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LADB Staff

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An opening round of negotiations in October 2007 was intended to lead to a trade pact between Central America and the European Union (EU). The main result of those meetings was that the EU demanded CAFTA-parity, meaning the goal was an Association Agreement, as Europe prefers to call it, that removes the same tariffs at the same rate as that scheduled in the Central America Free Trade Agreement (CAFTA) with the US.

The sides retired from the San Jose, Costa Rica, first round, with Central America left to consider its options. The second round began as planned in Brussels on Feb. 25 with the isthmus determined to resist CAFTA-parity in favor of the Generalized System of Preferences Plus (GSP-plus). GSP-plus is more favorable to Central America by a long shot. It is a unilateral program on the part of the EU that allows the least developed nations to keep some import tariffs in place but to enjoy curtailed export duties. At present, the program allows 60% of Central American goods to enter Europe free, but the program, an extension of GSP program of the World Trade Organization (WTO), expires at the end of 2008.

Central American countries had GSP benefits in place with the US prior to the advent of CAFTA. Costa Rica, which has not yet implemented CAFTA, still benefits from GSP. Resistance to CAFTA-parity is not simply a bid for a free ride on the international free-trade express. Adoption of parity would expose the region to a flood of heavily subsidized European goods but would not guarantee as many Central American goods to the European market. Negotiations on specific products are a separate issue, to be discussed at a later date. Market-access proposals are reportedly scheduled for March 15. Recent WTO history makes it quite clear that reducing subsidies is not something the EU is going to do (see NotiCen, 2006-09-14).

Going into the February round, there was considerable doubt Europe was prepared to concede anything. "The chance that Europe will back off from their demands is slim; they will almost certainly refuse to consider the GSP-plus as a baseline," said Henry Morales of Movimiento Tzuk Kim-Pop, a network of indigenous organizations. Calling the new trade pact an Association Agreement does not change the leopard's spots in the opinion of the Copenhagen Initiative for Central America and Mexico (CIFCA). Their 2007 report said the EU proposals are part of a long-standing economic strategy aimed at securing trade relations favoring European commerce. The strategy is called the Global Agenda. It stresses tactical value-added-based agreements that let the EU import primary products, then manufacture and export finished goods, with the result, says the report, that "the logic of unequal development will be maintained and deepened."

On the point of subsidies, CIFCA says in a separate press release that the enormous asymmetries between the two sides must be recognized and respected. "We are not talking about two equal blocs. The differences between the two regions are enormous and the negotiations must recognize

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that both sides are not equal," said the press release. "If the lower competitive capacity of Central American countries is not taken into account, the development of the region and the future of millions of people will be in danger." The CIFCA release contains statements from other Europe-based civil-society networks. Oxfam International objects to the coercive initial conditions for the negotiations, saying, "The European Union is proposing that the starting point for the negotiation of the agreement will be less than the preferences already extended to Central America in relation to the entry of Central American products into the EU market, and this is unacceptable.

It is impossible to aspire to a just Association Agreement if the debate begins with a reduction in trade advantages that one of the partners currently enjoys." The release was datelined Feb. 24, the day before the start of the Brussels second round, and encouraged the Central American governments to "insist on the starting point of the negotiations being the trade preferences that the EU currently extends to the region and the aim should be to expand these preferences." But when the bell rang for the start of round two, the Central Americans walked into a cannonade. Costa Rica's La Nacion wrote, "The European Union opened file with a hard position on timetables for eliminating tariffs or import taxes at the opening yesterday." Europe wanted it all, and it wanted it now. Continental negotiators called for a shortened, more-flexible agenda for this and subsequent negotiations. And, as far as the starting point was concerned, Central America could forget about GSP-plus. Europe demanded starting from zero.

According to Costa Rican negotiator Fernando Ocampo, the EU's time frame for tariff reduction is almost half that of Central America. His view, or perhaps his hope, was that the European position would soften in time, that the asymmetries would be recognized, and an agreement might come in time. But for openers, Europe offered nothing more than Most Favored Nation (MFN) status, the same as any WTO member country in the world. That is a world away from Ocampo's position, "We are seeking to improve upon the conditions we have today." El Salvador's chief negotiator Johanna Hill seemed unfazed by the opening salvo. She considered the hard line a normal tactic. She did not want to get ahead of the agenda, observing that this round would see little actual negotiation beyond some rule setting and defining the different "canastas," groups into which categories of goods would be placed for setting tariff-reduction timetables.

The isthmus proposed: * Canasta A All products free of tariff from the first day of the accord. Since there was nothing to negotiate here, there was no European counter. * Canasta B Five years of protection. Europe countered with three years. * Canasta C Ten years until tariffs are lifted. Europe said five. * Canasta D Fifteen years. Europe said seven. * Canasta E This is the category of most sensitive goods, the most difficult to negotiate, as well as those goods that would be excluded from the agreement. As those have yet to be determined, there was no counter offer. This is the rubric in which agricultural interests, particularly the small and medium-sized ones of the isthmus, will be fighting for their lives.

The dairy industry, for instance, is vulnerable from Costa Rica, where it is protected with 64% tariffs, to Guatemala, where it is covered by a 15% import tax. This is a rapidly growing sector that could easily be cut down at the knees by an accord with Europe, the largest producer of dairy products in the world. Even a slow lifting of protections would not help. According to Oxfam, European dairy products are subsidized as much as 40%. European trade expert Gaspare Genna of the University of

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Texas El Paso (UTEP) said, "Agricultural subsidies are the foundation of the EU. It is inconceivable that it would give them up." Other business before the negotiators in this round will be the rules under which subsequent sessions are to be conducted. Their dates and places have been set: April El Salvador; July-Brussels; October-Guatemala; December-Brussels.

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