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Readiness Varies for CAFTA Negotiations

by LADB Staff

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The Costa Rican newspaper La Nacion recently published an isthmuswide report measuring the degree of readiness and expertise that each of the Central American countries will bring to the table when negotiations with the Northern Giant begin on the Central America Free Trade Agreement (CAFTA) announced by President George W. Bush last January (see NotiCen, 2002-01-31). The report featured articles by journalists from each of the countries involved.

Getting ready for this five-against-one encounter, said Costa Rican Foreign Trade Minister Alberto Trejos, is a three-step process: first, each country must find its internal balance of players; second, all must harmonize a common position; third, they must sit down and face the US. The process will be difficult, even more so because of the great internal differences among the countries. Those differences range from way of life to degree of development of free-trade oriented production.

So far, consensus is limited to acceptance of CAFTA, said Enrique Neutze, president of Guatemala's business organization, speaking for the powerful private sector. The problem in Guatemala from his point of view is the near-nonexistent relationship between his sector and the government of President Alfonso Portillo. In El Salvador, the relationship between government and the private sector is good, said Rigoberto Monge, a private-sector consultant there.

The rest of Central America has recognized El Salvador as a leader in CAFTA matters, given the close bond between President Francisco Flores and Bush. But now, says Costa Rican business leader Marco Vinicio Ruiz, Costa Rica appears to be ahead because of the superior business acumen of their private sector.

Honduras lacks sophisticated organization altogether, says reporter Mauricio Mejia. There are good relations between the administration of President Ricardo Maduro and the business community, but that community has not put together a structure for negotiation.

In Nicaragua, economist Nestor Avadano is concerned that the productive base is not diversified, there is little business competition, little investment in technology, an unskilled public sector, and negotiators lacking in experience. The only upside for Nicaragua, says Avadano, is that the country has absolutely nothing to lose; any agreement would be an improvement on the present situation. Essential to any concerted strategy will be an assessment of the effect of trade liberalization on individual products for each country and identification of weak spots.

For Guatemala, textiles are vulnerable as is agriculture in general, particularly wheat, sorghum, and corn. Other areas of weakness are minimum wage, labor laws, child labor, human rights, and intellectual-property issues. In El Salvador, beer, the maquila sector, and labor laws are sore points. Illegal immigration also poses problems for the country. Honduras has problems with textiles and

the maquila sector, basic grains, chicken parts, environmental issues, and labor. For Nicaragua, the issues are meat production and other agriculture, and the lack of industrial production.

It is anticipated that the US will be open to negotiating exclusions for sensitive products and bilateral negotiations to work through the other weaknesses and matters that the five countries cannot agree on as a bloc. Some countries are farther along than others regarding who, specifically, will be on the negotiating teams. El Salvador will field Herminio Blanco and Jaime Zabudovsky, both Mexicans with North America Free Trade Agreement (NAFTA) experience, in their starting lineups. They will be paid heftily. They will be supported by a bevy of US lawyers.

Managing the team will be Economy Minister Miguel Lacayo, who has organized the private sector effectively for the negotiations and who is under pressure to get the job done before the current administration's term expires. Costa Rica is known to have a deep bench because of its long experience in crafting bilateral trade agreements. Foreign Trade Minister Trejos can count on at least a dozen seasoned players.

But for Guatemala, Honduras, and Nicaragua, all acknowledge a need for tempering in the minor leagues before stepping up to this world series of trade agreements. Guatemala, for instance, will have academic Bernardo Lopez as leadoff hitter, but it has yet to pick the rest of the team. Economy Minister Patricia Ramirez might be an obvious choice, but she is the fifth person to hold that post in five years, has shown no great interest in the CAFTA, and is held in disdain by the business community.

Honduras has not even started spring training. "We're late," say representatives of the industrial sector, who have had, so far, only informational meetings on the subject. It is thought that Nicaragua will bring in some expatriate businesspeople from Miami to support Mario Arana and Javier Morales, Minister and Vice Minister, respectively, of Development, Industry and Trade.

On Nov. 14 and 15, Central American government representatives had what was scheduled to be their final meeting (see NotiCen, 2002-10-17) to put finishing touches on an CAFTA negotiation proposal. They were expected to agree to a schedule with firm dates and to deal with the subject of international support for small and medium businesses. Tentatively, the negotiations would start in early January 2003.

Speaking about small-business issues, El Salvador's Economy Minister Miguel Lacayo said, "We have seen a very concrete advance on the part of the United States to facilitate access of small Central American businesses to the North American market." He added that this access would include special treatment for regional agricultural products. Regional business leaders were also in Washington, he said, "so that they can continue to have input on the negotiations."

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