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After a string of frustrating negotiating sessions, Central America and the European Union (EU) have agreed to agree to a trade agreement. Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua will be the prime players on the Central American side, with Panama in observer status. More formally designated an association agreement, the pact will be comprehensive and extend to cooperation in safety, international justice, sustainable development, and other fields. Signing an actual document will happen in 2009. In the meantime, both sides are making offers on the trade agreement.

The actual conditions for the new relationship are not nearly settled. The parties are still in discussion regarding customs-union issues, nontariff trade barriers, sanitation regulations for plants and animals, and many other technical questions. The breakthrough leading to the signing commitment was European acceptance of the General System of Preferences plus (GSP+), long a sticking point (see NotiCen, 2008-02-08). Central American negotiators seem to have found a better way to work together since the Central America Free Trade Agreement (CAFTA). In that one, the individual countries splintered, looked to their own interests, and ended with something more like separate trade agreements with the US than a comprehensive pact (see NotiCen, 2003-02-06).

This is not to say that the countries have abandoned self-interest or their peculiar national styles and characteristics. Costa Rica, which broke from the pack in the CAFTA talks to strike its own separate deal (see NotiCen, 2003-12-18), continues to look fiercely after its own interests. El Salvador led this July 14-18 round, but the Costa Ricans freely stepped in whenever they did not like where Salvadoran vice minister for the economy Johana Hill was taking things. In this instance, the Costa Ricans felt that El Salvador and Guatemala too easily accepted Europe's opening stance, which was for 90% of its products to enter duty free. When the smoke cleared, that number had been knocked down to 80%, and Costa Rica was still pressing for and got tariff exemptions on pineapples and melons. It is not clear that Costa Ricans are necessarily better negotiators. It is abundantly clear that Costa Rica's democratic system makes it much more difficult for it to get a trade pact ratified than it is for the other countries.

Most of Central America ratified CAFTA in circumstances closed to the citizenry, sometimes, as in El Salvador, by a legislature acting in the dead of night (see NotiCen, 2005-01-06). But Costa Rica still has not ratified CAFTA, as ever-vigilant civil-society groups continue to militate for their interests on agricultural, cultural, and environmental questions.

Banana split

There was also some movement on the banana issue, which has pitted Latin American banana growers against those of the Africa, Pacific, and Caribbean Group (APC). The latter are largely

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former European colonies to which the EU recognized an obligation to favor with lower tariffs on bananas. Many are also small growers and, in the case of the Caribbean, living in tiny island countries that depend to a very large extent on selling their bananas in Europe. The Latin American growers are huge multinationals and giant nationals, but their many thousands of workers are almost as dependent for their livelihoods as are the Caribbeans. The Europeans were pushed to reduce their preference for the Caribbean imports by a ruling of the World Trade Organization (WTO).

Although its Doha round ended in failure, there was a banana deal. The problem was, it was not enough, at least not in Nicaragua. Latin American bananas will come to Europe at a rate reduced from 176 euros per ton to 148 euros starting in 2009. After that, it will decline to 114 euros by the year 2016. The trouble is, the Caribbean banana is, and would continue, coming in free. The disparity is such that Nicaragua does not export to Europe. Nicaragua wants the Africa, Pacific, Caribbean deal to extend to Central America as well. Otherwise, threaten officials, there could be trouble down the road in the negotiations. But there could be trouble anyway as the possibility of new banana splits emerge. T

he new tariff regime is acceptable to some Latin Americans but not others. Opposing the Nicaragua position, Ecuador will demand application of the new tariffs. Ecuador is the world's largest exporter of the fruit. "We will continue with legal actions, and we hope to exert enough pressure to solve the banana issue," said Mentor Gomez, Ecuador's negotiator at the WTO. The reason for the statement is that, with the collapse of the Doha round, it is unclear if the deal that resulted in the new schedule of duties even applies.

Villagomez said Ecuador loses US$201 million a year because of the tariffs. He said Europe must honor the deal, even if the Doha round never again raises its head. "If it doesn't, it will be sanctioned by being deprived of duty concessions." The banana decision, if it does apply, splits the isthmus from its Caribbean neighbors unless it manages to get itself included in the duty-free concession, an unlikely prospect at the moment. Central America and the Caribbean have made closer ties lately. The Dominican Republic is a CAFTA member, for instance, renaming the agreement, for some, DR-CAFTA.

Almost all of Central America has embraced Petrocaribe, the Venezuelan preferential oil deal as well. With little alternative, the Caribbean countries have very reluctantly accepted the EU concession to Latin America and continue to voice opposition. They are in a difficult position. "We in the ACP were very much surprised by some agreement that has been reached between the European Union and a group of Latin American countries on the issue of bananas," said Henry Jeffery, Guyana's minister of foreign trade and international cooperation. "The Latin Group and their commercial interests have been pushing for years, and we harbor no bad feelings against them only to note that, to the poor, small island banana farmer and, indeed, the entire communities of such countries, all the chatter about regional solidarity and oneness understandably appears hollow."

Jeffrey predicted that countries "like Costa Rica" would call this a historic agreement and congratulate both parties, but clearly the EU has sold his bloc out. "It consistently speaks of

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partnerships and proceeds to act unilaterally under all kinds of legal and other pretenses," said Jeffrey. Spain is reported to be sympathetic to this view and to be leading several European states in a move to scrap the new tariffs. "Spain wants to maintain high tariff protection for bananas for as long as possible," said the country's Rural Environment Secretary Josep Puxeu.

The countries signatory to the agreement, called the Geneva Agreement on Trade in Bananas, are Costa Rica, Honduras, Guatemala, Nicaragua, Panama, Colombia, Ecuador, Peru, the United States, Brazil, Mexico, and Venezuela. As can be seen, signers were not necessarily enthusiastic supporters.

Deep division on deportation

Another flashpoint between Europe and the isthmus is the Return Directive, a European initiative to standardize immigration procedures (see NotiSur, 2008-07-04). The Central American Parliament (PARLACEN) called the directive "discriminatory and xenophobic," and Central America demands "humane and differentiated treatment" for illegal immigrants. The region is already suffocating under the weight of deportees from the US for whom it can provide no jobs or support. This is a problem for which the region will likely get no satisfactory solution from the Europeans. An EU spokesperson told Central America Report that "in no way will Europe consider a modification to the directive." The spokesperson admitted to some, but very little, "leeway on this point," because each country can apply the provisions according to its individual circumstances.

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