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## From Crisis to Commonwealth: CAFTA and Democracy in Our Neighborhood

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I'd like to begin today with a story about history and headlines.

As I walk along the corridors in the State Department, I step through history. Lining the walls are portraits of former Secretaries of State and stewards of American foreign policy. In particular, if you pass through the ceremonial Treaty Room and head toward my office, you will see the portrait of Henry Stimson.

Perhaps best known as Franklin D. Roosevelt's Secretary of War, Colonel Stimson played a pivotal but less remembered role in Central America in 1927. President Calvin Coolidge had sent him to mediate among the competing factions in a Nicaraguan civil war. Stimson negotiated a cease-fire, the disarmament of forces, and the conduct of elections, as the U.S. Marines kept the peace. Stimson was hailed in the press as a peacemaker. He went on to become governor-general of the Philippines and later the 47th U.S. Secretary of State.

But a Nicaraguan general named Sandino refused to accept the election. Violence flared again, Sandino was killed, and the Somoza family imposed a long dictatorship.

Now fast-forward some 60 years, to the time when I last served in the State Department, under President George H.W. Bush and Secretary James Baker.

In 1989, a Communist dictatorship named for General Sandino was in power. With support from Fidel Castro and the Soviet Union, Daniel Ortega and a clique of Sandinista commandantes had hijacked a democratic revolution against the Somozas in 1979. For 10 years,

### Talking Points

- For most of the 20th century, Central America was plagued by civil war, social strife, and violent conflict. Today, it is a region of fragile democracies seeking a closer economic partnership with the United States.
- As the elected presidents of Central America and the Dominican Republic have explained in cities across the United States, CAFTA matters most to them because it will strengthen the foundations of democracy by promoting growth and cutting poverty, creating equality of opportunity, and reducing corruption.
- From a strategic perspective, it is also the smart thing to do for the United States. Economic growth, more equitable income distribution, and opening opportunity are keys to resolving the security problems that menace North and Central America today.

This paper, in its entirety, can be found at:  
[www.heritage.org/research/tradeandforeignaid/hl884.cfm](http://www.heritage.org/research/tradeandforeignaid/hl884.cfm)

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the Sandinistas jailed political opponents, confiscated property, and destroyed the country's economy.

Contra rebels, backed by the United States and based in Honduras, were waging a determined struggle against this regime. Here in the United States, fights in Congress over "Contra aid" dominated the headlines. These were some of our most divisive domestic political battles since the Vietnam War. The conflict even threatened the Reagan presidency.

Elsewhere in Central America, El Salvador's fledgling democracy was battling Cuban- and Soviet-supported revolutionaries. Guatemala's long civil war continued amid repression and human rights abuses. Even peaceful, democratic Costa Rica was flooded with refugees fleeing war.

In 1989, our new Administration negotiated with Congress a Bipartisan Accord for Central America. We ended the domestic wars over this region and joined together in support of a regional peace plan that called for democratic elections and an end to outside support for revolutionary guerrilla armies.

We also made Central America the testing ground for the new ideas in foreign policy proclaimed by President Gorbachev, enlisting the cooperation of the waning Soviet Union to end the region's long civil wars. Indeed, bringing peace to Central America was an early, important step in ending the Cold War.

The 1990s profoundly changed the history of Central America: The Sandinistas were decisively defeated in Nicaragua's first free elections, and the Contra army was peacefully demobilized. El Salvador negotiated a peace accord that strengthened civilian rule and human rights, and disarmed the guerilla army. Guatemala followed suit with a national peace accord. When President Bush 41 left office in January 1993, every nation in Central America was headed by a democratically elected leader for the first time in history.

But with the advent of peace and democracy, Central America once again faded from U.S. headlines.

### **The Price of Neglect**

Henry Stimson's brief diplomatic mission to Nicaragua—and the on-again, off-again nature of our attention to Central America since 1993—suggest a lesson from the pages of American history. The

involvement of the United States in Central America has been episodic, with our attention swinging from intense periods of intervention to long periods of neglect, only to have the region again erupt onto our front pages.

From Stimson's time to the present time, America has paid a heavy price for neglecting Central America. Today, Central America is once again in our headlines: We are now engaged in a great debate about the nature of our relationship with these small but important neighbors. Once again, we run the risk of turning our backs on Central America. After almost two decades of democratic progress, the advances could turn to retreat, and the region could again slide into a new time of troubles.

Our domestic debate over the U.S.–Central America–Dominican Republic Free Trade Agreement (CAFTA) is about much more than trade. The people of Central America fought and struggled, and many died, because they believed that democracy would bring not only peace, but also a better life for them and their children. Now the people of the region are asking the United States to help secure the work of democracy through a closer economic relationship that could provide a new foundation for building opportunity.

Yet never has the gap between Central America and the United States loomed larger. Central Americans are talking about freedom, democracy, and hope. Meanwhile, our domestic debate has been dominated by topics such as sugar and whether CAFTA will codify international labor conventions that the United States has not even ratified itself.

Our domestic debate pays slight attention to the historic opportunity to stabilize and support Central America while promoting America's strategic interests and values.

At root, the debate on CAFTA is fundamentally about America's role in the world and our relations in this hemisphere:

- We must decide whether we will sacrifice the strategic interests of the United States and the future of Central America for a spoonful of sugar.
- We must decide whether we will leave hundreds of thousands of Central Americans in

poverty and hopelessness because of the short-sighted protectionism of U.S. labor unions.

- We must decide what message to send to struggling democracies in other regions, such as the Middle East, Southeast Asia, and Africa, where economic reformers are pushing for freedom and need our support.

In short, we must decide whether to promote America's strategic interests—or its special interests.

The world is watching. If we retreat to isolationism, Daniel Ortega, Hugo Chávez, and others like them—autocrats of left or right—will push ahead.

### **The Strategic Choice: Reform or Retreat**

From a strategic perspective, the choice should not be hard. In many ways, CAFTA is the logical culmination of 20 years of democratic and social progress in Central America, nurtured and encouraged by the United States.

In Nicaragua, for example, for the first time in the country's history, a former president was jailed for stealing. President Enrique Bolaños's courageous battle against corruption set a precedent for future leaders in the region. But President Bolaños is now confronting a grim alliance between unreconstructed Sandinistas and the corrupt allies of former President Arnoldo Alemán. If we can't help President Bolaños bring economic opportunity to his people, the old guard that stole from a poor people may stage a political comeback.

In Guatemala, President Oscar Berger was elected to replace Alfonso Portillo, who fled the country in an attempt to evade corruption charges. Berger has reduced the size of the military by more than 50 percent and has made the military's long-secret budget more transparent. Free trade reduces regulation and enhances governmental transparency, curtailing state illegality and inefficient economic regulation, strengthening President Berger's campaign against corruption.

In Honduras, President Ricardo Maduro is trying to move his country into the 21st century by building a dry canal between the oceans to help integrate his country into the world economy. CAFTA is a cornerstone of Maduro's development strategy.

In El Salvador, Antonio Saca, a progressive young president won election by campaigning vigorously for CAFTA. Saca overcame the former head of the Communist Party of El Salvador, an FMLN (Farabundo Martí National Liberation Front) hard-liner who has blocked internal reform of his party.

In the Dominican Republic, an outgoing and an incoming administration—though keen political opponents—showed the growing maturity of that democracy by working cooperatively to address budget and financial crises. President Leonel Fernandez—like President Hipolito Mejia before him—has pressed to make the DR part of CAFTA to strengthen the climate for investment and hope in the Caribbean.

These are encouraging signs and represent remarkable progress. But the young democracies of Central America are fragile, and the old enemies of reform have not gone away.

In Nicaragua, Daniel Ortega is still a political force. He opposes CAFTA. Together with the jailed ex-president Alemán, Ortega recently tried to strip power from the country's freely elected president through a legislative coup. The Sandinistas then incited street protests that turned violent while Ortega was on a visit to Havana. His methods show that while Ortega is a little older and a little grayer, he is still an opponent of freedom.

FMLN leader Schafik Hándal of El Salvador joined Ortega's journey to Havana, to voice support for a new Cuba–Venezuela trade pact that he said should be a replacement for CAFTA.

The region is setting its course for the future. Down one path travel modern, democratic leaders who believe in economic reform, adaptations to the challenges and openings of the global economy, democracy, and better social conditions for all their peoples. Down the other travel the pied pipers of populism, who hold out the false promise of economic autarky achieved by the dangerous means of political authoritarianism and personalized power.

### **CAFTA Will Strengthen Democracy**

As the elected presidents of Central America and the Dominican Republic explained when they visited 11 cities across the United States before com-

ing to Washington last week, CAFTA matters most to them because it will strengthen the foundations of democracy by promoting growth and cutting poverty, creating equality of opportunity, and reducing corruption.

First, and most fundamentally, CAFTA means economic growth. When a middle class develops and people have a larger economic stake in their society, they demand more of a say in how that society is run. This is profoundly important to the region's democratic success. To strengthen democracy in the region, its people need to see concrete benefits from economic freedom—tangible improvements in their daily life. Nothing is a more secure anchor for democracy than citizens who are employed and building better lives for their families.

Trade is a vital instrument in the toolbox of transformational diplomacy. CAFTA will encourage the investment of new capital, both foreign and domestic. Improved protection for intellectual property will encourage new creative industries and access to life-saving medicines, as we have already seen in other FTA partners, from Jordan to Singapore. CAFTA's provisions will encourage competitive and modern services industries, which supply the infrastructure of development—for telecommunications, financial, distribution, express delivery, or energy services. Without these service networks, countries will have a difficult time integrating into a world of global sourcing, investment, transportation, and information flows.

The long-term certainty of special trade and business access to the large and dynamic U.S. market will lead to more growth and less poverty. Our recent free trade agreement with Chile expanded exports—on both sides—by more than 30 percent in the first year, and U.S. exports jumped over 50 percent in the first quarter of 2005. By opening its economy and embracing far-reaching economic reforms and disciplines, Chile cut poverty by more than half in the last decade. The record from around the world is clear: Nations that open markets to trade and encourage foreign investment do better in raising incomes and reducing poverty.

Second, CAFTA will promote equality of opportunity in economies long dominated by economic

elites. For centuries Central American society has been highly stratified, with a few powerful families controlling the vast majority of economic activity. CAFTA will create opportunities for people from all walks of life. Dealer protection laws, which for decades gave exclusive rights to distribute products to a select few, will be eliminated. Trade capacity-building assistance will be targeted at helping small entrepreneurs to build businesses. Tariffs protecting companies controlled by a small number of powerful families will be swept away. In both the United States and in Central America, the costs of protection fall more heavily on poorer families, who devote a greater share of meager funds to consumption.

Third, CAFTA goes beyond cutting tariffs to require broad changes in the way economies and politics operate, challenging those who have grown corrupt and complacent in captive, uncompetitive markets. The agreement requires fair and open rules in customs administration, government procurement, and services regulation. It criminalizes bribery, casts sunlight on procedures long hidden from public scrutiny, and strengthens the rule of law. Under CAFTA, economies will be based on rules, not corrupt relationships.

Fourth, CAFTA contains unprecedented provisions to strengthen the role of civil society groups and individual citizens, the threads that weave the modern democratic fabric. Groundbreaking environmental provisions not only require effective enforcement of laws protecting the environment, but also give citizens a much greater role in highlighting and correcting trade-related environmental abuses. To improve protection of workers, the countries of the region invited the International Labor Organization to conduct a thorough and wide-ranging review of their labor laws and enforcement efforts. They then worked with the Inter-American Development Bank to identify specific improvements that will help protect worker rights.

These openings provide important new opportunities for non-governmental organizations to support economic development with attention to particular societal concerns. Patricia Forkan of Humane Society International recently told Congress, "the momentum brought about by the DR-CAFTA has brought the issues of protecting the

environment, habitat and species protection, and the need for balancing environmental protections and economic development to the forefront in Central America. The Central Americans are...asking for our assistance, our friendship, and our support.”

Trade is not, standing alone, a guarantee of democratic freedom. Comprehensive free trade agreements can play a vital role, but should also be linked with policies to combine trade and aid. That is why the Administration is working to make sure our economic assistance programs and our trade agenda go hand in hand, with more than \$80 million in trade-related capacity building assistance in 2004. At the State Department, for example, we are directing our economic assistance programs in Central America toward better enforcement of labor laws, protection of the environment, fighting corruption, and strengthening the practices of democracy. And we are working with multilateral institutions like the Inter-American Development Bank to make concrete improvements in labor law enforcement and to assist countries to benefit from more open markets.

### **CAFTA and U.S. Security**

CAFTA is the right thing to do because it will strengthen democracy through economic growth and open societies based on the rule of law. But from a strategic perspective, it is also the smart thing to do for the United States, because we do not live in isolation from what happens in Central America.

Our security is connected to development in our neighborhood. Criminal gangs, drug trafficking, even trafficking in persons create dangerous transnational networks. CAFTA offers a way to treat the cause, rather than just the symptoms, of the problems in our neighborhood. CAFTA will also strengthen our ties of partnership with more robust democratic governments that have a shared interest in countering these threats.

Economic growth, more equitable income distribution, and opening opportunity are keys to resolving the security problems that menace North and Central America today. When there is instability and poverty in our neighborhood, it is common sense to help our neighbors address those problems at home rather than import them into our own country.

As long as there is poverty in Latin America, some will still see a powerful incentive to leave their homes, their families, and their friends to come to the United States. Some will break our laws to do so, and tragically, others will die trying. CAFTA will ease the crushing poverty that motivates such migration. As Americans, we want people to have the opportunity to come to our country legally and enrich our society. But we want that decision to be driven by choice, not by economic desperation.

Collectively, the United States, Central America, and the Dominican Republic face a common challenge: the rise of China as a major economic power. Through CAFTA, we can unite within our hemisphere to better face that challenge. In businesses such as textiles and apparel, and increasingly in other industries as well, companies in the United States are closely linked with producers in the region. A t-shirt that says, “Made in Honduras” is likely to contain more than 60 percent U.S. content, while a t-shirt that says, “Made in China” is likely to contain virtually none. This is why both the National Council of Textile Organizations and the National Cotton Council support CAFTA. The agreement will strengthen links with important economic partners in the face of rising competition from China.

Ironically, if economic isolationists torpedo CAFTA over issues such as labor rights, apparel production and other similar industries will move to China. This highlights the inherent contradiction in the position of CAFTA’s opponents. They claim to be concerned about worker rights, yet seem to ignore the devastation for workers that would result from defeating the agreement. The competitive challenge from China has changed the strategic equation: Without CAFTA, tens of thousands of Central Americans and Dominicans will be thrown out of work and back into poverty and hopelessness. And many of them will end up on our borders. The opponents of CAFTA are not offering something better for the people of Central America. They are turning their backs on them.

Opponents claim to be defending poor people and working families against the ravages of globalization. But the country in Latin America that has dramatically reduced inequality, unemployment, and poverty in recent decades while also increasing

real wages and pensions for working families is Chile—the country that has most opened its economy to free trade.

If CAFTA is voted down, the region's poor will not improve their lot; instead, investment will be diverted elsewhere, Central America and the Dominican Republic will grow more slowly, wages will be lower, and a door to upward mobility for the region's poor will be slammed in their face.

If CAFTA is defeated, it will not be replaced by some mythical, "perfect" agreement that incorporates every opponent's wish list of provisions; instead, Central America and the Dominican Republic will be at a permanent disadvantage.

If CAFTA is defeated, labor rights in Central America will not be strengthened; instead, workers in the region will lose thousands more jobs to China, competition for work will be more desperate, and in that environment democratic trade unions and workers' rights will be weaker.

The right answer on labor rights is to extend a helping hand to improve enforcement of the laws on the books, to encourage ongoing labor reforms, to draw U.S. businesses that provide better conditions, and to increase prosperity.

### **Opportunity or Fear?**

More than 75 years ago, frustrated by his experience in Nicaragua, Henry Stimson wrote that the people of that country "were not fitted for the responsibilities that go with independence and still less fitted for popular self-government."

Fifteen years ago, former Costa Rican president Oscar Arias made a more accurate observation. He said, "Without democracy, there can be no peace."

For most of the 20th century, Central America was plagued by civil war, social strife, and violent conflict. Today, it is a region of fragile democracies seeking a closer economic partnership with the United States. These countries are looking north because they believe in the United States—not for dependency, but for opportunity. They simply want a chance to compete, to trade, to build with us. But success is not assured, for the old enemies of reform are still close at hand.

For the United States, CAFTA represents a strategic choice about our role in the region, Latin America, and the world. We must decide whether we will stand with those who stand for freedom, and whether we will stare down the old specter of economic isolationism. It would be a mistake of historic proportions if we turned our back on these struggling democracies. CAFTA is an opportunity to sustain and support the work of democratic reform in a region whose problems—if ignored once again—would quickly become our own, as they have before.

For Central America and the Dominican Republic, CAFTA is a chance to strengthen democracy, expand economies, reduce poverty and corruption, and widen the circle of economic opportunity. It is also a challenge to the United States to complete the work of democracy and peace that we began two decades ago.

For all of us, CAFTA is the opportunity of a generation.

To seize it, the President will need your help.

As I have made the case for CAFTA to the Congress, I have been struck that leaders from opposing sides in the political conflicts over Central America in the 1980s—Senator Christopher Dodd from one perspective, Chairmen Henry Hyde and David Dreier along with Senator John McCain from another—come together on CAFTA.

These veterans know the high price of fighting for democracy in Central and Latin America. They know the stakes in the vote on CAFTA.

We need you—each of you—to have a voice in this debate. The Members of Congress will be casting a vote on America's future. This is a vote historians will write about.

We need you to ensure Congress knows the stakes.

I am confident that in the end the Congress of the United States will not turn its back on Central America and the Dominican Republic. I believe a bipartisan majority of farsighted members of the Congress will ratify this historic agreement just as they supported the Caribbean Basin Initiatives in the past.

Thank you for helping.

—The Honorable Robert B. Zoellick is Deputy Secretary of State.