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Region Struggles With WTO and CAFTA

by LADB Staff

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With no time to recover from a humiliating defeat in Cancun the day before at the hands of a newly organized developing world (see other article, this issue), the US opened the seventh round of negotiations toward a Central America Free Trade Agreement (CAFTA) in Managua on Sept. 15. There was, from the outset, every indication that this too would be an arduous process with few advances, as the players came to realize that the most sensitive issues would have to be postponed.

The bad news began when Carlos Sequiera, chief of the Nicaraguan negotiating team, announced the first morning that there would be no movement at the textile sessions on the issue of rules of origin "because the issue is not going to be taken up in Managua, but at a later date in a 'mini-round.'" The mini-round, he said, could be held in Miami or Washington sometime around the end of September or the first week of October. Sequiera delivered his disappointing message after meeting with US chief negotiator Regina Vargo prior to the opening of this, the seventh, round. Sequiera explained that it is a "custom" that the host country's chief negotiator meet with Vargo prior to her meeting with the rest of the chiefs. The purpose of the meeting is "to establish the agenda and the expectations that we must reach in this round," he said.

The announcement's lack of specificity evoked generalized anxiety. Marcio Cuevas, vice president of Guatemala's *Comite Coordinador de Asociaciones Comerciales, Agricolas Industriales y Financiera* (CACIF), was flabbergasted that items as important as textiles, the most important product of some of the countries, could just be put off until later. Luis Oscar Estrada of the *Comision de Vestuario y Textiles* (VESTEX), spoke to the urgency of the textile situation in Central America. "Statistics show that the businesspeople are going to Vietnam, that is why we have to get a good free-trade agreement, because if not, rather than helping us, it will hinder us," said Estrada.

Rather than tackle the two issues, textiles and agriculture, that are bedrock for the Central American economies, this round will lumber through definitions of terms, like the meaning of reciprocity. Sequiera said that, even after seven sessions, substantial differences exist among the parties in their understanding of this and other basic concepts. "This doesn't mean that it won't be possible to come to an understanding. But as everyone understands, a truly just treaty consists in treating different people differently, and it's a matter of finding accommodation, and I believe this is what we are going to do here at Managua," said Sequiera, somewhat elliptically.

Another of the concepts in need of rigorous definition is that of the *canastas* or lists (see NotiCen, 2003-05-15). What seems new here is that, while it has been reported repeatedly that there was still disagreement on timelines for removal of tariffs and barriers for specific products, it was not clear that there was disagreement on the time periods represented by the different *canastas*. Now, says Sequiera, the only *canasta* on which there is agreement is "A," the one containing products slated for immediate lifting of restrictions. "What must be defined," Sequiera now says, "is what is meant by *canastas* B through D. We have been working with some level of abstraction understanding

them as short, medium, and long term, but I believe that the moment has come where more precise definitions must be demanded."

Previously, the common understanding was that canastas B through D represented respective periods of 5, 10, and 15 years. But now there is a proposal that they be changed to 6, 12, and 15 years. Sequiera said that, once agreement was reached, they could proceed to other areas, like agriculture.

A week before the Sequiera-Vargo meeting, however, Alicia Martin, Nicaragua's negotiator on market access, had told the press that even with a definition of timelines, the individual products that go into the canastas would not be taken up in Managua. Labor becomes an issue. Fitting commodities into canastas is not the only difficulty the negotiators face. There is also the matter of the workers who produce those commodities and how they are to be treated in the deal.

Nicaragua's two major labor confederations, the Central Permanente de Trabajadores (CPT) and the Frente Nacional de Trabajadores (FNT), have said that CAFTA impinges directly on labor and the labor market, but the government and business interests are not offering guarantees of protection of workers' rights or wages, given the conditions of competition that businesses and companies will be entering under CAFTA provisions. They also said there is a danger of regressive labor reforms as well as of a grave impact on the rural economy and farm production resulting from market-distorting US agricultural subsidies. The two labor federations also foresee increased migrations from rural areas into the cities as a result of worsening rural poverty, and reduced biodiversity and natural resources as a consequence of the country's bowing to international patents and property rights.

Union leaders brought these concerns up during a two-day conference at the Universidad Paulo Freire (UPF). The aim of the conference was to analyze likely outcomes of the CAFTA negotiations with technical assistance from UPF to formulate specific conditions under which they would support Nicaragua's formal entry into a free-trade agreement. Confederation spokespeople said that the unions would demand the promulgation and passage of specific laws guaranteeing labor rights, protection of biodiversity, and a law protecting campesino small producers.

Without these guarantees, the leaders said, they would not support the signing of a trade treaty and will work actively to prevent the passage of any such treaty into law. They will also demand that the government formulate a labor policy that covers salaries, productivity, employment, and technical retraining of Nicaraguan labor.

Also, they want increased vigilance on the part of the Ministry of Labor to insure compliance and a social-compensation fund, financed by the US, to buffer CAFTA's impact on workers. The two-day conference, which confederation members considered successful, was the result of more than two months planning by a technical team composed of UPF, the Fundacion Friedrich Ebert, SID de Dinamarca (The National Union of General Workers of Denmark), the Comision de Asuntos Laborales of the Asamblea Nacional, and the Comision Laboral of the Consejo Nacional de Planificacion Economica y Social (Conpes). Even without the entry of a concerned and energized labor sector into the CAFTA fray, it was evident that the WTO debacle had influenced the negotiations.

Said one of the negotiators who did not want to be identified, "A period of polarization is approaching, but we have to take care that this doesn't become an obstacle to advancement." But an op-ed in Costa Rica's La Republica newspaper suggested that the crash at Cancun could be just that. The piece made the point that the basic rule of any negotiation is that "each of the parties must believe that it will receive significant advantages that exceed the value of what it must give up to the other party." It then went on to note, "Analyzing the WTO round in its totality, it seems that for many of the participants the basic rule simply wasn't satisfied." It then asked, "And is the experience of the WTO an important lesson for what could happen with CAFTA? It is a good question." The op-ed didn't answer the question, but in Managua, Costa Rica's delegation seemed to answer it by strongly calling for discussion of agricultural subsidies in light of the outcome of the WTO meeting.

Vice Minister of Foreign Trade Alberto Trejos said, "Not having had an agricultural negotiation in Cancun obligates us to utilize a plan B in the bilateral negotiations with the US, especially on the matter of internal supports." Costa Rica, and presumably others, had hoped that subsidies would have been eliminated at Cancun, taking with them the need to treat the issue in minute detail within CAFTA. "From the beginning, we were contemplating what we would do if there were no agricultural accord at Cancun. The implementation of plan B doesn't mean a longer time for negotiation," said Trejos. But it does mean building in a mechanism to safeguard prices, similar to a tariff, which could be calculated according to the size of the subsidy that the US gives its producers, he explained. Trejos was extremely disappointed by the WTO fiasco. "We haven't been this close to an agricultural agreement in 40 years. It is a real shame that being this close, we have missed the chance," he said.

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