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A neck-and-neck finish in the Congress between opposing forces regarding the fate of the Central America Free Trade Agreement (CAFTA) in Costa Rica might well have gone to the opposition, with its well-played obstruction of enabling legislation. But it appears now that the game will not be over with the coming of the March 1 deadline for passage of the crucial set of laws, because the pro-CAFTA administration has a new capability to add to its inventory of superassets; it can move the deadline. President Oscar Arias admitted on Jan. 28 that the agreement was unlikely to pass, but he and his administration have known that for a good while longer.

On Jan. 9, International Trade Minister Marco Vinicio Ruiz told the media of plans to request an extension of the deadline in February. The US had in the past ruled out postponing the deadline, but a change in attitude has accompanied more sober recent assessments of the US economy. Arias has been battling effective delaying tactics by the Partido Accion Ciudadana (PAC), whose 19 members in the 57-seat legislature have attached hundreds of amendments to the 13 bills in question (see NotiCen, 2007-11-15), and whose failure to show up has left the body inquorate when special sessions called to work on the bills were held. The government gathered its troops from several agencies on Jan. 30 to try to pin down how much time it would need to work through the legislative process and arrive at a new deadline. An unnamed official told reporters they were working toward a "realistic" extension that would cover the "worst-case scenario."

The worst case would include not only the legislature but also a challenge to the constitutionality of the legislation in the courts (see NotiCen, 2007-05-31). All signatories to the trade agreement, not just the US, would have to sign on to the extension. The official said the government had not yet contacted El Salvador, Guatemala, Nicaragua, Honduras, and the Dominican Republic for their approval. Minister of the Presidency and presidential brother Rodrigo Arias later put the extension period at about three months, to avoid having to request "an extension to the extension." The comment carried with it the suggestion that the two-year limit on accession to the agreement could effectively be waived in favor of an open invitation for Costa Rica, with its most enviable of Central American economies, to join up whenever it gets around to getting those laws passed. The government sounded uncertain of its legal ground in the extension process.

Technically, it has been reported, Costa Rica could become a CAFTA country even after expiration of the deadline, but not automatically upon passage of the stalled legislation. The country would have to appeal to all the other parties for special entry permission. The Arias administration seemed unsure whether the two alternatives, seeking an extension and seeking special permission to enter, constituted different processes with different potential consequences. Extension approval seems certain At present, however, Costa Rica clearly regards the US as the main player from which to apply for a pass, and the US seems to agree both with the assessment and the strategy.

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On Jan. 31, US Ambassador to Costa Rica Tomas Duenas announced US trade officials had given their prior approval. "They already know the FTA [free-trade agreement] is ratified, and, therefore, are supportive of the extension," he said. Duenas said the embassy was functioning as coordinator between the Costa Rican presidency and the US trade officials because this was the first time in history such a situation had come up. Equally important under the circumstances, Arias also announced a planned meeting with his main opponent on the issue, PAC leader Otton Solis. Arias beat Solis by a hairs breadth for the presidency (see NotiCen, 2006-03-02), and CAFTA was the main bone of contention. Solis is on record as not categorically opposed to the trade agreement, but he wants it renegotiated from the ground up.

Reportedly, it was Arias who asked for the meeting. Solis agreed on the condition that the outcome of the talks be made public. It is difficult to imagine what would change Solis' opposition to the agreement. He has long been on record as believing that, in its current form, "CAFTA will increase poverty in Central America because it will displace farmers and industrial workers and will increase the cost of health care." It would do this in part by causing a flood of cheap food products that would force small local farmers out of their own market. He is opposed as well to privatizing the telecommunications and electricity state monopolies.

The Solis critique has so far withstood the test of time. For those countries that have been operating under CAFTA for a year or more, the results have far underperformed the promises. A case in point is El Salvador, where Salvadorans still await promised benefits and economists call government promises of foreign investment and jobs "unrealistic," even while total exports have seen increases. Rene Salazar, El Salvador's chief of the administration of trade treaties, called CAFTA the country's "most important trade agreement." He said nontraditional exports to the US, which included seafood, agribusiness goods, beverages, and ethnic foods, grew by 68% in 2006. The administration of President Antonio Saca has also claimed the creation of 27,000 jobs in 2007, though not all were a result of the trade agreement. The problem in El Salvador is that ordinary citizens do not feel the benefits of these claims.

Economist Carlos Acevedo of the UN Development Programme (UNDP) told Inter Press Service (IPS) there are no reliable data on how many jobs the treaty has created. He said that not 27,000 but 80,000 jobs a year are needed just to keep pace with the growth of the economically active population (EAP). "The government's expectations were unrealistic, and obviously have not been met," he said. Acevedo was assistant coordinator of the El Salvador chapter of the UNDP Human Development Report. He speculated that the government is counting as created jobs the positions left behind by Salvadorans who emigrate to the US to join the 2.5 million already there. The Directorate General for Migration and Alien Status has estimated that, of the 200-500 who emigrate every day, 60% have jobs. "They decide to leave in search of higher pay, so their jobs become vacant," explained Acevedo. Government employment figures show an unemployment rate among the EAP at about 7% and an underemployment rate of 35%. The underemployed are taken to mean those in the informal economy who get no social benefits. Meanwhile, said Mateo Rendon of the Salvadoran Federation of Agrarian Reform Cooperatives (FESCORA), the flood of food imports has "increased food dependency." He noted that, as the cheap food comes in, the area devoted to the cultivation of maize, rice, beans, vegetables, and livestock is shrinking, and there is a lack of "public policies to support the agricultural and livestock sectors."

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Prices for produce have been declining, while costs of inputs including fertilizers rose 30% in 2006. Before CAFTA, FESCORA members farmed 12,500 hectares. Now they farm 6,000 ha, mostly at subsistence levels. The Banco Central de Reserva de El Salvador (BCR), the central bank, recently announced the growth figure for 2007 at 4.5%, the lowest for Central America with the exception of Nicaragua, which grew just over 3%. The average for the isthmus was 5.2%. The bank reported the trade deficit at US$4.35 billion for the period Jan.-Nov. The deficit for all of 2006 was US$4.11 billion. Foreign direct investment (FDI) for the period Jan.-Sept. stood at US$5.37 billion, but this figure includes US$1.13 billion for the sale of banks, which were gobbled up by multinationals. These are the kind of results Costa Rican opponents of CAFTA fear and expect for their own country, and a weakening US economy does little to allay those expectations. Even supporters of the treaty have indicated concern.

At least one opinion piece in the very pro-CAFTA La Nacion newspaper has expressed concern regarding the implications for Costa Rica. Economist Alberto Franco Mejia worried the problems for Costa Rica stemming from the US downturn would be both commercial and financial. "Among those of a commercial nature, diminished possibilities for export or sale of Tico goods and services stand out, including tourism, to the US market and the rest of the world [by the effect of the weakening of the US economy on the economies of the other countries.] Among those of a financial nature, the decrease of the level of interest rates in dollars and the downward pressure in the value of the dollar on the international market stand out," said Mejia. Mejia reminds readers that the US was the destination for 41% of Costa Rican exports in 2007 and home to 58% of tourists who visited the country last year. The US was also responsible for 70% of FDI in 2004 and 2005, and 39% of the private wealth of Costa Rica is dollar denominated, as is 50% of private debt. The economist recommends that, to minimize the impact, Costa Ricans should concentrate on solid macroeconomic policies, increase diversification to international markets, and pass the CAFTA legislation to increase the competitiveness of the country, insofar as this legislation simplifies bureaucratic impediments to free trade and improves the infrastructure, including roads and airports.

A slight crack appeared in the opposition discipline with the news that PAC Deputy Andrea Morales said she would break ranks with her party and show up at special sessions, making it easier to whip up a quorum. She said she would do that specifically for a session at which the bill to break the telecommunications monopoly would be taken up. Her presence would give pro-treaty forces some much-needed slack. They need every one of the 38 deputies they presently count on to make a quorum, a feat often difficult to achieve. Now they will have 39 possible attendees. However, Morales made clear that her attendance did not mean she would deviate from her opposition to this or any of the other bills. Nor, she said, did her breach of party discipline signal a break with the party even though delegation chief Elizabeth Fonseca called the move a "serious mistake" and "an act of disloyalty." Morales said her decision owed to a desire to overcome the legislative impasse and be "coherent" with the fact that the people voted in a referendum to go ahead with the process. "The agenda is going to be passed this month, next, the next after that, or at the end of the year. We all know that." The relatively inexperienced 27-year-old deputy made her announcement without first notifying her party.

Party leader Solis, who had been in Florida on a teaching assignment, was irked. "On Oct. 7, the people said a different thing, and the PAC is respecting that, but she is giving importance to the [congressional] majority. It is a matter of interpretation of the subject," he said. Solis said the

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situation is "very delicate," compromising party objectives. He suggested the young deputy was easily swayed with messages from on high. "They invite her to parties and all that, and she has gotten calls from President Oscar Arias while on the floor. This is something she herself has said." Nonetheless, Solis pulled his punches lest he do more damage. "She said she was going to be against [passage of the bills]. I expect that is how it turns out." So far, it appears Morales will be true to the party agenda. On the day of her announcement, she voted with the opposition on motions to amend the telecommunications bill.

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