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Honduras, CAFTA, y el Comercio Agrícola: Impactos y Resultados.

Honduras, CAFTA, and Agricultural Trade: Impacts and Outcomes.

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Resumen: Este trabajo es el resultado de una breve revisión de literatura. Trata de hacer algunas conexiones entre Honduras, CAFTA, y el comercio agrícola. Honduras es una de los cinco repúblicas centroamericanas que firmó el Tratado de Libre Comercio de Centroamérica con los Estados Unidos en Mayo del 2004. El libre comercio dice promover la integración comercial, el crecimiento económico, y el desarrollo social, pero lo hace mientras produce ganadores y perdedores. En términos de comercio agrícola en Honduras, el acuerdo ha tenido particularmente negativos impactos en algunos agricultores pero generalmente positivos resultados para el sector agrícola.

Palabras Clave: Agricultura, CAFTA, Desarrollo, Crecimiento, Honduras, Comercio.

Abstract: This work is the result of a brief literature review. It aims to make some connections between Honduras, CAFTA, and agricultural trade. Honduras is one of five Central American republics to sign the Central America Free Trade Agreement with the United States on May 2004. Free trade is said to promote commercial integration, economic growth, and social development, but it does so while producing winners and loser. In terms of agricultural trade in Honduras, the agreement has had particularly negative impacts to some farmers but generally positive outcomes to the agricultural sector.

Keywords: Agriculture, CAFTA, Development, Growth, Honduras, Trade.

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Introduction and Brief Literature Review

Most Central American economies are highly dependent on trade with Canada, China, Europe, and the United States. Earnings from exports constitute a large share of their gross domestic product (GDP), and imported goods are not only crucial for their economic progress but also highly demanded by foreign lifestyle-oriented citizenries. But many people in Central America and other developing countries believe that their active participation in the world economy has not positively influenced their economic growth and social development. While it is true that Central and South America have been excluded from the trade governance system established by a selected group of Northern nations, it is not true that no benefits have been accrued. There is in fact a sizeable body of evidence suggesting positive impacts and outcomes for embracing trade.

Columbia University professor Jeffrey D. Sachs and Andrew Warner of the World Bank found that in the 1970s and 1980s open economies grew, on average, about 2.5 percent faster than closed economies (Sachs and Warner 1995). This suggests that opening to trade with the world tends to have a small positive effect on economic growth. A comprehensive study by Jeffrey A. Frankel of Harvard University and David Romer of the University of California-Berkeley showed that raising a country's trade-to-GDP ratio by one percentage point raised income per capita by two percent or more (Frankel and Romer 1999). This indicates that governmental decisions to deepen trade activities tend to have beneficial macroeconomic effects on national economies that trickle down to working populaces. A study by the International Monetary Fund found that if the free trade agenda were adopted worldwide, developing countries would profit enormously, with gains of about three times what they receive each year in aid (IMF 2001). There are some very influential economists that are much more enthusiastic about embracing trade than others. For instance, Professor Arvind Panagariya (2003:20) posits that "in low-income countries, openness to international trade is indispensable for rapid economic growth." In fact, he provides assurance to his readers that "virtually all developing countries that have grown rapidly have done so under open trade policies or declining trade protection." In sum, free trade seems positively beneficial.

It would be wrong, however, to subsume the concerns and trepidations expressed by developing countries under blanket statements such as 'trade is good for all, period'. A closer examination to evolving criticisms against further consolidation of cross-border trade of capital, goods, labor, and services is warranted. Harvard Business School professor Rawi Abdelai and Council of Foreign Relation senior fellow Adam Segal (2007) quote a speech delivered by the Federal Reserve Board Chairman Ben Bernanke stating that "the problems arise because changes in the patterns of production are likely to threaten the livelihoods of some workers and the profits of some firms, even when these changes lead to greater productivity and output overall. The natural reaction of those so affected is to resist change, for example, by seeking the passage of protectionist measures." With regards to protectionism, in a study of why are some people and countries more protectionist than others, Anna Maria Mayda and Dani Rodrik (2005) found that pro-trade preferences are significantly and robustly correlated with an individual's level of human capital, and that preferences over trade are also correlated with the trade exposure of the sector in which an individual is employed. In the 1970s and 1980s, the national agricultural policies of most developed countries, including Honduras, remained interventionist and largely protectionist in an effort to develop domestic markets and bulwark local enterprises from shocks emerging externally. This changed in the 1990s when most Central American countries realized the gains from variety and the rise of the Asian tigers (Broda and Weinstein 2006; Stokes 1999).

As expected, trade is a charged topic because countries and people have diverging perceptions in relation to the opportunities and threats that interstate exchange of goods bring. The cheerleaders of free trade sell it as the igniter of growth; however David L. Lindauer and Lant Pritchett (2002) hit the nail in the head by rightly asserting that it seems harder than ever to identify the keys to growth. This is especially true when, on balance, the worldwide paradigm is that the winners are few and the losers are many. For every example of success, there is a counterexample of failure. The current nostrum of 'one size does not fill all' is not itself a big idea, but a way of expressing the absence of any big ideas. The rationales to engage in trade get blurred and confused after studies incorporate unaccounted externalities and when the economic logic mismatches. Peter T. Bauer (1976) is incisive in his assertion that any poor country where incentives to invest are attractive does not need aid-for-trade or economic assistance, while a poor country without incentives to invest will not have economic assistance or aid-for-trade allocated into investments.

Moreover, in terms of open multilateral trade, the Washington Consensus calls for removing any price distortions, opening to multilateral trade, and corrections of macroeconomic imbalances. To understand the logic behind these prescriptions New York University Professor William Easterly (2001) tested the outcomes of key Washington Consensus variables on growth of developing countries and found that, on average, developing countries moved towards better economic and trade policies, yet average growth for the group declined between 1980 and 1989. So, in aggregate, the evidence appears to be in favor of initiating and furthering the free and open exchange of goods and services, but in disaggregation, and under a magnifying glass, there are still many questions that remain unanswered. For example, Honduras has support programs for exporters and incentives for promoting exports that are intended to improve competitiveness and access to international markets and are aimed primarily at agricultural and agro-industrial products. However, despite the emphasis placed on promoting exports and supporting the small exporter, the country has no official export financing or insurance programs as it still tiptoes to place overreliance on a risk-prone sector that continues to face major hurdles in trade agendas.

Methodology and Study Approach

Through a brief literature review that covers an array of books, reports, working papers, essays, scholarly articles, and media sources, this paper examines the impacts and outcomes of agricultural trade in Honduras under CAFTA. A number of keywords such as agriculture, CAFTA, development, exchange, growth, Honduras, and trade were typed into Google Scholar and JSTOR to identify and select the most pertinent and robust writings on the subject from academics, analysts, commentators, doyens, experts, journalists, observers, and scholars. The headings were carefully chosen to guide readers through the different issues explored. It asks: what are the impacts and outcomes of agricultural trade in Honduras under CAFTA? This question guides the discussion throughout, as well as seeking to make selected linkages to issues arising in political, economic, and commercial domains. This review paper contributes to an increasing body of work in agricultural exchanges and trade agreements from authors such as Dani Rodrik, Kym Anderson, Will Martin, Spencer Henson, Rupert Loader, Gary Hufbauer, Dale Hathaway, Merlinda Ingco, Christian Broda, and M. Ataman Aksoy, among many others.

The paper begins by providing a brief macroeconomic background of Honduras and an overview of trade, trade organizations, and trade agreements. These details are meant to provide a sense of the depth and breadth of the relationship between agriculture, Honduras, and trade. This is followed by what the Central American Free Trade Agreement means and does, as it is then used to understand the impacts and outcomes of agricultural trade. The Conclusions offer summary findings and the Reflections attempt to make sense of the contributions of this work to the understanding of roles of agricultural trade as an engine of economic growth in Central America.

Macroeconomic Background of Honduras

According to statistics from the World Bank (2011) and the International Monetary Fund (2011), between 2003 and 2009, the average annual rate of growth of real GDP in Honduras was 4.5 percent. This annual rate of GDP growth is higher than the 3.2 percent recorded in 1992-2001. From 2005 to 2010, the average annual rate of inflation was seven percent. Local newspapers publish higher yearly inflation rates that are closer to ten percent, based on calculations from the Central Bank of Honduras. The fiscal deficit fell from five percent of GDP in 2003 to three per cent in 2009. This small decline of two percentage points has been commended by international financial institutions. The total external debt balance decreased from 71 percent of GDP in 2003 to 23 percent in 2009. The external current account deficit as a percentage of GDP rose from seven percent in 2003 to 13 percent in 2008. To a large extent, the current account deficit has been financed by substantial inflows of remittances from the USA and foreign direct investment.

Despite these positive macroeconomic results, about one third of the population still live below the poverty threshold, and the economy continues to be fragile, heavily dependent on international trade amid a volatile environment, and exposed to external shocks such as food and oil price hikes. Real GDP is estimated to have fallen by 2.5 percent in 2010, which is similar to the drops experienced by other neighbors. This growth decline is mainly due to the difficult internal political situation after the military coup against President Manuel Zelaya Rosales and the protracted global economic slowdown, which substantially reduced exports and remittances from Honduran workers. The amounts and volumes of remittances should not be underestimated given that they accounted for roughly 17 percent of GDP in 2009 (IMF 2011; World Bank 2011).

Latin America Scholar Thomas P. Anderson (1988) has carefully assessed comparative politics in Central America. His studies indicate that there are notable differences in the social contracts between Central American states and their citizenries. Overall, the relationship is a contested one; marked by doubts, mistrust, repellence, poor services delivery, and unaccountability. A simple explanation is that, for Honduras, the government does not feel compelled to give back much to its people (in terms of state functions and services) because it asks and takes very little from them (in terms of fees, taxes, and levies). As a result, Hondurans do not enjoy high levels public education and health, and this is compounded by widening income and wage inequalities between the rich and poor, which are, to say the last, plentiful and vast. This being said, the weighted calculation of the Human Development Index (2011) for Honduras based on multiple parameters results in a relatively low ranking. Table 1 below provides more specific details.

Table 1. Multiple Parameters for the Human Development Index of Honduras.

Parameter	Units of Measurement	Value
Health	Life expectancy at birth (years)	72.6
Education	Mean years of schooling (of adults) in years	6.5
Income	GNI per capita (2008 PPP US$) LN	8.2
Inequality	Inequality-adjusted HDI value	0.419
Poverty	Multidimensional poverty index	0.160
Gender	Gender Inequality Index	0.680
Sustainability	Adjusted net savings (% of GNI)	13.1
Human Security	Refugees (thousands)	1.1
Composite Indices	HDI value	0.604
Human Development Index	Rank	106

Source: HDI (2011). http://hdrstats.undp.org/en/countries/profiles/HND.html

According to trade data from the World Trade Organization [WTO] (2011), the main agricultural exports continue to be bananas, cigars, coffee, crustaceans, sugar, melons, vegetables, and watermelons. As a whole, agricultural products account for about two thirds of general goods exports. Due to its proximity to Honduras, the United States is the main market for Honduran exports, absorbing about fifty percent of general goods exports. Since 2007, due to the intensification of the Central American

Common Market, Costa Rica, El Salvador, Guatemala, and Nicaragua have together ranked second as a destination for Honduran exports, relegating the European market to third place. As for imports, nearly three quarters of the total imports consist of manufactured products, particularly processing equipments, machinery, and transport vehicles. Again, the United States is the main source of imports of general goods into Honduras, with more than one third of the total. WTO analyst and economists assert that the Honduran external trade is characterized by limited diversification, both in terms of products and trading partners. The country's main export products are those of the garment manufacturing industry, which accounted for 55 percent of total merchandise exports in 2009, followed by exports of general goods at 44 percent, and other miscellaneous products at one per cent. Almost 90 percent of the garment industry exports are textile products and these also account for about four fifths of the total garment industry imports. The United States is the destination for almost 80 percent of Honduran garment industry exports. In view of the importance of trade to Honduras, the next section examines various trade aspects, such as trade organizations and trade agreements.

Trade, Trade Organizations, and Trade Agreements

First, before moving ahead, it is important to clarify what is to be understood when referring to trade and free trade. Briefly, trade is the engagement in the committed exchange, purchase, or sale of goods, whereas free trade is slightly different as it encompasses trade based on the committed and unrestricted exchange of goods with tariffs used only as a source of revenue. In this sense, free and open trade is a situation that exists when exchanges are neither restricted nor encouraged by governmentimposed barriers or obstacles (Spero and Hart 2010:452). To be sure, the prevailing economic and political consensus is that free and open trade allows countries to specialize according to the principle of comparative advantage and thereby achieve higher levels growth, development, peace, progress, prosperity, and wellbeing (Dam 1970; Jackson 1989).

Based on this direct logic, the national, regional, and international trade imperative precipitated the creation of an organization facilitating exchanges of goods. To this end, on January 1995, the World Trade Organization was established to supervise and liberalize international trade, and as a successor to the General Agreement on Tariffs and Trade (Spero and Hart 2010:474). While it is true that WTO has been the platform to expand the trade agenda worldwide, it has not done so without its detractors. In a critical review of international trade institutions, Debi Barker and Jerry Mander (2000) note that the WTO serves as globalization's principal governing and rule-making regime. They argue that it operates with one central principle in mind: that the interests of global corporations should always take precedence over any other competing interest. Moreover, the authors assert that the inclusion of agriculture in the WTO negotiations has also threatened the food security of many poor nations. In the past, many low-income countries used to grow different crops for local consumption but are now indirectly forced, by WTO and others, to grow large monocrops for export. Closer to home, in a sharp critique of US-led free trade, Ian H. Fletcher (2010) examines why liberalized trade is slowly bleeding America's economy to death and calls for an array of protectionism measures—which are against the spirit of openness.

Aside from all its critics and supporters, the main tools to promote free and open exchange of capitals, goods, and services is through trade agreements: bilateral, regional, and multilateral. Table 2 below shows a short list of existing Latin American and Caribbean trade agreements.

Table 2. Trade Agreements in Latin America and the Caribbean

Name of Agreement	Acronym
Latin American Integration Association	LAIA
Andean Common Market	ANCOM
Central American Common Market	CACM
Southern Cone Common Market	MERCOSUR
Caribbean Community	CARICOM
Central American Free Trade Agreement	CAFTA

Source: Spero and Hart (2010:284).

As a whole, Central American countries have indeed benefited tremendously from access to international markets; so much so that as Latin America's economic growth and cohesion gathers steam, development and trade economists have started to wonder if the stellar trade performance of regional trade agreements might derail the lengthy efforts for free and open multilateral trade as proposed by WTO and international financial institutions (Yeats 1998; World Bank 1999).

In fact, Peter D. Sutherland, former Director-General of the GATT from 1993 to 1995 and founding director of the WTO, encourages political leaders around the world to make better use of the WTO—and trade agreement—given that it is the countries that have joined the WTO over the past decade that have drawn the most benefit from global trade rules (Sutherland 2008). In sum, free trade means full compliance with WTO rules. What does this means? It means absence of any illegal export subsidies, a fairly valued currency, strict protection of intellectual property, the absence of any forced technology transfer, environmental, health, and safety standards that meet international norms, free and open access to each country's domestic markets, and an unrestricted global market in commodities and raw materials. It is generally believed that following these general actions improves both a country's trade position and economic growth.

CAFTA: The Central American Free Trade Agreement

As noted above, trade agreements are the instruments to institutionalize and formalize free and open exchanges between countries and regions. Of interest to this paper were the negotiations on a United States−Central America Free Trade Agreement (CAFTA) involving Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua that began in late January 2003. After 16 months of extensive talks, careful analyses, and busy negotiations a consensus was reached, and on May 28, 2004, the United States signed CAFTA with its Central American partners. In addition, the Dominican Republic concluded a similar bilateral free trade agreement with the United States on March 2004, which was integrated with CAFTA to be considered as a single legislative package (Hornbeck 2004, 2008). Of all the areas involved, the formulation of a framework for handling agricultural trade was the most difficult and slowest (Jurenas 2003). Overall, free trade agreements are comprehensive in scope, and in addition to including provisions on agricultural trade, these encompass trade in all other goods and services, investment rules, and intellectual property right, among other matters. The signing of CAFTA was a major political and economic victory since Central American countries worked tirelessly to persuade their Northern partners that it is in the selfinterest of industrialized countries to make changes that will help the developing countries export, earn more, service their debts, and provide markets for its products.

In part, CAFTA was negotiated as a regional agreement in which all interested parties would be largely subjected to the same set of obligations and commitments, but with each country defining its own separate sets of schedules for market access on a bilateral basis. The flexibility of this framework allowed some countries to negotiate longer and for slightly different arrangements. Each of the five Central American countries negotiated separate schedules according to their particular capacities, needs, and potentials. It also allowed for the Dominican Republic to be added to CAFTA at a later date. Essentially, CAFTA is a comprehensive and reciprocal trade agreement that defines a number of detailed rules and regulations that would govern an array of interstate exchanges. Under this agreement, more than four-fifths of US consumer and industrial exports, and over half of America's farm exports to Central America, would become duty-free immediately. To address asymmetrical development and transition issues, CAFTA specifies rules for lengthy tariff phase-out schedules as well as transitional safeguards and tariff rate quotas (TRQs) for sensitive goods. Although many goods would attain immediate duty-free treatment, others would have tariffs phased out incrementally so that duty-free treatment is reached in 5, 10, 15, or 20 years from the time the agreement takes effect (Jurenas 2003; Hornbeck 2004, 2008).

Impacts and Outcomes of Agricultural Trade

For agriculture-based economies, agricultural trade is pivotal to ensure food security, assist in poverty alleviation, promote rural livelihoods, and sustain economic growth. This is the principal reason for Honduras to attach great importance to its participation in the multilateral trading system. At its core, it regards this accretive system of norms, rules, and regulations as a fundamental guarantee of non-discrimination and the non-utilization of unilateral trade measures. This being the case, Honduras grants at least Most Favored Nation treatment to all WTO members. Many Honduran government officials have participated dynamically in the Doha Development Agenda (DDA) by making proposals both individually and collectively with other Members. Honduran interests in the DDA are chiefly focused on issues relating to agriculture.

From its start, the Bush Administration insisted that embracing free trade was critical to meet the unique needs of the poor in developing countries (Wright 2001), and the Central American countries picked up that hint as broader market access proposals. Indeed, from the Clinton to the Bush era, the average value of trade in selected agricultural products (Table 3) saw positive effects for bananas, seafood, sugar, and vegetables. Coffee, on the other hand, experienced a steep decline at the hands of lower market prices. Honduran coffee farmers were particularly shocked by these price fluctuations because—from 2003 to 2005—the share of coffee in total exports of Honduras was 63.35 percent (Poulton, 2008). In addition to product-specific impacts, Honduran crop and livestock dependent rural population suffered from the consequences of pervasive distribution distortions in agriculture that result in farmers getting on 15 to 20 percent of the retail price of fruits and vegetables and unprocessed animal products (compared to 20 to 30 percent received in India and the 40 to 50 percent farmers get in the United

States). Therefore it can be said that, in terms of agricultural trade in Honduras, liberalized trade had particularly negative impacts to some farmers but generally positive outcomes to the agricultural sector.

Table 3. Average value of trade in selected commodities, 1993/95−2003/05*

Commodities	1993—1995 (US$ Billions)	2003—2005 (US$ Billions)	Change between Periods (Percentages)
Bananas	3.5	5.0	42.86
Coffee	8.6	5.9	-31.40
Seafood	31.1	46.0	47.91
Sugar	9.2	10.5	14.13
Vegetables	3.2	6.7	109.38

Source: Poulton (2008:4). * Includes only Honduran commodities.

As previously noted, the United States is the main trading partner for Honduras. Bilateral trade between the two nations totaled US$6.7 billion in 2009. US exports to Honduras in 2009 totaled US$3.4 billion, a 30 percent decline from 2008. Since the implementation of CAFTA, US imports from Honduras are up 7.8 percent, while US exports to Honduras have grown by 48.9 percent in that period (US Department of State, 2011). The relatively small increase of exports from Honduras to the United States in the first four years of CAFTA is confirmed by researchers at International Food Policy Research Institute who show that trade liberalization in Honduras under CAFTA had a positive effect on growth, employment, and poverty but the effect is small; the sector to benefit most is garments assembly and the least is agriculture (Morley et al. 2008).

More specifically, the share of agriculture to GDP declined and its growth was largely erratic. Nevertheless, it continues to be of great importance for the development of the

Honduran economy, absorbing about one third of the economically active population and generating more than half of the foreign currency earned from merchandise exports (garments excluded). This is why it considers necessary to maintain protections and offers agriculture greater tariff protection than other sectors. It has retained the price band system and the absorption agreements, which permit the importation of certain grains with tariff preferences if the processors also purchase a specific percentage of the national production of these grains. Despite the measures to promote agriculture, it is still characterized by low productivity, modest growth rates, and inefficiencies.

Further validation to the outcomes described above of CAFTA on Honduras come from Monge-González, Loría-Sagot, and González-Vega (2003), who examine the effects of trade restrictions for agricultural exports in five Central American countries. They found comparative advantages for 132 line items (US$494 million in average exports) that Honduras successfully exports to the world but 75 of these line items are *not* successful exports to the United States market.

In terms of multidimensional impacts, Dale Hathaway (2003:27-28) notes that higher agricultural subsidies for US producers will widen the already huge disparity between Honduras and US crop producers, especially those focused on cereals. Moreover, he clarifies that the US Trade Promotion Authority "will only adversely affect Honduras agricultural export interests to the extent that it causes US negotiators to be more protective of those products labeled as sensitive."

Paradoxically, for the all the purported benefits that open multilateral trade brings, countries continue to have reservations and express concerns over the associated impacts that come with it. Foreign Policy Editor Moisés Naím (2007:95) notes that "while the benefits of freer trade exist as future promises, the costs can be real, tangible, and immediate." For example, Naím clarifies that "cutting agricultural tariffs may benefit society at large by reducing what we pay for the food we eat. But it will immediately reduce the income of farmers" and this applies to Honduras.

Political science professor and international affairs doyen G. John Ikenberry (1999:60) casts some light into the anti and pro stances to trade by noting that "liberals see trade and open markets as a kind of democratic solvent, dissolving the political support of autocratic and authoritarian governments." On the other hand, the opponents "say that it disproportionately hurts certain groups, or causes social disruptions, or poses a threat to national security."

Conclusions

The Central American Republic of Honduras has a transitioning agricultural-based economy that is heavily reliant on external trade. The ratio of trade—exports and imports—to GDP is among the highest in the Central American region, with an annual average of 133 percent during the period of 2006 to 2008. Its main agricultural exports are fruits, coffee, seafood, and vegetables. These items have experienced positive and negative impacts in their overall values of trade. For example, from 1993/95 to 2003/05, the agricultural items most positively impacted were sugar, bananas, seafood, and vegetables (in ascending order). However, during the same timeframe, the value of trade for coffee slumped by more than 30 percent (see Table 3). The consequences of reduced trade for coffee turn out detrimental to national accounts and rural livelihoods since it not only represents three-fifths of exports but also a source of employment and social cohesion.

From the start, CAFTA has attracted much concern and criticism as it is seen as an agreement that eliminates most tariffs and other barriers for US goods destined for Central American markets. CAFTA also aims to eliminate intra-Central American tariffs and facilitate increased regional trade, benefiting American companies established in Honduras. However, there are numerous positives to underscore: it provides protection for US investments and intellectual property, and creates more transparent rules and procedures for conducting interstate business and commercial transactions. With CAFTA implemented, about 80 percent of US goods now enter the region duty-free with tariffs on the remaining 20 percent to be phased out (WTO 2011).

Most people would agree that Honduras is set to benefit from CAFTA mainly from garments exports to the United States and not from increased agricultural trade. As long as exports of raw commodities are strongly emphasized (i.e. low value-added products), Honduran farmers will continue to suffer from large differentials in terms of the prices their products are sold in markets and what they receive in cash for them in the field, that is, farmers getting less than one-fifth of the retail price of fruits and vegetables and unprocessed animal products. In terms of outcomes from agricultural trade, the Central American economies in general and Honduras in particular, which are largely agriculture-based, will continue to experience poor economic incentives to improve farmers' productivity which undoubtedly results in a stagnant agricultural sector that is characterized by modest growth rates, inefficiencies, temporary employment generation, variable levels of exports, and a shrinking importance in national agendas. Inevitably, garments and electronics manufacturing are *set to take over* as many economies start to transition slowly into more labor-intensive manufacturing while maintaining a certain degree of protection to farmers so that these are not severely impacted by massive inflow of subsidized products from the North.

Thoughts and Reflections

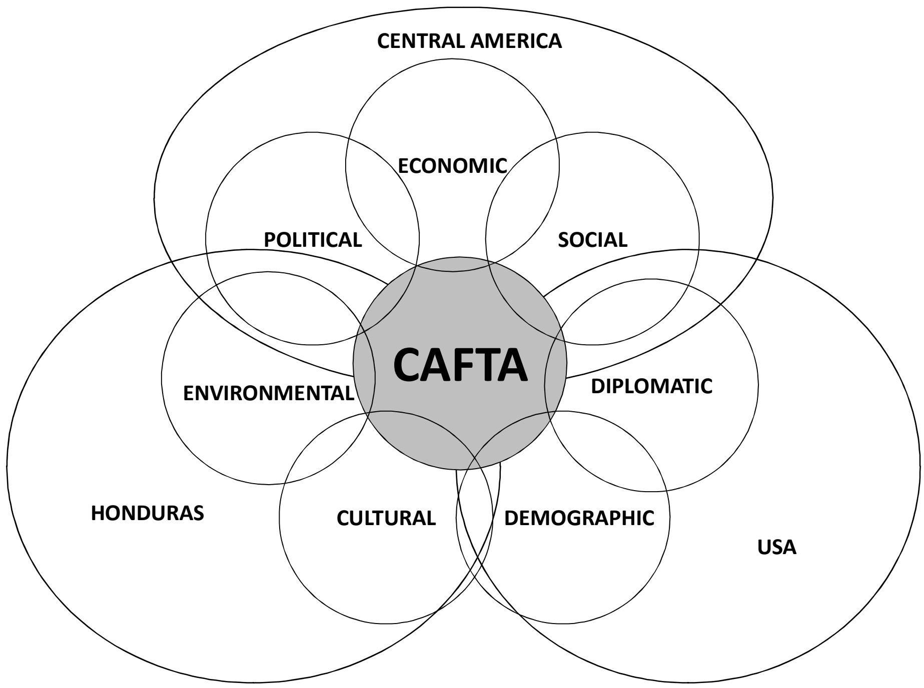
Studies of this type should at least attempt to make sense of the contributions they make to the understanding of the many linkages between agricultural trade and socioeconomic and political domains, among many others (see Diagram 1).

First, the results of the first four years of CAFTA suggest that Honduran exports to the US have increased by less than eight percent, yet US exports to Honduras have increased by almost fifty percent: so the benefits of CAFTA need to be understood in a comparative context.

Second, given that the United States continues to be the largest investor in Honduras, accounting for US$343 million or 70 percent of the total inflow in 2009, it has the power to coerce Honduras via imports restrictions to accept foreign policies it would otherwise renege on (Burgos-Cáceres 2011). Third, the majority of foreign direct investments in 2009 were directed to the food, telecommunications, and consumer trade sectors, all of which have tended to raise inflation rates while at the same time pushing domestic constituencies to advocate for waves of privatizations. This comes as no surprise to Honduras: it is no secret that international organizations that are heavily funded by the North tend to be biased towards their patrons.

Fourth, if CAFTA does not deliver the benefits it once advertised, Honduras can rely on regional frameworks to build its agricultural trade of non-export items as it is unlikely that vast rural populations will be allowed to sink into further poverty. To this end, Jeremy A. Rabkin (2005:225) steps forward and asks if sovereignty is traded in trade agreement? The answer is no. He notes that "a sovereign state can choose what policy to pursue. It does not forfeit its sovereignty merely because it agrees to coordinate its policies with other sovereign states or to commit itself to such coordination under an international treaty." And last, but not least, Honduras still owns its future. It always has. It always will.

Diagram 1. Multidimensional linkages between CAFTA and interested parties.



Source: prepared by the author.

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