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LADB Staff

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Little Progress in CAFTA

by LADB Staff

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The fifth round of negotiations for a Central American Free Trade Agreement (CAFTA) opened in Tegucigalpa, Honduras, on June 16. In the days leading up to the meetings, various analysts had identified this as the "key" round, but from the first it was evident that not all the countries were playing in the same key. It was widely expected, for instance, that Guatemala, which had monkey-wrenched the last round (see NotiCen, 2003- 05-15) with a proposal for immediate elimination of tariffs on far more trade items than the rest of Central America was prepared to agree to, would come closer to consensus with its partners this time around. That did not happen.

It was widely expected that the US, seen to be miserly in its offers last time, would be more forthcoming in the current round. That did not happen to the satisfaction of the Central Americans. The US added confusion to the situation on June 18 by urging, not from Tegucigalpa but from Washington, that the Central American countries restructure their militaries and reduce military spending.

Daniel Fisk, deputy assistant secretary for Western Hemisphere affairs, told a conference at the Center for Strategic and International Studies, "The Central American states should declare explicitly what is obvious to everyone, that there is no reasonable justification for a military action of one Central American democracy against another." Carlos Ulvert, Nicaraguan ambassador to the US, thought this was a good time to be bringing the matter up. "We are discussing CAFTA," he said. "We have five democratic governments in the region, five presidents who get along very well with each other, and five armies that are at peace." Fisk made it clear that he was looking for a military restructuring that would serve the US need for anti-terrorism, anti-organized-crime forces that could double as natural- disaster responders and reduce wasteful government spending in the region.

But Manuel Orozco, Central America director for Inter- American Dialogue, called the proposal "incomplete, because it underestimates the traditional tensions and territorial disputes between the countries." He said, "The idea is very important, but it has to reflect the needs of Central America; as it is stated, it reflects the need and perspective of the United States, which is the threat of international organized crime." Orozco concluded, harkening back to CAFTA, that the fundamental problem of Central America is about economics and social inequality. "While these problems are not resolved, whatever strategy having to do with militarism, with armed forces, etc, will be insufficient," he said. Guatemala maintains distinct position Fisk's message did not provoke comment at the negotiating tables. In Tegucigalpa, the negotiators were busy trying to sort out Guatemala's insistence on going its own way on tariff matters. The subject dominated the opening discussions.

Guatemalan chief negotiator Salomon Cohen was alone in insisting that his country's proposals did not differ from the rest. Dumbfounded representatives from the other countries told reporters

that they had been in almost permanent discussions with the Guatemalans since the end of the last CAFTA round. Cohen's statements defending his position bordered on the incoherent.

Pre-meeting discussions occurred at the highest levels; Honduran President Ricardo Maduro met with Guatemala's Alfonso Portillo regarding the issue. Many within the delegations of the other countries suspect that the unique position of Guatemala is linked to pressure from the US. They suspect a quid pro quo. The US has decertified Guatemala for its drug-war failures (see NotiCen, 2003-02-06), and Guatemala must get back in the good graces of the northern giant to not jeopardize its inclusion in a final CAFTA agreement.

With Guatemala isolated, Honduras, El Salvador, Nicaragua, and Costa Rica presented the US with a unified proposal. These four countries continue to maintain a consensus reached two weeks ago at meetings in Managua. The US played down the fractured unity of the Central Americans.

Barbara Bowie-Whitman, free-trade coordinator from the US State Department, told the press, "We see CAFTA as a process that is going to have more integrative results than it has now, but at the stage of making offers, if some want to present something earlier than the others, it's not a worry." But it was a worry for the four countries.

On the second day of negotiations, they sent the Guatemalan delegation a letter cautioning Guatemala to come around to the regional position and not lose the opportunity to present the US with a unified proposal. On the third day, chief negotiators for the four told Guatemala that it must define its final position "in the shortest possible time." Said Honduran Commerce Minister Norman Garcia, "We are not disposed to pay the price for Guatemala, because their position will generate thousands of unemployed people in the region, and many businesses will go broke." Nicaragua's chief negotiator, Carlos Sequeira, said, "The house is divided, and we can't cover the sun with a finger, but [we have to] straighten out the differences as soon as possible."

His Honduran homologue, Melvin Redondo, warned, "If there isn't a quick response from Guatemala to these requests, they will be dealt with at a higher level, reaching the presidents." From the Guatemalan private sector, representative Marcio Cuevas complained, "We have made it clear to Salomon that what we want is that a good treaty be negotiated that generates employment and combats poverty, but it concerns us that he has been isolated, and this can affect the process." Bowie-Whitman was sanguine. "We are confident that harmonization will come to Central America, and this is a natural part of a process of negotiation like this," he said. It appears, however, that if harmony is to come, Guatemala expects the other countries to change their tune.

Guatemala's Economy Minister Patricia Ramirez invited the others to take their cues from the different drummer. Asked to respond to the letter sent her delegation by the others, she said, "We don't think we can follow a protectionist policy of other countries' captive markets, because it would prejudice ours considerably." Ramirez continued that the US was pleased with Guatemala's comportment. "Ambassador John Hamilton has said that Guatemala has understood the strategy of this negotiation, and our strategy is of opening in both directions, for which we are sure that the US will offer more benefits than we have now." She expressed confidence that CAFTA would be ready for signature and implementation on schedule. Bowie-Whitman's avuncular view of Central

American behavior ignores her own country's role in the general dissatisfaction over the lowering of trade barriers in this round.

Melvin Redondo said that the latest US proposal contemplates immediate access to 90% of industrial and 60% of agricultural items, far higher than the isthmus will tolerate. "The US proposal still does not fulfill our expectations," he said. The Central Americans want "better movement and discussions" from the US. The Central Americans were expecting a better deal from the US after having called the US position in the last round "unacceptable."

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