

6-17-2004

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Recommended Citation

LADB Staff. "Panama Wants Free Trade, But Not CAFTA." (2004). <https://digitalrepository.unm.edu/noticen/9208>

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Panama Wants Free Trade, But Not CAFTA

by LADB Staff

Category/Department: Panama

Published: 2004-06-17

Students at the Universidad de Panama marked the second round of US-Panama free-trade talks by hurling Molotov cocktails at police. Student members of two campus groups, the Bloque Popular Universitario (BPU) and Pensamiento de Accion Transformadora (PAT), staged the day-long protest as a way, said reports, of asking why the deal was being negotiated in Los Angeles, "behind the backs of the people."

After some hours of road-blocking tire-and-garbage burning, a brief exchange of ideas between the protestors and the university vice rector Nelson Navarro resulted in the closure of the university. After police began exchanging tear-gas for the cocktails, the protests came to a conclusion. They need not have bothered. Little was accomplished at this, the second round of a planned four rounds. The sides are halfway through the process, with no closure on any of the scheduled texts.

What did emerge, however, was a strong indication that this is not going to be a matter of backing the Central America Free Trade Agreement (CAFTA) train up to Panama, then trucking on down the line with a Panama caboose. If anything comes of these negotiations, it will be, say analysts, PAFTA. Panama's negotiating prowess has yet to be tested (see NotiCen, 2003-10-09), but it has strengths, even powers, that its neighbors did not have, and it has something the US cannot walk away from, the Panama Canal (see NotiCen, 2004-04-15).

A name familiar to the CAFTA talks, Miguel Lacayo, was minister of economy of El Salvador and is now chamber of commerce advisor in these negotiations. Lacayo explained to local reporters, "Panama and Central America have different realities. Central America is a bigger market, but you [Panama] have things that interest them [the US] very much, like the canal and the US\$25 billion worth of US investment in your country." Like Central America, however, Panama does have an agricultural sector to protect, setting up a divergence of interests among the Panamanian players.

"The object of this accord is to achieve better access to the US market in the areas in which we are competitive. If that can't happen, the FTA makes no sense. So, to sacrifice offensive interests in financial services, maritime, and sugar would be a very bad decision," said Carlos Ernesto Gonzalez Ramirez, representative of the Asociacion Panamena de Ejecutivos de Empresa (APEDE). Gonzalez was emphatic that there should be no loss of important opportunities in the interest of protecting a weaker sector.

Vice Minister of Foreign Trade Romeo Adames, negotiating team leader, said, "I don't think it's right to negotiate thinking that one sector becomes a shield for another. In the first instance, it is not a coherent policy to sacrifice strengths for weaknesses." Adames hedged a little in saying the FTA is an integral accord, where a balance must exist in all areas, for which the possibility of ceding something, somewhere, cannot be discarded. But he did not elaborate. As with CAFTA, the agricultural bargaining began with Panama bringing to the table a basket labeled SP, for sensitive

products, in which were piled all the products needing special consideration lest their producers be run over by cheap US imports.

And, as with CAFTA, the US rejected the basket out of hand, all the while presenting a basket of its own, TRQ, for tariff rate quota, containing a list of all the Panamanian agricultural products that would be allowed into the US market under conditions of long-term incremental reductions in duties and increases in volume.

The US came into the second round continuing to reject exclusions of any kind. Panama called the US bluff on its stance of "no product left behind" by pointing out that the US just concluded a trade deal with Australia, in which it excluded sugar and other items from its shores. The Panamanians intend to flail the US with the contradiction. "It has been highly positive that we have succeeded in uncovering the results of other negotiations the United States has done outside Latin America, because we could demonstrate that it's not so true that the US negotiates without exclusions," said Guillermo Salazar, advisor to the rice and pork producers.

With no firm conclusion to the moves on both sides, Roberto Toledano, president of the Asociacion Nacional de Avicultores (ANAVIP), said he thought the Panama team defended agricultural interests well, in that they emerged still hanging on to the SP basket.

Everything on track, but is it moving?

With little more than that to crow about, Adames and his US counterpart Regina Vargo, leader of the CAFTA team, both faced the press to declare the talks on track and proceeding as planned. But neither denied that they could see themselves going into extra innings if they did not soon get something, somewhere, signed and sealed. Said Adames, "I believe that this second round was positive; we've already started to evaluate the products in each of the areas, and each of us better understands the positions of the other with regard to market access." "We are advancing at the expected rate. We exchanged offers and now expect some movement on the part of Panama, but we have definitely debated in a very constructive way with Panama," said Vargo, overlooking the lack of closure. If this was the expected rate, it came at the price of glossing over the rough spots.

On June 14, days after the close of proceedings, Panama's Trade Minister Joaquin Jacome admitted under inquiry that he avoided presenting a petition to exclude 16 agricultural products, saying it would be "disastrous" to break the negotiations. Among the products were rice, potatoes, onions, beef, chicken, and milk. In ducking US ire, Jacome left broken a promise his president, lame duck Mireya Moscoso, made to petition for the exclusion of these 16 products, in recognition that they could not compete with US imports. The minister made the admission on the television program Debate Abierto. He said that, although some of the 16 were "supremely sensitive," others were not and "all the products cannot be put in just one package."

Jacome said there was strategy in his handling of the petition. The idea was to get the "nonpolemical" issues out of the way first. He said Panama asked for an opening in maritime commerce, while the US was very interested in government purchases linked to the canal (see NotiCen, 2001-04-15). "In our offer of government purchases, the Panama Canal is not included," he

said, tipping his hand ever so slightly. The exclusions "require their own dynamic," he said. He told his audience that failure to negotiate an FTA with the US would carry "disastrous consequences," reminding them that the US investment in the country is more than US\$25 billion and that no one wants "to see that investment in Panama emigrate to our competitors." He also said that the date for completion of the pact was not carved in stone and that they would negotiate up to the Moscoso administration's last day in office, Aug. 31.

Soon after his remarks, trade minister-designate Alejandro Ferrer asked the Moscoso government to allow more input from civil society to the negotiation. Ferrer was an observer from the newly elected government of Martin Torrijos at the second round. He said the Torrijos government would design a "coherent" trade policy that would be part of an economic policy of development that combats unemployment and poverty. He said he wanted to see better communication between the negotiating team and the productive sectors in coming negotiations.

Failure to communicate

The communications gap between government and producers has been a problem since the first round, when media characterized the problem as turning the government's greatest commercial achievement into an allergic reaction among professional, union, and popular groups. Rice and cattle producers demonstrated in Chiriqui after the first round, saying the government had betrayed them on the question of the 16 products. The producers saw little more than a snub in the second round and remained on a war footing. At halftime, they left the field humbled, if not humiliated. The US remained wedded to a range of between four and eight years for reduction of tariffs for products the Panamanians had wanted protected for from five to more than ten years.

The US also still demands immediate elimination of duties on at least 80% of total bilateral trade. The Federacion de Asociaciones Profesionales de Panama (FEDAP), a federation of 35 organizations, also called for more input. They wanted to be included in the negotiating team's consultative committee, rather than be relegated to the cuarto adjunto, an adjoining room where they receive occasional updates and are asked their opinion at the option of the negotiators. These cuartos adjuntos were roundly despised by excluded sectors during the year of CAFTA negotiations (see NotiCen, 2002-12-19).

Organized labor joined the popular movement in coming out early against PAFTA, and both groups are still there. Mariano Mena, secretary general of the Central General de Trabajadores de Panama (CGTP), has said his group has already arranged with US unions for a united front against the deal. "I've never heard of a sardine that eats a shark, but sharks that eat sardines, yes," he analogized.

-- End --