their backs.*

- In a June 26 letter to Senator Jeff Bingaman, USTR Rob Portman outlined an Administration plan to use the labor enforcement monies appropriated by Congress to address these priority areas and to assist the ILO in performing its monitoring work.
- The ILO's monitoring role must be matched to the situation on the ground. The goal is to build the long-term capacity of the Labor Ministries of the CAFTA-DR countries to better enforce their labor laws. In Cambodia, ILO staff took over duties that should have been performed by the local government. Partly as a result, even today the Cambodian Ministry of Labor lacks the capacity to perform its own inspections. In Central America and the Dominican Republic, labor ministries already have inspection systems, but they need to be enhanced and professionalized.

### **Funding for Capacity-Building:**

- Opponents also wrongly focus on the budget of a single bureau in a single agency as the sole measure of U.S. government capacity-building assistance for Central America.
- The Bush Administration supports funding for labor capacity-building projects, but the Labor Department's International Labor Affairs Bureau (ILAB) is not the only agency to do this. In fact until FY98, and thus for most of the Clinton Administration, ILAB was solely a policy-making agency that operated with a small budget of about \$12 million.
- The budget of the bureau spiked in FY01 when Congress decided to use ILAB as a grant-making agency, principally for monies earmarked by Congress for work on child labor. ILAB was chosen as the funding vehicle for child labor efforts rather than USAID, the State Department, or other traditional USG grant-making agencies.
- Very little ILAB money –less than \$10 million – was ever devoted in any given year to labor law enforcement in Central America or the Dominican Republic.
- The Bush Administration has instead chosen to carry out labor capacity-building projects through several different USG agencies, with programs that target resources directly toward the region.
  - For example, Congress appropriated **\$20 million** to the State Department in Economic Support Funds (ESF) in FY05 specifically for labor and environmental enforcement in Central America and the Dominican Republic. And the FY06 foreign operations appropriations bill contains **\$40 million** dedicated to improving labor and environmental law enforcement in the CAFTA-DR countries.
- Together with the commitment by the Administration to propose and support \$40 million in FY07-FY09, **the United States has now committed approximately \$180 million over five years for labor law enforcement in CAFTA signatories.**
  - This is an unprecedented level of commitment. In fact, **the Bush Administration has now committed far more money to labor law enforcement in Central America and the Dominican Republic than the previous administration ever did.**

*The Bush Administration has committed more money to labor capacity-building in CAFTA signatories than any previous administration.*

- Yet opponents of CAFTA do nothing but belittle these constructive efforts to add significant new funds and energy to labor capacity building. They also casually dismiss the Administration's proposal for an international donors' conference.
- But in their White Paper, the Labor Ministers of the region *specifically asked* that this donors' conference be convened to present the countries' needs in the labor sector, and to ask donor agencies for funding assistance to make improvements in labor law enforcement.
  - The Inter-American Development Bank (IDB) has offered to host this conference, and the Administration has worked with the IDB to provide **\$10 million in new grants** for rural development and institution building including the strengthening of labor ministries.
  - The careless dismissal by CAFTA opponents of these efforts is an astonishing insult to the CAFTA-DR countries and to the Inter-American Development Bank, which has offered to host the donors' conference.
- Opponents also blithely dismiss the Millennium Challenge Corporation (MCC) grants to Honduras (**\$215 million**) and Nicaragua (**\$175 million**), and even seem to reject the entire MCC concept. This is a view that is not shared by a bipartisan majority of the Congress. The MCC is an important and ground-breaking approach to foreign assistance that has enjoyed broad congressional and international support. The Administration remains strongly committed to its success.

**Bottom Line:**

- Far from helping workers in the region, voting against CAFTA will:
  - Accelerate the movement of apparel jobs in the region to Asia, throwing tens of thousands of Central American and Dominican workers out of work
  - Deny U.S. firms, workers and farmers the opportunity to level the playing field and benefit from billions of dollars in increased export sales.
  - Continue U.S. reliance on labor-rights tools that haven't worked particularly well. In fact, no Administration – Republican or Democratic – has ever invoked labor sanctions in Central America under existing law, for the simple reason that existing law provides only an “all or nothing option” of harsh sanctions. Using such measures would hurt the very workers we are trying to help, throwing them out of jobs as investors simply pick up and move to other countries.