



# CAFTA Facts

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## **CAFTA Rhymes with NAFTA But Is Better in Many Ways**

### **NAFTA has been a success...**

- Some claimed NAFTA would contribute to an economic decline and a “giant sucking sound.” But in fact **NAFTA has contributed to a decade of higher productivity, better jobs, and higher wages.**
  - Over 21 million jobs have been created in the U.S., an 18.8% increase.
  - U.S. manufacturing output soared by 44% in real terms.
  - For private sector U.S. workers, real hourly compensation rose by 14.7%.
  - Income gains and tax cuts from NAFTA provided \$930/year per U.S. household of four.
  - Trade among the NAFTA nations rose 150%, from \$289B to \$724B from 1993-2004.
  - U.S. merchandise exports to NAFTA partners grew more rapidly (at 112%) than our exports to the rest of the world (at 60%).
- NAFTA was **also a success for Mexico**, resulting in expanded exports, higher wages, more foreign investment, and a stronger agriculture sector:
  - From 1993 to 2003, Mexico’s economy grew over 30%.
  - One of every five Mexicans is employed in export-oriented jobs, and half of the 3.5 million new jobs generated in Mexico in 1995-2000 were a result of NAFTA and export growth.
  - Employment in Mexico’s export sector pays 37% more than in the manufacturing sector.
  - Mexican farm production grew 50%.

### **... and CAFTA is light-years ahead of NAFTA:**

- Unlike the situation with Mexico prior to NAFTA, our market is **already nearly completely open** to Central American products:
  - More than 80% of Central American imports to the U.S. are already duty-free. CAFTA will open their market to our products, leveling the playing field.
  - An ITC study concludes **CAFTA will reduce the overall U.S. trade deficit by \$756M.**
- NAFTA dealt with labor and environment issues in side agreements. **In CAFTA, labor and environment are enforceable parts of the core trade agreement:**
  - CAFTA has real teeth, including binding dispute settlement, monetary fines directed at solving problems, and potential trade sanctions. A first-ever citizen participation process will identify and find solutions for trade-related environmental problems.
  - CAFTA surpasses other recent FTAs in addressing worker rights issues through funding to improve labor law enforcement.
- **CAFTA’s investment provisions are more modern than NAFTA’s:**
  - CAFTA has a more open and transparent investment arbitration process than NAFTA, including checks to ensure that investors do not abuse the arbitration process and a special tribunal empowered to dismiss frivolous claims.
  - The legal standards on expropriation under CAFTA draw directly from U.S. Supreme Court decisions, and ensure that foreign investors have no greater rights than U.S. investors under domestic law.