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LADB Staff

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Costa Rica Joins Trade Agreement, but Relevance Is Questioned

by LADB Staff

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A campaign well-characterized by the dictum, "It ain't over till it's over," is over. Except it isn't. Costa Rica has met the criteria, enacted the legislation, and is now ready to join the Central America Free Trade Agreement (CAFTA). It has been a rough road studded with massive citizen opposition, periodic public disorder, presidential doubt, constitutional test, and legislative delay. The country has already been given two deadline extensions for passage of the pact, the last of which will expire Dec. 31.

On Nov. 11, the legislature passed the last of 13 laws that would enable Costa Rica to comply with the terms of the trade agreement it signed years ago. This last law delved deeply into the minutia of the massive trade document, having to do with what written materials schools could copy without violating copyright and how long a person found guilty of selling pirated products would spend in jail.

The passage of the new laws was the work of the so-called G38, the 38 deputies needed for passage by two thirds of the Asamblea Legislativa. Thirteen legislators voted against the laws. The G38 is an alliance of the Partido de Liberacion Nacional (PLN), the Movimiento Libertario (ML), the Partido de Unidad Socialcristiana (PUSC), and independent deputies. Those against were of the Partido Accion Ciudadana (PAC).

Still left to do: President Oscar Arias must sign the bill, and it must be published in the official La Gaceta to become law. Arias ran on his support for CAFTA and has pledged to sign the bill forthwith. But even those ceremonious steps will not bring Costa Rica into the CAFTA fold just yet. The executive must now pen three separate regulations, as the new law requires, and four decrees. The Ministry of Foreign Trade (COMEX) has said this would take until Dec. 10. Both COMEX and the Justice Ministry are required to redact the regulations. Also, the Autoridad Reguladora de Servicios Publicos (ARESEP) must name the members of a Superintendencia General de Telecomunicaciones, in compliance with enabling legislation regarding opening the telecommunications and electricity sector, heretofore a state monopoly. These tasks are all still subject to the Dec. 31 deadline, but there is probably little chance of not getting them done.

"The decrees are ready, but we haven't published them because the law hadn't passed. We have to wait until the law is published," said Foreign Trade Minister Marco Venicio Ruiz. After the final law passed, representatives of the various supportive parties stepped forward to declare their satisfaction and to predict good things from the country's inclusion in the pact. But they skirted any mention of the current economic problems that have dimmed prospects for growth and development in Central America and for the continued astronomical rates of consumption in the US those prospects depend upon.

An anachronism in the current environment

A week before the passage of the last law, the leader of the 13 PAC deputies who voted against the pact, Otton Solis, spoke to The Miami Herald about why CAFTA is a bad deal. Solis ran against Arias for president on an anti-CAFTA platform, losing by a hair. Solis is an economist and has been teaching at the University of Florida Center for Latin American Studies. His course is on free-trade agreements. Solis told the paper that the time for trusting markets to solve every problem is over, and the US must understand that those who oppose these trade agreements in Latin America do so because they do not believe that free-market forces will maximize their welfare.

Now with the slowdown, the region must look to preventive measures. With losses in export income, remittances, and foreign investment, Solis hoped that international financial institutions and bilateral sources would be in a position to lend so that governments could finance. The economist said the problem with the kind of trade agreements currently on offer is that they benefit multinational corporations not the people of the region.

An example of a trade pact that would bring that kind of benefit would be, he said, "An agreement that would not open our countries to agricultural imports as long as the United States has farm subsidies. An agreement that maintains the rules of intellectual property protection of the World Trade Organization and no more. An agreement that would permit protections for nascent industries or ones taking technological risks. An agreement that would permit more rigorous environmental and labor rules. One that has symmetry in government contracts because only 23 states in the United States allow Central American companies to participate in their bidding processes. Something that we are worried about in Costa Rica is that the free-trade agreement opens up the production and commercialization of weapons."

Solis went on to point out that the US, through its Pathways to Prosperity in the Americas program, does nothing more than to sweep all the countries having trade agreements with it into a single entity to be dealt with under the master CAFTA that the now moribund Free Trade Area of the Americas (FTAA) would have been. He noted that "CAFTA does not contemplate a single cent of cooperation," and thus drives countries "into the arms of [Venezuelan President Hugo] Chavez." He said that if CAFTA is generating progress, it is not being felt. "This shows that promises of prosperity from the free-trade agreement are not true. Why are the countries of the left and right in Central America all turning to PetroCaribe? The FTAA is dead."

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