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The second round of negotiations toward a Central America Free Trade Agreement (CAFTA) concluded in Cincinnati, Ohio, at the end of February with the first signs of disagreement between Central Americans and the US (see NotiCen, 2003-02- 06). Until this round, the public face on the meetings on the plan was invariably smiley, with the only evident discord being between the monolithically pro-free trade governments and their own citizens (see NotiCen, 2003-01-23). That dissention continues unabated, as one Salvadoran businessman demonstrated.

"It took two and a half days to print an eight-page document. We couldn't even find a copier," complained Rigoberto Monge, one of the coordinators of the Consejo Empresarial Centroamericano (Ceca). But the main news in Cincinnati was the broadside of proposals the US fired at the Central Americans. Said chief Costa Rican negotiator Anabel Gonzalez about the proposals, "In many cases they do not reflect our interests." She said those differences would not be revealed formally until her side delivers counterproposals at the third round in El Salvador from March 31 to April 4. Gonzalez acknowledged that the countries of the isthmus have little clout against the most powerful country on earth, but thought they might have some leverage around the fact that CAFTA is, for the northern giant, little more than prelude to the vastly more significant Free Trade Area of the Americas (FTAA). That agreement will encompass 34 countries and has a US-imposed startup date of 2005.

To stay on track, CAFTA must be ready for ratification in December 2003, and, for ratification to go smoothly, the final document must appear "sustainable and balanced" to the congresses of the six countries. Among those upset with the US proposals are the textile and generic-drug sectors. The textile producers see the US strict demands on rules of origin as shutting them out of the larger market, while the drug manufacturers see US demands as extending the monopolies of the transnational pharmaceutical companies. The reservations of these two sectors take on added significance because they have come so early in the process. If there is this much disagreement in only the second round, other producers in the private sphere wonder what lies ahead for them. So far, they have not even seen the lists of products that will be allowed duty-free entry.

Their only certainty is, as one businessman said, "It's our money they're negotiating." The US still has not shown its hand. Producers as yet have no idea what lies ahead in telecommunications, labor rights, or in agriculture. That will be made clear, said chief negotiator Regina Vargo, between the third and fourth rounds, when the US will have presented all that it plans to discuss.

A preliminary list of 24 products that the US was interested in for FTAA negotiations has been circulating among the wary Central Americans, but they have no way of knowing what part these will play as CAFTA unfolds. That list pertains mainly to the sugar industry. Sugar is not included in the Caribbean Basin Initiative. The US treats sugar separately under a quota system that permits the importation of 1.1 million metric tons worldwide. Of this, Costa Rica, for example, can export 15,596

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MT. Prior to the El Salvador round, the isthmus players will meet in Guatemala March 17-19 to plan their response. They expect a difficult meeting.

They left their illusions in Cincinnati.

The negotiators, representatives of their respective governments, will meet separately from the businesspeople, who do not negotiate, but only consult with the negotiators. They will have to decide on a response to the US demand that clothing, a major export from the maquilas, must, under CAFTA, not be made of cloth from a nonsignatory country. This requirement would almost certainly be ruinous to an industry that was once the hope of Central America as an answer to poverty and widespread unemployment, utilizing its comparative advantage of cheap, plentiful, and usually compliant labor. Maquilas continue to be major employers throughout the isthmus. They export finished goods, but do not manufacture the cloth from which they are made. Nor do the countries have infrastructure for the manufacture of fabric on the scale that would be required by the industry.

The paucity of information from either the US or the Central American sides available to private-sector strategists leaves them at a disadvantage in formulating plans ahead of the Guatemala meetings. The sector recently created the Consejo Empresarial Centroamericano de Textil y Confeccion (Cecatec) for just that purpose. Cecatec coordinator Miguel Schyfter said that it was his understanding that the US demanded the right to impose a quota under which it could refuse imports of Central American apparel upon finding that they damage the US internal market. Equally dismaying for the sector, said Schyfter, is that the US could also suspend imports on nothing more than the suspicion that finished products contain foreign cloth. Cecatec, in its haste to determine the facts, is getting little help from government negotiators, who, although they were present at the negotiating table, claim also to be in the dark with respect to the US position.

Eduardo Ayala, vice minister of economy of El Salvador, said that the official delegation did not have details of the text and had, therefore, been so far unable to provide crucial information. Schyfter is currently relying on explanatory comments offered by US negotiators. Schyfter's group had anticipated an outcome very much different from what they appear to have gotten in Cincinnati. They were seeking a deal superior to that negotiated by Mexico in the North America Free Trade Agreement (NAFTA), that is, free trade for items made with regional fabric and higher quotas for those made with material from any third country. They referred to their position as "NAFTA Plus."

At present, importation of clothing items from Central America is governed by the CBI. CBI rules allow free access only to clothing items produced with US-made fabric and thread. There are quotas for products made with regionally manufactured cloth, but with US thread. Negotiators and the parties on whose behalf they labor expect that succeeding rounds will lay bare other sensitive areas and give rise to other non-negotiable confrontations with reality. Agriculture will be one such area.

As harbinger of things to come, assistant US negotiator Christopher Padilla named this sector as one "which will have to be worked through in minute detail." He acknowledged that the US has some sensitive agricultural products, like sugar, which North American producers have asked to be removed from negotiation. "Nevertheless," he said, "we don't want any product left out, and

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we're asking for reciprocity in the Central American region." The comment was not likely to inspire confidence among regional growers, who have expressed concern that they would be wiped out by the combination of vastly superior US productivity and agricultural subsidies. These growers have seen the panic among Mexican producers as they recently became exposed to the full might of US agricultural exports, heavily subsidized by the US Farm Bill of 2002 (see SourceMex, 2003- 02-12), which gives US$180 billion to US producers over a ten- year period.

Also under the rubric of agriculture, but outside the negotiations themselves, environmentalist groups in El Salvador have begun a campaign for the promulgation of a Law of Biosecurity that would exclude from CAFTA the importation of genetically modified products for public health and ecological reasons. One such organization, Red Ciudadana Frente a los Transgenicos, has suggested that the most efficient solution would be to drop agriculture from the negotiations since, said spokesman Javier Rivera, much of what the US exports is genetically manipulated.

Generic drugs was the subject of still another US demand in Cincinnati that bodes ill for the region. The US wants, say critics, its intellectual property rights to reign in the region with the result that Central American countries will lose their right to manufacture some generic drugs and be forced to import branded equivalents from the US at higher prices to consumers, to the ruin of regional manufacturers. Guatemala is especially vulnerable on this front, having only recently passed a law of industrial property that reduces the period of patent monopoly to the shortest in the world, according to reports.

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