



PRESIDENT OF NICARAGUA

ENRIQUE BOLAÑOS GEYER

ADDRESS THE COMMONWEALTH CLUB OF SAN FRANCISCO, CA.

ON CAFTA - MAY 21, 2004

Mrs. Rose Guilbault – Chairperson Commonwealth Club  
Mr. Fred Rodríguez – Board member World Trade Council  
Ladies and Gentlemen



1. It is an honour to address this prestigious Commonwealth Club –the nation’s oldest and largest public affairs forum.
2. Tonight, I would like to speak to you about the US-Central America Free Trade Agreement (CAFTA), which we have recently negotiated with the United States.
3. During the past few years, the Central American region of 33 million people has been subjected to various external shocks. Coffee prices have dropped to their lowest level in almost 100 years, while imported oil prices have risen to record levels; US and European demand for our products has stagnated after “nine eleven” and yet Central America has continued to grow faster than the rest of Latin America.
4. Central America’s trade with the United States (over 21 billion in 2003) is third in Latin America only after Mexico and Brazil, and higher in value than US trade with Indonesia, India and Russia combined. Central America’s trade with the US is almost 4 times larger than the Chilean trade with the US.
5. In 2003, the exports of the State of California to CAFTA countries were in the order of US\$ 650 million dollars, almost double the exports of 2000. So, trade with our countries is increasing significantly.
6. Our region is located within two 2 hours flying time to the world’s largest market and we have shores on both the Pacific Ocean and the Caribbean Sea.
7. As a show of businessmen’s expectation of opportunities in the region, Trademark registrations in Nicaragua have almost doubled since the CAFTA negotiations concluded and visits by businessmen and investors have become commonplace in all of Central America.
8. In Nicaragua, we also want to share the prosperity, dignity, and freedom, and follow in the footsteps of this great nation, the United States of America. CAFTA is a critical step on the road to achieving this goal.
9. CAFTA is essential for the consolidation of growth and democracy in the new Nicaragua and the new Central America.
10. This, of course, has enormous importance for the United States, for we are the U.S.’s third border and, as such, a more prosperous and stable Central America will not only have a positive impact on America’s economy, but would also have a positive impact on immigration and security matters.

11. More opportunities in Central America would mean fewer and fewer reasons to emigrate in search of a better life. It would also mean fewer and fewer chances for drug traffickers, and smugglers of all kinds, to find fertile soil in the despair of our more distraught citizens.
12. CAFTA is a key step towards the consolidation of a New Era in the new Nicaragua and the new Central America. It is important to emphasize, however, that we don't see this agreement as an end in itself, but as a useful tool to bring prosperity to the region, stronger democracies and thus, greater stability.
13. It is really very simple, after all:
14. As I mentioned earlier, more opportunities in Central America would mean less and less reasons to emigrate in search of a better life. But more important, no doubt, is that at present, poverty and lack of opportunities are undermining support for Democracy in the Hemisphere, and that should deeply concern all of us.
15. According to a recently published United Nations report, 54.7 percent of Latin Americans said in a poll that they would support an "authoritarian" regime over a "democratic" government if the authoritarian regime could solve their economic problems. In Central America, nonetheless, we have chosen to follow a clear path to Democracy. We have placed our trust in the positive power of free and open markets, small but transparent governments, and private entrepreneurship. The recent elections in El Salvador and Guatemala, and our struggle against corruption, all clearly point in that direction. Our actions stand in stark contrast with what has been happening in some other parts of the Continent.
16. There is an urgent need to prove to our people that the model of democracy, free and open markets, and serious and responsible governments can actually lift them from poverty. We don't want populist discourses to erode what we have accomplished so far.
17. Thus, it is clear that CAFTA goes well beyond trade. It actually goes well beyond Central America. The United States government can use CAFTA to send a much welcomed signal to the region: a signal of its commitment to regional development, a show of regional solidarity and a neighborly commitment to our present, and our future.
18. By doing so, the US Government would only be following the lead of the American people. After all, there are a lot of people here in California and throughout the U.S that care about what's going on in Latin America. Some of you, those who make up what it is known as the Hispanic community, prove it every day by sending your hard earned money to your relatives in the region. You have helped us strengthen the cultural and economic ties between the US and Latin America.
19. By the same token, there are many industries with commercial links to the region. And actually, few people realize that the CAFTA countries (which now include Dominican Republic), rank as the US' 12<sup>th</sup> trade partner in the world, ahead of Australia.
20. The United States Chamber of Commerce says of CAFTA: "This agreement should pave the way for a substantial expansion of business ties between the U.S. and Central America."
21. On March 10th of this year, the American Farm Bureau Federation, comprising 5 million members voted to support CAFTA
22. State-of-the-art free trade agreements like CAFTA not only reduce barriers to U.S. trade, but also require important reforms of the domestic legal and business environment that are key to encouraging business development and investments in the region.
23. The importance of our partnership for sectors such as the textile industry is also a good example of how CAFTA will actually help to keep and create jobs both here in the U.S. and in Central America. Currently 90% of

American imports of Central American textile and apparel are U.S content. We are the ones who buy your yarn, your sewing thread, your fabric, your apparel in amounts of up to US\$ 2.3 billion.

24. We can help the U.S. keep jobs in the southern cotton states by buying more than US\$ 1 billion dollars of the commodity. CAFTA is not a zero sum game where Central America creates jobs that the US loses. CAFTA is a way for both the US and Central America to protect their present jobs and to create new ones, instead of both losing them to some Asian countries with yet lower labor costs and questionable political and social practices.
25. In the long term, because of the upcoming end of the quota system or Multifiber Agreement that currently restrains imports from around the world, CAFTA may be the only way for the for the Central American textile industry to remain competitive and for the American textile industry to survive.
26. Some analysts estimate at 80,000 the number of direct jobs that Central America's textile industry would lose if the quota system is scrapped without CAFTA being enacted soon. These same analysts tell us that, including indirect jobs lost, up to 240,000 people would be affected. That's 240,000 more people with reasons to emigrate to the United States.
27. And, at the same time, these 240,000 Central Americans would also represent a loss of 240,000 potential consumers of American goods. We are indeed a natural market of U.S products. On average, for every dollar Central America exports to the US, we import a dollar worth of American goods. CAFTA will put us in a win-win situation.
28. Now, many of the economical and political benefits that the agreement would provide have been obscured because of concerns with labor and environmental standards in Central America.

29. In the debate, there are some legitimate concerns about poor labor conditions giving other nations an unfair edge over US workers. We understand them. And we share their concerns. We do not want our citizens to be savagely exploited. We want them to have a fair chance to build a better life for themselves and their families, to slowly start climbing the ladder towards better and better jobs, towards a better future for them and our countries.
30. The reality, though, is that in fact many of the arguments present in the debate about labor conditions in Central America are either just a cover for protectionism, or are based on blatant misconceptions of Central America's current reality –they confuse us with our past; they don't take into account what we've achieved in the last decade.
31. Our governments, and our current labor laws, clearly prove it. We are fully committed to the protection and advancement of labor rights and standards, and to the full and effective compliance of our obligations in this area. Ours are, in practice, fair and enforceable labor laws, as a recent assessment from the International Labor Organization recognized.
32. Of course, full implementation of those labor laws is impeded by the lack of economic and human resources, but not from lack of political will. And, in any case, those who really care about the well being of Central American workers should ask themselves a simple question: what is the better way to improve working conditions in the region... with a "helping hand" or a "clenched fist"? I believe that trade is better than aid.
33. Consider this: only because of the promise of CAFTA El Salvador has already increased in 20% its labor enforcement budget, something that will mean 50% more labor inspectors. In Nicaragua we are also working hard to further improve the capabilities of our Ministry of Labor. The possibility of CAFTA is actually allowing us to pursue important reforms that in normal conditions would take 15 years.

34. That has to do with the fact that CAFTA actually includes additional labor provisions and contemplates penalties in case of not compliance. It gives us new impetus to fulfill our international obligation and impetus to provide for and protect workers' rights and the labor standards in Central America.

35. But perhaps more importantly, CAFTA also contemplates mechanisms to ensure that the capacity to implement the agreement can be created where it needs to be created. To that end, CAFTA is a vigorous force for positive change in our labor and environmental standards. Supporting CAFTA is the way to deal with our shortcomings in these areas. Not the other way around.

36. For all of this, I invite you to help us in our efforts to ensure the passage of CAFTA. I invite you to call your representatives, to send them a letter, an e-mail, to let him or her know that you support CAFTA and urging Congress to do the same.

37. God bless the United States of America. God bless Central America, and God bless Nicaragua.

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