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Honduras and Nicaragua have brought to three the number of countries now fully participating in the Central America Free Trade Agreement (CAFTA) with the US. The latest officially came on board April 1; El Salvador has been a CAFTA country since March 1 (see NotiCen, 2006-03-02). Nicaragua celebrated the event by shipping a consignment of red beans, vegetables, and fresh fish to Texas. These were products of small or medium-sized businesses in Nuevo Guinea, El Almendro, and Matagalpa.

A jubilant President Enrique Bolanos looked on as the ship departed, accompanied by US Ambassador Paul Trivelli. The president said, "We are going to sell more and more. There will be more progress, more employment in Nicaragua. CAFTA has begun." Bolanos congratulated the Asamblea Nacional (AN) for ratifying the CAFTA bill and for passing additional laws demanded by the US. Their action, he said, "was an act of patriotism" that would help the country produce goods and overcome poverty.

Bolanos' government has estimated that the onset of the trade pact would add US$40 million to its annual exports to the US, which in 2005 amounted to US$274.9 million. During that period, Nicaragua imported US$522 million. That number, too, will increase, but in all the jubilation, there was no mention of by how much. The business community was pleased to see the deal come into effect. The president of the Consejo Superior de la Empresa Privada (COSEP) predicted Nicaragua's growth would exceed 6% in 2006.

In Honduras, the celebrations were muted by ongoing doubt and opposition to the trade pact. President Manuel Zelaya acknowledged the asymmetries. "David and Goliath" was the phrase he used. But Zelaya, a businessman, campaigned as pro-CAFTA and called upon the private sector to get itself in gear and compete. He noted Honduras is a player of the first rank in the textile industry and said the country could achieve equal ranking in other areas of commerce. Zelaya said his government has at its disposal some US$500 million to assist small and medium-sized businesses in meeting the challenges of CAFTA.

US officials present at the ceremony marking the implementation seemed to be pushing the CAFTA concept a bit further up the ideological ladder. US Ambassador Charles Ford said the treaty is more than just a trade accord, it is a "shared vision in the region of a common future through free trade with rules of the game, transparency, and democratic governments." Ford threaded his way carefully on the question of Honduran migrations to the US. The issue has reached the top of the list of US priorities with congressional elections looming. He said that his was a "nation of immigrants, and there are always people who want to go to my country, and there are ways to do this, but the treaty is an important mechanism to create an environment of jobs in Honduras for the majority of people."

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The US just recently extended Temporary Protected Status (TPS) for Hondurans working in the US. Also on hand in Tegucigalpa for the event was Regina Vargo, who steered the US negotiating team through the year-long rounds of talks that culminated in the treaty. She said, "CAFTA is a trade agreement, but we see it as a framework for future growth and opportunities. It is a tool, it is not a magic wand, that will allow attracting more investment, create jobs, build infrastructure, diversify the economy, [and] encourage good government." She said that one of the US intentions in CAFTA was to "send signals to countries in development, particularly those in Latin America, that countries like Honduras, which embrace democratic principles and economic reforms, would receive strong support from the United States." Vargo said that the treaty along with the program of debt reduction and inclusion in the Millennium Account are a set of initiatives that will help Honduras toward sustained growth and reduction of poverty. She cautioned Hondurans not to fear, because "the opportunities are here and advantage should be taken."

The other side of the coin

For many in Honduras, however, it was all just so much gushing coming from the usual suspects, the classes and sectors that so frequently throughout the years have managed to land on the winning side of every deal since the Spanish crown spewed land grants for reasons not entirely unlike those enumerated now. While the winners congratulated, promised, and projected, throngs of doctors, campesinos, teachers, students, and workers marched through the streets of Tegucigalpa in protest. They were organized by the Coordinadora Nacional de Resistencia Popular (CNRP), composed of more than 60 organizations.

The battle regarding CAFTA has not ended with the sailing of a ship and the pronouncements of officials. "The treaty was designed to benefit big companies and the rich, and this system of trade, which goes against the poor, will generate massive unemployment," said leader Juan Barahona. Barahona's message found an echo in a document signed by the Centro para la Promocion de los Derechos Humanos de Honduras (CIPRODEH) and other human rights groups in affected countries.

The document made the argument that "CAFTA will have devastating effects on the fragile economies of Central America." It points out that, while US imports represent somewhere between 50% and 80% of the region's import-export trade, the combined economies of the CAFTA countries do not even amount to 1% of the US market. Thus, "While the US maintains strong policies and directs resources to protect internal production, Central America enters CAFTA [only] after a process of dismantling all the institutions that would protect agriculture." The document predicts the death of small-scale agriculture that, in El Salvador for instance, only fills 63% of the demand, but will nevertheless see a flood of US vegetables coming in at prices with which they cannot compete, duty free.

Other products destined to drive out entire Central American industries are fabrics, shoes, plastics, furniture, printing, and graphics, all of which can now be imported from the US cheaper than they can be produced locally. Off the field but in the fight The countries that have not yet implemented CAFTA Guatemala, the Dominican Republic, and Costa Rica, which has not even ratified it continue to be battlegrounds.

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In Costa Rica, there was some hope that parts of the treaty could be renegotiated to mitigate the most egregious inequities, but US Trade Representative (USTR) Rob Portman said in a letter to President-elect Oscar Arias that reopening the texts was out of the question. Portman stressed in the letter, according to press reports, that the country has two years, beginning March 1, 2006, to join up or stay out. The letter arrived as a legislative commission had just begun to analyze the treaty and as the country remains locked in disagreement about its provisions. Arias is very much pro-CAFTA, but his opponent in the recent election, Otton Solis, has favored renegotiation. The election was decided on the narrowest of margins (see NotiCen, 2006-03-02), and Solis remains a powerful force on this issue. Arias does not take office until May 8.

In the meantime, outgoing President Abel Pacheco said there is very little chance of any movement on the question within the present Asamblea Nacional (AN). The Comision de Asuntos Internacionales currently reviewing the texts has barely begun, practically guaranteeing that the matter will be left to the next legislature, which takes over on May 1. Pacheco has never been an ardent supporter of CAFTA (see NotiCen, 2005-05-12).

In Guatemala, the treaty also lags, and, with the coming on line of Honduras and Nicaragua, Guatemala faces some new trade problems. The textile and clothing sector faces contract cancellations with these new CAFTA countries just as it did when El Salvador implemented CAFTA. One company, the National Spinning Co. in El Salvador, used to send cloth for processing in Guatemala and then reimported the materials for finishing. Since March 1, the company has paid taxes on 150,000 articles because of new restrictions the agreement imposes. The Comision de Vestuario y Textiles de Guatemala says the country exports about US$30 million worth of fabrics and accessories to El Salvador, Honduras, and Nicaragua. The Camara de Comercio Americana en Guatemala (AmCham) has said other industries, including wood products, agriculture, and food products, would be similarly affected.

Paradoxically, free trade with the US precludes free trade with each other for Central American countries that do not toe the CAFTA line. As the private sector stews, Vice Minister of Economy Enrique Lacs said the future of CAFTA is now in the hands of the legislature. On March 28, the Berger administration sent the Congress the complete packet of laws that must be modified for CAFTA to take effect. The packet contains all the legal changes demanded by the US and hammered out with the administration during the last four months. Indications from the congressional Comision de Economia y Comercio Exterior are that action will be taken sometime after the Semana Santa break.

The remaining country among the laggards is the Dominican Republic, the only off-isthmus country in CAFTA. President Leonel Fernandez is a strong backer of the agreement for his country, having called it, in an important February address to the nation, "a question of survival." He said at that time, "We only hope that our entrance in July of this year provides an incentive for new investments, to increase our exports, and to generate new jobs." In early April, the Dominican Republic's Secretaria de Industria y Comercio (SIC) sent a delegation to Washington for a week of meetings with the USTR to iron out which of its laws must be changed and what new laws will be necessary to prove the country eligible to participate. The SIC has said in a press release that specific areas to

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be taken up in the meeting have to do with labor, environment, intellectual property, and copyright law.

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