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## **Guatemalan CAFTA Opposition's Worst Fears Supported**

by LADB Staff

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With battle lines drawn throughout the region and in the US regarding passage of the Central America Free Trade Agreement (CAFTA), the opposition in Guatemala now may have what advocates said did not exist an alternative. At least one analyst has said the region could do better making trade deals with the European Union (EU), the Southern Cone Common Market (MERCOSUR), and China.

On other fronts, the traditional opposition union, campesino, and popular organizations are becoming better organized and more active. Pro-CAFTA forces in the business and government sectors are responding with massive educational, promotional, and informational campaigns. Umberto Mazzei, president of the Instituto de Relaciones Economicas Internacionales, has studied CAFTA and written extensively about it.

In a recent interview with the Guatemalan newspaper El Periodico, Mazzei said Guatemala could do better elsewhere in international trade. "The biggest export market of Guatemala is Central America (47%), with industrial products that, with CAFTA, would be displaced by the US. MERCOSUR is interested in an integration without extra-commercial clauses; the European Union wants to negotiate as soon as the region has a common tariff. The market of greatest growth in the world is China, but the farce with Taiwan must be resolved," he said, making reference to Guatemala's diplomatic recognition of Taiwan.

### ***No big loss, fueling the opposition***

The international-trade expert said that, if Guatemala does not ratify the treaty, contrary to dire predictions the prospects are that either the US will offer a better deal, as it did with Australia, or the region will continue to trade with the US under the guarantees of the World Trade Organization (WTO) just as Brazil and others that have rejected the Free Trade Area of the Americas (FTAA) do now. Fueling the opposition discourse, Massei said that, if the country does ratify CAFTA, "we already see something of what could be in five years. Chaos, protest, and repression. A maquila and mining republic that collects 1% of the net income from foreign mining (see NotiCen, 2005-01-05). Even the Spanish Crown, without cyanide [used in mining], charged the Quinto Real, 20% of the gross." He said there would be no increase in exports because market access would be the same as it is now, and there are no new products to export.

There will be no new jobs, but rather greater competition from US products in the national market. There will be no new foreign investment other than in maquilas, mining, and similar extractive enterprises because that investment would depend on security and an educated work force, neither of which are in great supply in Guatemala. Even in the maquila sector, Guatemala stands no chance against Asian competition.

Further downsides, according to Mazzei, would be the loss of the national pharmaceutical industry, a race to the bottom on salary issues with China, and the prospect of increased US intromission. As an example of this last, he noted that with CAFTA Guatemala would give up its right to apply WTO Special Agricultural Safeguards, hampering the economic development of the sector. He called the intellectual property rights that would destroy generic drug production in the country (see NotiCen, 2005-01-05) an "intromission in social policies."

### *Reflecting the campesino view*

Much of what Mazzei had to say has been part of the discourse of the opposition from the outset. Members of union, campesino, and popular organizations gathered in protest in front of the Congress took the same tack. "The campesinos are not going to be able to produce corn, beans, rice, and wheat because they will come at lower prices from outside, and they will be transgenic products that will affect the health of Guatemalans," said union representative Nery Barrios. He said the main demand of his organization, Unidad de Accion Sindical y Popular (UASP), is for the convocation of a popular consultation on CAFTA.

Unless, or until, that happens, the organizations will step up the pressure with time-honored tactics to include a national strike and massive occupations that will paralyze ports, airports, borders, and highways. Those threats gained momentum when, a few days after the demonstration at the legislature, the Coordinadora Nacional de Organizaciones Campesinas (CNOC) alleged the existence of a US\$3.2 million fund to be divided among deputies who support CAFTA ratification.

CNOC director Carlos Arriega made the charge and said new protests would be based on this allegation. Arriega acknowledged the charge was made on sketchy, unverified information. He said he did not know where the money came from, if it exists at all. The important point was that the allegation would spark greater enthusiasm for protest against CAFTA. While the accusation of bribery goes unsupported, the fears for agriculture do not.

A report released by the UN Food and Agriculture Organization (FAO) on Feb. 15 substantiates that the long-term downward trend in agricultural commodity prices threatens the food security of hundreds of millions of people in the world's poorest developing countries. Particularly vulnerable are countries exporting sugar and bananas, which have not seen even the slight recent price recoveries of cereals, oils, and dairy products. Of importance to Guatemala, the report, *The State of Agricultural Commodity Markets 2004 (SOCO)*, deals with price data as it pertains to countries like those of the isthmus.

Assistant FAO director-general Hartwig de Haen commented, "The least developed countries, where usually small producers account for the bulk of agricultural production and exports, have been unable to mobilize the investment and training required to shift to new crops. They also have difficulties meeting the high-quality standards and strict delivery deadlines of the major supermarket chains in the developed countries." This has been especially true in Guatemala, where small agricultural producers have even been shut out of the national supermarkets for these reasons.

The SOCO text warns, "These problems are exacerbated by market distortions, arising from tariffs and subsidies in developed countries, tariffs in developing countries, and the market power in some commodity supply chains of large transnational corporations." Campesinos are unlikely to have read SOCO, but they are on record as having observed the identical tendencies prior to its publication.

### *Government and private sector mount counter-offensive*

The government of President Oscar Berger, strongly supporting CAFTA, has already sent the legislature the 2,400-page text of the agreement with recommendations for "immediate ratification." It needs only a simple majority of the 158 votes in the unicameral body to become the law. The Camara de Comercio Guatemalteco Americana (AmCham) has joined the support campaign with the opening of a CAFTA Center, an online program ([www.amchanguate.com](http://www.amchanguate.com)) to "instruct, disclose, and set in motion" the treaty. Associated with this will be conferences tailored to specific productive sectors, specific goods covered by the treaty, and other issues from various technical points of view.

The program will draw on resources from the Asociacion Gremial de Exportadores de Productos No Tradicionales (Agexpront), the Camara de Industria, the Camara de Comercio, and the Ministry of Economy, and will coordinate with CAFTAccion, a similar program, but international in scope, of the organization Caribbean Central American Action (CCAA).

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