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Disagreements With US on Free Trade

by LADB Staff

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The recent curtailment of the World Trade Organization (WTO) meetings at Cancun was credited to the cohesiveness of a group of developing countries, known as the G-21, that mounted a fierce opposition to what they deemed unfair agricultural trade practices on the part of the US, Europe, and, to a lesser extent, Japan.

Among the Central American countries, Guatemala and Costa Rica were members of the group. El Salvador had been a member, but dropped out. Following the failure at Cancun (see NotiCen, 2003-09-18), there was diplomatic and journalistic speculation as to whether the G-21 would endure. The question had particular relevance for the region, since the issue over which the WTO came to grief was agricultural subsidies, the same issue that continues to threaten the outcome of the Central America Free Trade Agreement (CAFTA).

The CAFTA negotiations now appear to depend for their scheduled completion this December on one or more "minirounds," or unscheduled negotiating sessions interposed between the scheduled rounds. With one such miniround about to start in Guatemala, that country and Costa Rica have both indicated that they intend to remain as members of G-21.

Patricia Ramirez, Guatemala's minister of economy, said, "Guatemala's opposition on the subject of subsidies coincides with that which the G-21 wants to negotiate in the WTO." She added, "We are agriculturists, and Guatemala must align itself with whatever group promotes benefits for [agricultural countries]." Costa Rica's Commerce Minister Alberto Trejos told the press in his country that it, too, would maintain its support of the G-21 in opposition to the market-distorting subsidies that the US government provides its farmers.

Newspapers in both Costa Rica and Guatemala have reported that their governments have been pressured by the US government and by US members of Congress to abandon their affiliation with the G-21. They have been threatened that, if they do not, they could be excluded from CAFTA negotiations. The news media all cited confidential sources. Both Ramirez and Trejos denied pressure, but an official negotiator from Guatemala, Guido Rodas, admitted to reporters that letters from the US government exist urging his government to step away from its G-21 position.

Pressures were said to have increased with the pullout of El Salvador from the group. La Nacion reported, and its report was carried on the international wires, that El Salvador folded to heavy pressure exerted by the US during the Cancun meetings. Guatemala's Prensa Libre reported that Sen. Charles Grassley (R-IA) had noted the three Central American countries among the dissidents, and had threatened them with reprisals, days before the beginning of WTO meeting. But El Salvador's Economy Minister Miguel Lacayo denied coercion, saying, "There was no offer or pressure from anybody. El Salvador responds to its interests, and the consensus of the G-21 did not

respond to its interests." Despite evidence to the contrary, which included published threatening language from Grassley, the minister refused to acknowledge pressures.

Asked directly about assertions to the contrary from Guatemalan and Costa Rican sources, he said, "I don't recognize [their version] because I don't know the source." Lacayo did, however, say that membership in G-21 did not merit the US ejecting the other two countries from CAFTA. Lacayo did not deny other pressures coming from the US. He met in Washington with eight representatives of a 70-member Democratic Party coalition who generally favor passage of CAFTA but who said they would condition their support on the inclusion of labor and environmental accords in the pact. As the weeks to the December deadline dwindle, the negotiations are becoming more openly adversarial.

Besides its agricultural concerns, Costa Rica also is committed to keeping its telecommunications sector in the public sector, safe from privatization. Former US Trade Representative Clayton Yeutter, from the Reagan administration, said Costa Rica would have to sacrifice something for that. He said that Costa Rica's position leaves US Trade Representative Robert Zoellick with three options. The first would be to tell Costa Rica that the US rejects its position because exclusion of the sector would jeopardize passage of CAFTA in the Congress. A second option would be to require Costa Rica to make a sacrifice in another sector. A third would be to leave Costa Rica out of the negotiations.

Yeutter explained that the WTO defeat at Cancun has made Zoellick's task in convincing the US Congress to approve CAFTA significantly more difficult. Yeutter was speaking publicly, and might have been making a last ditch effort to get the highly prized sector back on the table. Turning to agricultural subsidies, Yeutter reiterated that Central America really has no hope of a rollback on the part of the US and should look to safeguard mechanisms in specific areas of the sector instead. He gave as an example chicken leg-quarters, which have little value in the US, where butchering methods allow breasts to be sold at prices that effectively subsidize the rest of the carcass, which can then be dumped on foreign markets. In that case, aviculturists might be able to preserve tariffs that would prevent the destruction of their industry.

The context in which Costa Rica's agricultural sector would be trying to gain such concessions has changed considerably. There is little time to strategize, and resources are shrinking as well. Ramirez has said that the negotiations must conclude on time because "we lack the technical, personnel, and economic capacity to be able to continue doing this one more time. We cannot give ourselves the luxury of another round because we have neither time nor money. This ends in Washington for the six governments." To the extent that the US has contributed resources to the countries of the isthmus for the negotiations, it has determined the countries' strategic and tactical limits as well. The minirounds will be held in Guatemala because, according to Rodas, Guatemala is out of money to go anywhere else.

Bernardo Rohers of the Comision Empresarial para las Negociaciones de Comercio Internacional (Cencit) concurred, adding that the US could also have a further advantage if the minirounds were to be held in Washington. No more Ms. Niceguy Also tipping the terrain, Central America will henceforth negotiate directly with Zoellick. Regina Vargo, until now the chief negotiator, will take a second or perhaps even third seat behind Deputy US Trade Representative Peter Allgeier.

On Oct. 2, the Consejo de Ministros de Comercio Exterior (Comieco) will meet to assess where the negotiations stand, with special attention to those themes that have not advanced. Zoellick will also be visiting Costa Rica and Nicaragua, for the purpose of speeding up the process. Private-sector commentators have pointed out to the press that these are not courtesy visits. Zoellick is the heaviest hitter in the US commercial lineup. He was the US State Department's point man in the North American Free Trade Agreement (NAFTA), in the decisive Uruguay Round of WTO negotiations, and in the Asia-Pacific Economic Cooperation (APEC). As intimidating as Zoellick and the US first team might be, indications are that, however outgunned, Central America will fight back.

In El Salvador, opposition legislators on the Comision de Relaciones Exteriores of the Asamblea Legislativa revealed strong doubts about what happened just prior to El Salvador's resignation from G-21 and have begun to inquire. Hector Dada, deputy of the Centro Democratica Unido (CDU), said it was "curious" that Guatemala and Costa Rica are continuing on with the group while his country was not. Partido de Conciliacion Nacional (PCN) Deputy Mario Ponce called the decision to leave the group lamentable and interpreted it to mean that the government was abandoning national agricultural interests. He called on Lacayo to define the country's agricultural directions now that it has adopted what Ponce called the positions of a developed nation.

PCN deputy Dagoberto Gutierrez agreed that the government's move signaled problems for Salvadoran agriculture. Faribundo Marti para la Liberacion Nacional (FMLN) representative Blanca Flor Bonilla expressed her party's dissatisfaction with the government on this point. In Costa Rica, Foreign Trade Minister Alberto Trejos was emphatic that the country would not leave G-21 and would not bend to threats from the US or from anyone else. Referring specifically to the question of pressures to drop out and to the possibility of CAFTA consequences, he said, "Costa Rica is not going to accept threats." Taking aim at the Grassley statements, Trejos said, "We are clarifying for some congresspeople who have misinterpreted what we are seeking in the group (G-21), because we feel that we don't need to ask the pardon of anyone for putting forth a technical document in a negotiation, and we feel that we must continue to defend our agricultural interests." Trejos shrugged off suggestions of eventual CAFTA repercussions.

Both the US and Costa Rica understand perfectly that what we are doing here is negotiating the interests of our countries, he said. Backing up his minister, President Abel Pacheco on Sept. 30 said, just prior to Zoellick's arrival on his shores, that telecommunications would remain untouchable. Despite suggestions from reporters that the meeting would involve "nasty arm-twisting," Pacheco praised what he called a respectful and understanding attitude that the US had adopted on the issue and denied that the US was applying pressure. But at the same time, Pacheco confirmed that the telecommunications plum would be the main topic of discussion.

Quashing any possibility of doubt arising from the apparent contradiction, Pacheco said, "We are not going to open telecommunications," and he said that this is what he intended to tell Zoellick "in a totally respectful manner." Pacheco, who was a psychiatrist prior to becoming president, went on to explain, "There is a commitment from the US to extend a hand to us poor countries, so that we can overcome our poverty. A free-trade agreement that would cause the ruin of our farmers and cause violence in the country would not make sense. If we want a free-trade treaty, it is for the purpose of getting out of poverty, getting out of underdevelopment. If not, what's the point?"

Pacheco followed that lesson in rational thinking with an appeal to the moral rectitude of US President George W Bush. "In the words of President Bush himself, I received confirmation that here there is going to be a treaty to help a friendly country, as we have been, toward the United States," said Pacheco. "Across generations, we have been their allies, their friends. I believe they understand that we deserve respect, affection, and loyalty, and so far, even if at times in the negotiations there have been ups and downs, they have demonstrated to us their respect for our position." Pacheco's statements came just hours after the newspaper La Republica published a story saying that Zoellick would be demanding a piece of the country's telecommunications pie.

The paper said that Zoellick would make clear to Pacheco and Trejos "the importance for the US of receiving significant benefits as part of the negotiation." The story ran under the banner, "Zoellick is coming to demand opening." The paper said that Zoellick was under pressure from the American Electronics Association (AEA) to "insist" on access to the prized sector. It said that "the group, the largest association of technology businesses in the United States, told Zoellick that if Costa Rica does not agree to include the opening in CAFTA, the negotiations should be suspended." The paper quoted AEA vice president for international policy Tim Bennett as saying the talks should remain suspended "until this country changes its policy in this area."

On Oct. 1, Zoellick said flatly, "I cannot go to the Congress with a free-trade agreement in which one of the members does not include telecommunications at all." He then said, "I don't come to demand privatization of the Instituto Costarricense de Electricidad (ICE). I understand that the institution has a link to social policies for Costa Ricans (see NotiCen, 2003-06-05)." From the private sector, the representative of the Consejo Empresarial Centroamericano, Marco Vinicio Ruiz, one of those with whom Zoellick met separately, said that Zoellick would be content to leave telephones and electricity alone, but wanted value-added services like Internet thrown open to the private sector. Ruiz also said that Zoellick told him and the business people at the meeting that the US was prepared to conclude CAFTA with only four nations if he didn't get what he wanted from Costa Rica.

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