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Costa Rica Defies The Region On European Free-trade Demands

by Mike Leffert

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As prelude to a free-trade agreement, the European Union (EU) has demanded further integration of Central American customs systems and institutions. By the end of a meeting of Central American presidents on July 11, Europe appeared to have gotten much of what it wanted, but not without drawing the ire of President Oscar Arias of Costa Rica.

The newly installed president immediately stepped into the role of president pro tem of the Sistema de Integracion Centroamericana (SICA). The office rotates every six months. According to reports, Arias shook up the meeting, the XXVIII Cumbre of SICA, with the announcement that he was going to try to change the attitude of the Europeans, calling that attitude "a bit arrogant." Particularly irksome for Arias were EU demands for the use of the Corte Centraoamericana de Justicia (CCJ) to resolve trade disputes arising out of a future agreement. He was incensed as well at the EU's insistence on an expanded role for the Central American Parliament (PARLACEN).

Costa Rica is on record as questioning the jurisdiction and formation of the CCJ and as being thoroughly fed up with the performance of PARLACEN. Rather than give way to a CCJ with sovereignty-trumping powers, Costa Rica prefers, according to Foreign Minister Bruno Stagno, the creation of a new regional arbitrator for trade disputes. Costa Rica took that position at a meeting in Vienna last May on a trade agreement and had its recommendation for an alternative mechanism to the CCJ written into the final declaration of the meeting.

PARLACEN is out of the question, period Arias favors the trade agreement, but chafes when the EU "tells us that they will only negotiate with us under these conditions." Costa Rica has a long-standing aversion to PARLACEN and is the only Central American country never to have joined the regional body.

On July 6, prior to the current meeting, Guatemala's Vice President Eduardo Stein visited Arias at his private residence to see if he could nudge the new president into PARLACEN, but it was no use. Arias told reporters after the visit, "It is a subject that can't be discussed. We are not going to open a debate on this topic because there is no possibility. Each time we are more convinced that we did the right thing in not being part of PARLACEN....As time passes, we see the uselessness of the parliament, and it has no justification because it only makes recommendations, has a very high cost, and has served as a refuge for corrupt politicians."

Costa Rica's shunning of the parliament has been a sore subject almost since its inception in 1987, although nobody disputes that what Arias said is true, down to the fact that it's extension of immunity from prosecution has made it a club for indictable former elected officials, from presidents on down, whose terms have expired and would otherwise face prosecution.

Through the years, the region has used the term "isolationist" to criticize Costa Rica's stance. PARLACEN is composed of more than 100 deputies from 45 different political parties in Honduras, Nicaragua, Guatemala, El Salvador, and Panama. Stein got the message. He admitted, "We know that in the case of Costa Rica this subject does not get much sympathy." But Stein's visit was prompted more by the EU's demands. For him and the rest of the leaders on the isthmus, the issue is not the reform of PARLACEN but "the institutionality that Central America needs to face the challenges that free-trade agreements present."

Julio Palacio, PARLACEN president, notes that, paradoxically, "Don Oscar Arias is the father of the system of integration, he created it in 1987." Palacio downplays the criticisms and claims that "PARLACEN has been the escape valve for the social conflicts of Central America. If arms have not been taken up, it is precisely because PARLACEN exists, where parties of the left and extreme right dialogue." He added, "We are opening an opportunity for President Oscar Arias to send a delegation from his Asamblea Legislativa of whatever size they want," and, despite all that Arias has said, he expects Costa Rica to join up "muy pronto."

Arias has indicated that he could bring the EU around without committing his country to membership in odious organizations. "Let them not ask us to build in a few years what the Europeans built in more than a half century," he said, adding that the first order of business for the region was the consolidation of democracies. "Our democracies are emerging, they are learning to walk." One of the most serious problems regarding the trade agreement from his point of view is that of judicial security, and, even though the regional judicial system is weak, he said that "Central America can guarantee juridical security to an eventual investor who has problems."

As for Palacio's expectation that Costa Rica will come around to PARLACEN, Arias was quite clear. "Democracy consists of convincing, and no president of Costa Rica is going to be able to convince our deputies that we ought to change our minds and participate, and I think I'm not going to be able to do that either," Arias said. "Central Americans have to understand that for several reasons, Costa Ricans and the political parties that have to make these decisions are absolutely opposed, and I'm not going to convince them, just as I didn't convince them 19 years ago."

Other obstacles

Beyond these, another obstacle to negotiating a trade agreement with Europe is customs integration. Expert observers estimate that full integration by the target date of Dec. 31, 2006, established at an April presidential summit, will not be met. The countries have agreed on about 96% of products on which tariffs can be harmonized, eliminated, or reduced, but the remaining few are those that the individual countries consider nearly inviolate. Added to that is the necessity for each legislature to ratify a final agreement.

Arias said before the opening of the meetings that he thinks an accord with Europe will be more difficult than was the Central America Free Trade Agreement (CAFTA), another treaty he favors despite his country being the only one not to have ratified it. He said the reason the treaty will be more difficult is that the EU is more protectionist than the US. Also, although there was talk of an integrated, block negotiation with the US, the process ended up being a series of individual

negotiations between each of the regional countries and the US. The EU is firm that it wants to negotiate region to region. The presidents of the other countries are uniformly on board with the EU's demands concerning PARLACEN and the CCJ.

President Manuel Zelaya of Honduras told the media, "We are disposed to strengthen PARLACEN and the CCJ, which are two extremely worthwhile instruments. They are symbols of the process of integration that must be considered and strengthened." A successful summit nevertheless. In the end, the presidents overlooked Costa Rica's peculiarities and declared the summit a success. They reached consensus on the need to strengthen the CCJ commensurate with Europe's demands.

Arias came around, at least to the extent of telling the press, "We must send a message of juridical certainty to the European investors in view of the accord with the EU, and for that an autonomous entity of justice should be created for the region." At the moment, only El Salvador, Honduras, and Nicaragua are signed onto the CCJ, and here again the process will require legislative ratification in those remaining. Guatemala's President Oscar Berger said he expected his country's legislature would do so to get a trade agreement, just as it has acceded to legal demands leading to acceptance in CAFTA.

In related business, Arias proposed advancing the customs union and creating an accounting office to manage the use of SICA's funds and donations from cooperating institutions. Arias helped to gloss the PARLACEN issue by saying at the conclusion of the summit, "I see limited possibilities for PARLACEN. I don't believe it is indispensable that Costa Rica join it to advance integration. I consider it unnecessary." The statement appeared to be something the EU could live with.

Claude Ellner, German ambassador to Guatemala, whose country holds the pro tem presidency of the union, said that Central America had shown the will to integrate and had demonstrated this with its progress on customs integration, tariff harmonization, and the elimination of trade barriers. He said that Central America's completion of the CAFTA process had made European authorities optimistic about a future agreement with them. But, he said, "At the level of PARLACEN, more convincing efforts must be made for it to be functional."

On matters unrelated to the free-trade issue, the summit ratified the Declaration of Panama committing the countries to reducing child malnutrition and violence against women. The full list of agreements for the session included:

Customs creating a safe region to invest and a flexible process of free transit of goods and persons, and eliminating visas for Central Americans.

Justice promoting changes in the CCJ and creating an oversight entity for SICA funds.

PARLACEN agreeing to proposals for reform of the organization.

Investments creating the Hipoteca Centroamericana through the Consejo Registral Inmobiliario de Centroamerica y Panama to promote security in real estate investment for all countries.

Health: as a measure to combat and reduce poverty, creating a regional plan with the World Food Program (WFP) to reduce malnutrition, estimated to affect a million children in the region.

Energy creating an enterprise to generate electricity regionally.

Tourism promoting regional tourism and the cultures of the peoples of the isthmus.

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