



PALABRAS DEL PRESIDENTE DE LA REPÚBLICA  
ENRIQUE BOLAÑOS GEYER

DINNER WITH MEMBERS OF CONGRESS

WASHINGTON, WEDNESDAY MAY 11<sup>TH</sup> 2005

1. I welcome the opportunity to talk to you about the critical importance of the free trade agreement to my country—and to yours.

2. Nothing less than democracy is at stake in Nicaragua.

3. My government is reformist, anti-corruption, and dedicated to the modernization of the political, economic and social institutions of Nicaragua.



4. Our future is based in building and reinforcing our relations between Nicaragua and the USA and our other close neighbours.

5. The central building block of that new relationship is to be the CAFTA agreement. This agreement is much more than just a trade agreement.

6. CAFTA is the road-way from the failed radicalisms and dictatorships of the past towards a stable democracy and the rule of law.

7. Yet I am astonished to find that there is a very strong opposition to the CAFTA in the United States. Frankly, I find this level of opposition very puzzling.

8. From every angle, the DR-CAFTA has everything the US should want in an agreement: As a trade deal it is unquestionably advantageous to the US, as it is to us. It will be of significant economic benefit to American producers. Politically, it fits perfectly into the Bush Administration's goal of helping those who want democracy, open societies and the rule of law. It will help prevent our region from falling back into violence, terrorism and despair, confronting the US with another security challenge.

9. If you believe I exaggerate the need to bolster democratic forces in my country, then you do not understand the strength of the radicals and that of corrupt leaders in Nicaragua. Daniel Ortega and Arnoldo Alemán are working together to overthrow democracy and to restore caudillismo.

10. If there is a single message I could impress upon you, it is:

11. Narrowly focused debates about any topic should not be allowed to obscure a fundamental reality: The failure of CAFTA would have disastrous consequences for US interests in democracy, reform and social justice in Central America.

Supplemental Messages

12. The main criticisms seem to be that the DR-CAFTA is not strong on improving labor conditions and it would hurt the US sugar and textile industries. Let me speak to these concerns one by one.

13. In fact, our governments are making real progress in addressing the problems of labor in poor countries. The International Labor



Organization (ILO) recently completed an assessment of the labor laws of all the Central American parties to the DR-CAFTA and found our laws largely in compliance with the obligations of the ILO's core labor standards.

14. The Constitutions of the countries also make such treaties binding in domestic law. By contrast, the United States has ratified only two ILO core conventions. Our problem in labor is that we lack resources to enforce our laws fully. DR-CAFTA provides for the US to help us improve our capacity to enforce labor laws.
15. Also, our labor and trade ministers have for nearly a year been preparing a White Paper outlining our national commitments to strengthen labor regulations, enforcement and compliance, and working conditions. That White Paper is a further demonstration of how the DR-CAFTA, even before it enters into force, is having a dramatic impact in moving us forward on labor. As for sugar, you know even better than I how minuscule the impact of DR-CAFTA will be on US sugar production. The increase in the quota is so tiny that it will be difficult to measure. Central American sugar exports will account for about 1.2% of US consumption in the first year of DR-CAFTA. Fifteen years later it will have increased to 1.7%. A decade and a half to increase half of one percent. The dollar value of the increase will be about \$80 million, out of a yearly \$2.1 billion industry. Those numbers are not mine—they are from the American Farm Bureau. And as for textiles, how can I say it better than the American Apparel and Footwear Association in its letter to Congress in April 2005:

16. "If CAFTA-DR is not enacted soon, U.S. apparel and footwear companies will place more of their business outside this hemisphere. When they do, They will make less clothing and shoes using U.S. components. This will adversely affect the Central American and Dominican assembly workers as well as the U.S. textile employees who supply those Central American factories."

17. What the AAFA is saying is that without DR-CAFTA, the cycle of exports of US fabric and yarn to Central American and their re-export to the US as finished garments will be broken, as importers turn to China for cheap garments now that the WTO agreement ending textile quotas has entered into force. In fact, this is already happening while we are debating DR-CAFTA.

18. Summing up, even if these concerns were valid--which I think I have shown they are not--measured against overall US economic and political interests in this hemisphere none is significant enough to justify killing this agreement, and dealing a tremendous defeat for the forces for democracy and social justice in our region.



### Hard Questions

19. Why hasn't Nicaragua approved the DR-CAFTA yet, if it is so urgent? When do you intend to act on it?
20. DR-CAFTA is overwhelmingly supported by the Nicaraguan public. Polls show more than 70% support. I am confident it will be approved by the Nicaraguan legislature, even if many of the Sandinista party oppose it. There is a solid majority in favor of the Agreement.
21. You say DR-CAFTA will protect US yarn and fabric exports to Central America where they are sewn into garments and re-exported to the US. But isn't it so that Nicaragua imports almost no US yarn and fabric for its maquilas? Don't you get nearly all your yarn and fabric from Asia?



22. Because most of our maquilas are financed by Asian interests, most of our yarn and fabric is imported from Asia. In recognition of this special circumstance, and of the low income level in Nicaragua, we are given a temporary right in the DR-CAFTA to continue to import yarn and fabric from Asia. By encouraging more US investment in Nicaragua, DR-CAFTA will enable us to break out of this pattern fairly soon.
23. If Nicaragua has incorporated the ILO core labor standards into its labor code, what is the problem with putting a legal requirement in the DR-CAFTA agreement that all parties must enforce the ILO core labor standards?
24. Nicaragua has indeed modified its labor code to incorporate the eight ILO core labor standards. Hence, they have the force of law in Nicaragua. More than that, since Nicaragua has ratified all the ILO core labor conventions, and these are international agreements, under our Constitution they form part of the supreme law of Nicaragua. The DR-CAFTA requires the parties to enforce their national labor laws. Nicaragua incorporates the ILO standards into its labor laws. So, there is no need for a special provision to that effect.
25. If it is the only way to get DR-CAFTA approved, would you agree to reopen the labor provisions to put in a requirement that all parties enforce the ILO core labor standards?
26. No. I strongly oppose reopening any part of the DR-CAFTA agreement to renegotiation. That would mean destruction of the Agreement. We have a carefully balanced compromise which required difficult decisions by all parties. We cannot reopen the negotiations.
27. A criticism of the Agreement is that it reduces the ability of the Central American parties to make low cost generic drug widely available. Why did you agree to this US demand which was pushed by the big brand name drug manufacturers?
28. We incorporated into the DR-CAFTA an international standard of intellectual property protection for proprietary pharmaceuticals. Simply put, for five years, makers of generic drugs cannot satisfy national testing and safety requirements by using data provided by proprietary drugs. Had we failed to do that, drug makers would have refused to enter our markets, thus depriving our people of access to their products.
29. You place a great deal of weight on this Agreement for the future of democracy in Nicaragua. Yet already over 80% of your exports enter the US duty free under the Caribbean Basin Initiative. Why is DR-CAFTA more important for your future than the CBI?
30. We are seeking to establish a permanent trading regime with the United States and our neighbors which will promote foreign investment, improve our commercial laws, regularize our financial markets and give us the benefits of the rule of law. We cannot get those advantages from the CBI. It is not permanent; it is unilateral; it is not comprehensive; and it does not have the overall political and institutional advantages of a free trade agreement with the world's largest economy.
31. An argument for DR-CAFTA is that by creating jobs in Central America it will reduce the flow of illegal immigrants to the US, thus easing our own job problems. But isn't it more likely that opening more of your markets to US agricultural exports will wipe out tens of thousands of small rice, corn and bean farmers, forcing them to migrate in search of work?
32. We cannot slow down the export of our people until we can provide them with jobs and hope for a decent future for their children. Without the stimulus of DR-CAFTA, Nicaragua cannot attract the foreign capital to create those jobs and give them hope for the future. We do not want to see tens of thousands of our people be forced to migrate to other countries in search of work. DR-CAFTA will give us a much greater chance to create the jobs we must have.