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Nicaragua remained one of the last two holdouts to ratify the Central America Free Trade Agreement (CAFTA), after an attempt to push the text through the legislature failed on Sept. 21.

In a surprise action, parliamentary president Rene Nunez of the Frente Sandinista para la Liberacion Nacional (FSLN) bowed to pressures from the right and submitted the question to floor debate, only to withdraw it again after some minutes of intense debate. The heated argumentation spilled out into the observation galleries, where partisans threatened to come to blows. Mayhem was averted by parliamentary security forces.

The Nicaraguan process contrasts sharply with the more deliberate approach taken by Costa Rica, the other holdout. This is the second time CAFTA has failed in the Nicaraguan legislature, and deputies of the Partido Liberal Constitucionalista (PLC), who believe they have the votes to pass it, accused the FSLN of setting up the ruckus to kill the process. Pro-CAFTA forces also believe they are gaining on the popular front, claiming that opposition is waning. A recent demonstration attracted about 4,000 protesters, fewer than the 20,000 promised by promoters.

The discord is more political than it is economic, although there is general acceptance that the poorest campesinos will be crushed by the terms of the agreement, while businesspeople with the resources to gear up to compete in international markets stand the best chance to gain from it. Nor is it the case that the political left is universally against the pact. Herty Lewites, ejected from the FSLN and now a challenger in upcoming presidential elections under his own banner to FSLN party leader Daniel Ortega (see NotiCen, 2005-08-25), grudgingly supports CAFTA.

At a meeting of pro-CAFTA business leaders, Lewites said, "Like it or not, CAFTA is coming. If we are clever, we can ask for some adjustments but rejecting it is wrong." None of this is to say that opposition forces have given up, but indications are that some have softened. The Consejo Nacional de Universidades (CNU) still champions the likely losers.

Telemaco Talavera, rector of the Universidad Nacional Agraria (UNA) and president of the CNU, said the risks are too high for too many in Nicaragua. "The campesino economy, small and medium-sized businesses, will be seriously affected by this agreement," said Talavera. Talavera said that, if the state were really interested in helping these sectors, they could do so by more certain means and by lessening the threat. "We believe that it is urgent that a set of laws be approved and that a true transition plan be defined that is nothing more than a package of policies and strategies that would allow these risks to be reduced." Once that is done, and an institutional and policy framework is in place to deal with consequences, there will be plenty of time to consider CAFTA.

The CNU is also concerned for its own interests in a trade agreement. Gustavo Siles, vice rector of the Universidad Nacional de Nicaragua (UNAN), worried that, under the general terms of the

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agreement, international educational entities could compete with the national universities, and it could be required that they would have equal claim on state resources, scholarships, and other benefits. "Even though it is not expressly stated in the treaty, it is a risk that exists," said Siles.

The Industry and Commerce Ministry (MIFIC) has taken the position that nothing like that could happen. Dean Garcia Foster, director of trade negotiations, argued that the World Trade Organization (WTO) has recognized that a government subsidy is a contribution and therefore not subject to the treaty. Nicaraguan law reserves 6% of the budget for the universities. Whether it would take a protracted and expensive case before the WTO to clarify the matter is another question. That question extends to whether the government would even take up a case like that or whether it is in any position to pass laws and reforms that would create circumstances that would give the country a fighting chance in international trade. That is where the CAFTA issue intersects with the present state of government in Nicaragua.

The government has been in a state of dysfunction as the combined forces of the FSLN and the Arnoldista faction of the PLC continue to seek the destruction of the government of President Enrique Bolanos (see NotiCen, 2005-01-13). After a brief respite occasioned by a statement from Ortega that he and his FSLN-PLC majority in the legislature would cease to seek Bolanos' impeachment, the war between the separate powers reignited when the Asamblea Nacional (AN) notified a judge that it had stripped the immunity from prosecution from two of Bolanos' ministers, leaving them indictable for alleged electoral crimes.

The two, Government Minister Julio Vega and vice minister of agriculture and forestry Mario Salvo, were notified by summons as they were boarding a plane to Washington on official business. They were accompanied by six other ministers, all of whom now risk the same treatment. Bolanos, who was also present at the airport, called the action a "coup," telling reporters, "In Nicaragua, the state of law no longer exists, but rather, a repressive machine." The ministers departed anyway, and a judge quickly declared them fugitives from justice. Following that, the chief criminal judge of Managua, David Rojas, requested that Interpol investigate the origin of US$1 million allegedly illegally donated to Bolanos for his 2001 electoral campaign.

The AN has since threatened to lift Bolanos' immunity as well. Vice President Jose Rizo Castellon immediately resigned. He will run as the PLC candidate in the presidential election. While he is constitutionally obligated as a presidential candidate to do this, the move leaves the country without a presidential successor should Bolanos fall, and this is the context in which the fate of CAFTA lies.

CAFTA supporters, ignoring the situation, continued to press for the AN to get on with the ratification. Just after Bolanos' statement about a coup, Erwin Kruger of the Consejo Superior de la Empresa Privada (COSEP) and Rene Gonzalez of the Camara Americana Nicaraguense (AMCHAM) met with him to make the point that the private sector had invested heavily in the CAFTA campaign and were concerned by delays. "The Liberal deputies have told us in many ways that the PLC votes are there," said Gonzalez, "but it still hasn't crystallized." Gonzalez said that, if the AN does not ratify CAFTA by Oct. 10, the country will be delayed in receiving certain side benefits. He said Honduras and El Salvador, already signed up, have gotten some US$400 million that Nicaragua

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might otherwise have shared, and foreign companies are awaiting Nicaragua's entry because they consider that Nicaragua has certain competitive advantages unavailable elsewhere.

Gonzalez may have been referring to some of the US$1.14 billion in already approved World Bank loans to bolster investments and reforms in support of CAFTA. This rush to pass CAFTA contrasts markedly with Costa Rica, the only other country in the region not to have ratified the agreement. There, President Abel Pacheco has refused to send the agreement to his legislature until lawmakers pass a fiscal-reform package.

Unlike the Nicaraguans, most Costa Ricans want to decide for themselves. A recent poll showed that 70% want a referendum on the question. Only 20% think the matter ought to be decided in the legislature, according to a study by the Instituto de Investigaciones Sociales (IIS) at the Universidad de Costa Rica (UCR). Costa Rica takes another tack While 86% of Costa Ricans recognize there will be winners and losers in the deal, 29.2% believe the winners will be the upper classes, and 27% think the business classes will be the winners.

The losers would be the poor, said 23.8%; 22% said it would be the farmers and campesinos, and 15.6% said the small and medium businesspeople would be hurt. More generally, 47% thought CAFTA would be good; 25%, bad; and 18% said fair. Good, bad, or indifferent, 43.6% think the treaty should be renegotiated. This is not an option, however. In the survey, 27.1% like it as is, and 14.6% would reject it.

Meanwhile, Pacheco hews to his views; he wants to see fiscal reform, and he has not ruled out a referendum (see NotiCen, 2005-03-17). On Sept. 28, he repeated his commitment to reform before submitting CAFTA. He said the government is still working on a "complementary agenda" that includes investment in productive sectors, education, and strengthening state institutions, an agenda in need of fulfillment regardless of a trade agreement. "What is certain is that, whether the treaty is approved or not, Costa Rica must live with an exemplary and solid system, we must make several changes." Once those changes have been made, he said, he plans to send CAFTA to the legislature.

A blue-ribbon commission studying these issues reported the changes would cost US$355 million over five years but concluded they would be insufficient to counteract the effects of the treaty and recommended even more profound changes for the country.

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