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Nicaragua has reversed course and allowed a restart for association talks between Central America and the European Union (EU). Negotiations on what has been advertised on both sides as a more encompassing exchange than just a trade agreement have been stumbling erratically forward since 2007 (see NotiCen, 2008-08-07). A seventh round was to have begun in Tegucigalpa April 2, only to be brought to a halt when Nicaragua balked. The Nicaraguans walked away from the table after failing to gain support from fellow Central Americans on a proposal to test the sincerity of Europeans' assertions of interest in equalizing the immense asymmetries in economic power between the two regions. The Nicaraguan proposal was not in the least restrained; by most accounts, they overshot. What Nicaraguan President Daniel Ortega and his negotiating team wanted was the creation of an Economic and Financial Common Fund with an infusion of 60 billion euros, more than US$79 billion. The money, almost all of which would come from Europe, would be used for development in the region. The timing of the demand was noteworthy. The Tegucigalpa round was to open specific talks on trade, the previous ones having to do mostly with rule setting and housekeeping agreements. Despite its billing as a cultural and social association broader than a trade agreement, Ortega said the EU was setting stricter conditions than even those set by the Central America Free Trade Agreement (CAFTA) with the US. "Still," he said, "there is much to discuss in those negotiations. We have to consult our social and productive sectors. I think that we cannot accept an agreement where they want to impose unacceptable conditions. They [the EU] want an opening for their products, but they want to set limitations and restrictions for our products." Regardless of the merit of the argument, the four remaining Central American delegations found the Nicaraguan demand preposterous. Costa Rica's Foreign Trade Minister Marco Venizio Ruiz called the Nicaraguan stance "unfortunate," telling the media, "We urged Nicaragua to abandon this anti-Central American stance because it is a position that hurts the interests of Central America, not just Nicaragua." Ruiz also considered the proposal naive. He said later, "Nicaragua should have understood that there is no one who can offer gifts now, as the world's important countries are busy restoring their economies from the financial crisis." The Nicaraguans were miffed that they got no support from their neighbors. It chafed that Costa Rica, with whom relations have been strained of late (see NotiCen, 2009-04-02), moved quickly to isolate the outliers. Foreign Minister Bruno Stagno stepped forward to announce, "We want to make clear the suspension of one round is not the end of negotiations. No one country has the veto power to stop negotiations." To put a fine point on it, he noted that the remaining countries all wanted to continue negotiating and said, "We considered Nicaragua's decision to be a unilateral decision." The proposal was not a surprise to Costa Rica, but the amount was. Prior to the last round, Nicaraguan officials met with Costa Rica's Minister of Finance Guillermo Zuniga and Central Bank president Francisco de Paula Gutierrez to present a proposal for a fund of about 20 billion euros (US$26 billion). Besides the blindsiding, the Costa Ricans also worried that the higher amount would overwhelm isthmus debt capacity. Speaking weeks after the events took place, Zuniga explained, "The amount is too high. This would bring contingent debt to the countries." Not so

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naive The proposal may have been immoderate, but the EU did not find it completely irrational. The Europeans said flatly they would by no means contribute the "enormous" amounts suggested by Ortega but they would "listen carefully" to his demands. They would also contribute financially, but the amount would have to be within the totals that have already been allocated for Central America through 2010. Ortega continues to be inelegant in word and deed, but he is no longer odd man out when it comes to regional policy. Guatemalan economist Mario Rodriguez put a concept not antithetical to Ortega's more delicately. "On one hand, Central America is seeking to place its main exports on the European market as a way of saving its products from the scant benefits reported by CAFTA," he said. "On the other hand, Europe is taking advantage of this, seeking to open up new markets, which is urgent and necessary to mitigate the effects of the financial crisis, and is making great efforts to become a global political player applying a dose of realpolitik, given the existing ambiguity now that we face the end of the unipolar world and the debacle of North American hegemony." Well, perhaps his analysis is no more delicate, but it is bombast-free and easier to follow. Rodriguez also sees, acknowledges, and describes a carrot-and-stick approach to the region, "giving benefits to Costa Rica on one hand...and adopting a tough stance against Nicaragua on the other...." He refers to the EU grant of the Generalized System of Preferences (GSP Plus) to Costa Rica and simultaneously haranguing Nicaragua for alleged violations of democratic principles while doing much the same itself at home. Rodriguez pointed to pushing Ireland to repeat its referendum after its rejection of the Treaty of Lisbon, a centralizing plan that rose from the ashes of the failed European constitution. The Nicaraguan-modified walk-away also acknowledges the perception in civil society that calling the EU deal an association agreement does not make it so, nor does it make it substantially different from the trade agreement of yore. Many of the same populations excluded from the unashamedly undemocratic CAFTA process feel excluded now. A blistering critique in the form of an open letter to the dealmakers on both sides protested the exclusionary format and complained, "No progress has been made on the inclusion of our demands in the negotiations." It was signed by labor member organizations of the Coordinadora Sindical de America Central y el Caribe (CSACC), included a list of seven demands aimed at inclusion, and warned that, if those were not met, the organizations would "declare that this agreement is just another trade agreement and will accordingly adopt whatever measures may be necessary to publicize what is happening in the...negotiations." If that, or something like it, happens, it might amount to a replay of the CAFTA imbroglio in the region under more democratic circumstances and without the specter of the coercive administration of former US President George W, Bush looming over the process. It is also unlikely that governments would hastily pass texts produced in secrecy on to farther-right legislatures for midnight ratification (see NotiCen, 2005-01-06)). Under current circumstances, the EU agreement would likely fail. On April 25, the regional office of the European Commission (EC) in Nicaragua announced an agreement to restart negotiations with a full-scale resumption in Brussels July 6-10. In what appears to be acknowledgement of the Nicaraguan argument, the EC also announced the establishment of a biregional group to work on a financial mechanism for regional development. It was clear from reporting that the walkout precipitated the reconsideration, but that same reporting reminded that there are no done deals; no agreement on amelioration of asymmetries has been reached. These are not the best times, however, to be negotiating trade. The deep world recession has slowed flows of goods and services and diminished wealth on both sides. A report from the Economic Commission for Latin America and the Caribbean (ECLAC) was recently released. Titled Enfrentando la crisis. Istmo Centroamericano y Republica Dominicana: evolucion economica en 2008 y perspectivas para 2009, it paints a bleak picture for the region in the short term. ECLAC executive Jorge Mattar told IPS that experts do not even know at this point what

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stage the downturn is in, how long it will last, or how bad it will get. His only certainty is, he said, that the coming year "will be a very negative one" for the region. The report makes the painfully obvious point that "the countries worst hit by the crisis will be those that have seen their income reduced by lower levels of remittances from, and exports to, the United States." Overall, said Mattar, the outlook is for a possible job loss of 120,000 jobs to Central America. Igor Paunovic of the ECLAC economic development unit said the situation would add 400,000 to the number of people living below the poverty line, raising the level one point to 52% of the total population of 40 million. And the outlook, hazy as it is, is for no more than 1% growth, more than offset by population growth and an expected contraction of 5% to 15%. These projections comport with others, such as that of the International Monetary Fund (IMF). It suggests that any expectation of improved prospects from another trade agreement will not soon be fulfilled but that funding social aspects of an association agreement aimed at survival for the most vulnerable and development that will enable the region to participate more fully in an eventual upturn is probably a good idea.

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