



CAFTA Facts

Office of the United States Trade Representative
CAFTA Policy Brief – July 2005

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CAFTA's Labor Provisions: World Class, Best Ever

Good Labor Laws, But Enforcement Needs Work: The International Labor Organization (ILO), at the request of the Central American governments, conducted a study of the labor situation in the region last year. The ILO found that the labor laws on the books in Central America are generally in line with ILO core labor standards. The problem is that enforcement of those laws clearly needs improvement.

"We have an excellent labor law in Guatemala, but it is not routinely complied with." -- Most Rev. Álvaro Leonel Ramazzini Imeri, Catholic Bishop of Guatemala and opponent of CAFTA, testifying before the House International Relations Committee, April 13, 2005

CAFTA Has Tough, Effective Enforcement Provisions: If a country fails to enforce its labor laws, CAFTA-DR provides for heavy fines, up to \$15 million per year, per occurrence. These monies would be directed toward actually solving the labor problem, and the United States would always have the final say over how those funds are used. If the fine isn't paid within 60 days, we can impose trade sanctions.

CAFTA's Laws Are Stronger Than Jordan, Morocco: CAFTA's laws are better in many ways than laws in other FTA countries:

- For example, Jordanian workers need government approval to have a strike. Not true in Central America.
- Foreign workers cannot belong to unions in Jordan. No such restrictions in Central America.
- All unions in Jordan must belong to a state-sponsored union, and the Jordanian Government oversees all union elections. No such requirements in Central America.
- In Morocco, children are allowed to work longer hours, and at lower ages in hazardous conditions, than in all six CAFTA-DR signatory countries.

CAFTA and Labor

Tough Enforcement Measures
+
More Teeth than Jordan FTA
+
More Practical than CBI/GSP
+
Unprecedented Financial Assistance
+
ILO Benchmarking, Monitoring, and Verification of Progress
=
Best-Ever Trade Agreement on Labor

CAFTA Is Better Than Current Law: Labor provisions in CBI/GSP law have been around for twenty years, and they haven't worked particularly well. No Administration – Republican or Democratic – has ever invoked labor sanctions in Central America under existing law, because there is only one option – an “all or nothing option” – on labor. The only choice is to revoke trade benefits through harsh sanctions. This 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.

CAFTA Has More Teeth Than Jordan FTA: CAFTA has a binding, modern dispute settlement system for labor issues. The dispute system under the Jordan agreement is weaker and underdeveloped. For example, if Jordan wanted to, it could simply indefinitely block the establishment of a dispute settlement panel on labor issues. CAFTA also has stronger and more focused monetary and potential trade penalties for violating labor laws. The Jordan agreement contains no monetary fines at all, and the U.S. and Jordanian governments explicitly rejected trade sanctions to resolve disputes.

CAFTA Provides Resources to Improve Labor Enforcement: The Bush Administration has committed \$180 million in labor and environment capacity-building assistance from FY05-FY09. That is more money for labor/environment than any other Administration has ever devoted to this region. The Administration and the CAFTA signatory countries have also agreed to an ongoing role for the International Labor Organization (ILO) to benchmark, monitor, and verify progress. An initial grant of \$20 million has already been made in the FY05 foreign operations appropriations bill, and will be directed toward:

1. *Modernizing the Labor Justice System - \$7 million*
2. *Strengthening Labor Ministry Inspections - \$7 million*
3. *Cracking Down on Discrimination against Women in the Maquilas - \$2 million*
4. *ILO Benchmarking, Verification, and Monitoring of Progress - \$3 million*
5. *Supporting the Environmental Cooperation Agreement - \$1 million*