Economic Policy Institute

1660 L STREET, NW • SUITE 1200 • WASHINGTON, DC 20036 • 202/775-8810 • FAX 202/775-0819



FOR IMMEDIATE RELEASE: Thursday, June 2, 2005
CONTACT: Nancy Coleman, Karen Conner or Stephaan Harris at 202-775-8810 or news@epinet.org
DOWNLOAD ISSUE BRIEF: **http://www.epi.org/content.cfm/ib210**


# FOR FARMING, CAFTA'S CLAIMS ARE CLOUDED BY NAFTA'S RECORD

Agricultural trade will be a large and contentious aspect of the proposed Central American-Dominican Republic Free Trade Agreement, or CAFTA, as its ratification is debated on Capitol Hill. The U.S. Trade Representative (USTR) claims the agreement will create "opportunities for U.S. farmers, ranchers, and processors." But America's farmers recognize this siren's song from 12 years ago when similar claims were made during the push to pass the trade agreement called NAFTA. Many of those claims proved empty.

Just how empty is revealed in a new study, ***Will CAFTA Be a Boon to Farmers and the Food Industry?*** released today by the Economic Policy Institute. EPI economist Robert Scott gives American farmers, once burned, reason to be twice shy as he clearly sets pre-approval claims made for NAFTA – claims of rapidly growing demand for U.S. farm products - side-by-side with the outcome of the treaty. Scott's analysis shows that the experience under NAFTA offers a sobering reality check on similar claims now being made for CAFTA.

"For farmers and food producers, NAFTA's legacy is declining prices, shrinking revenues and rising debt burdens," said Scott. "Claims of great CAFTA benefits should only be taken with a large quantity of salt."

Supporters of both agreements have claimed U.S. farmers will benefit from access to large numbers of new consumers. In the case of CAFTA, the USTR has emphasized the size of that new market - over 40 million people with per capita income ranging from nearly $2000 to over $8,500. That's similar in scope to the USTR NAFTA claim: "Mexico's population (about 92 million), which is growing at more than 2 percent a year and becoming increasingly urbanized, represents a significant market for U.S. agricultural products."

The suggestion in both cases is that the consumers in countries involved in the agreements could support growth in the U.S. food and farm industries. Under NAFTA, however, there has been no net change in Mexican demand for U.S. agricultural or food products, and the U.S. food and agriculture trade deficit with Canada increased by $4.3 billion.

American farmers are not the only ones with reason to be skeptical of CAFTA claims in the wake of NAFTA's failures. In spite of strong GDP growth in post-NAFTA Mexico, manufacturing wages have fallen over the decade and the country's agricultural sector - where almost a fifth of Mexicans work - lost 1.3 million jobs.

The governments of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic, and the United States have signed the agreement, which has not yet been formally ratified by the United States, Costa Rica, or Nicaragua.