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Ecuador and US in Free Trade Discussions

by LADB Staff

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A team of Ecuadoran trade negotiators announced plans to meet with US officials to plan steps for setting up a free-trade agreement between the two countries. They intend to define dates and methodology for an agreement process to commence possibly in the middle of this year. Banco Central director Mauricio Yopez headed up the seven-member Ecuadoran team on its trip to Washington where members met with the office of the US Trade Representative (USTR) and Treasury Secretary John Snow.

Ecuadoran Minister of Foreign Trade Ivonne Baki met previously with US Trade Representative Robert Zoellick and spoke with him about advances in resolving litigation with US businesses that operate in the Andean country. The elimination of these conflicts is a condition the US demands if Ecuador is to remain a beneficiary of preferential tariff arrangements for Andean states and if conversations about a free-trade agreement are to open up. Baki said the White House had agreed to wait until March for the resolution of the litigation, which involves the interests of Bellsouth, IBM, and Duke Energy.

The US government has been seeking to forge bilateral deals with individual countries after its efforts to pass the 34-country, hemispheric Free Trade Area of the Americas (FTAA) hit repeated roadblocks (see NotiSur, 2003-12-05). The US has also completed negotiations with five Central American countries to pass the Central America Free Trade Agreement (CAFTA), although the agreement still has to be ratified by the legislatures of all signatory nations (see NotiCen, 2004-01-29, 2003-12-18).

CAFTA could soon include the Dominican Republic as well (see NotiCen 2004-01-22). In its negotiations with the US, the Ecuadoran government also faces challenges from its large debt burden and the strong restructuring measures demanded by the International Monetary Fund (IMF) to maintain economic agreements (see NotiSur, 2003-04-25).

On Feb. 8, an IMF mission arrived in Ecuador for a two-week visit to reactivate its current agreement with Ecuador. The agreement extended a US\$205 million credit to Ecuador in five payments, two of which have been delivered, and which expires in March. The mission seeks to extend the agreement to December.

Resistance from agribusinesses and indigenous Free-trade negotiation with the US could worsen Ecuadoran President Lucio Gutierrez's relationship with the powerful indigenous organizations he has alienated since taking power in January 2003. These groups turned against him after his right-leaning, pro-business policies caused former supporters to declare opposition to his government (see NotiSur, 2004-01-30).

Groups like the Confederacion de Nacionalidades Indigenas de Ecuador (CONAIE) and its political party Patchakutik represent around four million indigenous citizens and virulently oppose free-

trade policies like the FTAA and the adoption of IMF initiatives. Violent protests against Gutierrez in recent days have led to multiple injuries and the shooting death of one woman.

The Ecuadoran preparations for a free-trade process also are occurring amid resistance by businesspeople from the agricultural sector and campesino groups. The indigenous, agricultural, and campesino organizations fear that opening markets to US products could destroy national agriculture, given the subsidies that their northern counterparts receive and their enormous technological development.

The council of Ecuadoran agribusiness, Federacion Nacional de Camaras de Agricultura, announced that it would abstain from participating in negotiations with the US until the government came up with a strategy that would defend sensitive products.

The president of the federation, Patricio Maldonado, told the Ecuadoran newspaper Hoy that it would not participate in the process "as long as things don't change, because we're not going to be accomplices in improvisation." Maldonado said members of the agricultural field were concerned about the impact an eventual accord could have on each of the country's productive sectors.

Agricultural producers have repeatedly expressed their concern that US products would inundate Ecuadoran markets and might leave unemployed a high percentage of the country's 3.8 million people who make their living from agriculture. Maldonado complained about the lack of competitiveness in Ecuador caused, among other reasons, by high electricity rates which, he said, is a problem only the government and not agricultural producers can resolve.

On Feb. 4, the government in Quito declared an emergency in the electric sector resulting from drought. The government anticipates an eventual crisis of electricity generation since the drought has diminished the water current running through the central hydroelectric plant at Paute to one-sixth its normal rate.

New agriculture minister advocates for subsidies

Salomon Larrea, the new minister of agriculture, spoke out in favor of the adoption of subsidies for the agricultural sector in advance of eventual free-trade negotiations with the US. After taking office on Feb. 7., Larrea signaled that it is necessary to clearly set out the timeline and scope of subsidies for agriculture just as much as a timeline for lowering tariffs and duties. He also emphasized the agricultural sector's need to be able to count on financial resources for undertaking technological-development programs. With these statements, Larrea may be attempting to quell worries both at home and in the US.

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US government subsidies in support of domestic farming and agribusiness have been a major bone of contention between poorer countries and US negotiators during various free-trade summits. The inability to compromise on the issue helped scuttle free-trade talks in both Cancun and Miami last year (see NotiSur, 2003-10-10, NotiCen, 2003-09-18).

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Castro told journalists the document would foment collaboration in the use of their infrastructure and research and training centers to assist technicians and producers of those countries. The functionary said that the pact would permit technological exchange in the areas of floriculture and fruticulture with the goal of improving the commercial management of those activities with exportation potential.

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