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Steven Ranieri

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Framework Free Trade Agreement With Central American Nations

by Steven Ranieri

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On Aug. 20 in Managua (Nicaragua), Central American and Mexican officials finalized a framework agreement aimed at creating a free trade zone by Dec. 31, 1996. Negotiations on suspension and reduction of tariffs and non-tariff barriers are scheduled for Mexico and each of the Central American governments (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua). Guatemalan and Salvadoran officials said they planned to join forces in talks with Mexico. According to Mexican Trade Minister Jaime Serra Puche, principles set forth in the agreement are "sufficiently flexible" for a transition based on recognition of "asymmetry," or the economic development gap between Mexico and Central American nations. The purpose of such recognition is to provide Central American enterprises with adequate time and other resources to prepare themselves for competition with Mexican counterparts. A report by the Mexican Entrepreneurial Council for International Affairs (Consejo Empresarial Mexicano para Asuntos Internacionales-CEMAI) indicated that Central American trade with Mexico comes to about US\$618.7 million per year. Central America accounts for only 0.1% of Mexican foreign trade, whereas 10% of the five nations' combined trade is conducted with Mexico. The US is the single most important trade partner for both Mexico and the Central American bloc, accounting for 67% and over 80% of trade, respectively. On Aug. 23, the Private Sector Economic Studies Center (Centro de Estudios Economicos del Sector Privado-CEESP) released a report asserting that free trade with Central America could have an adverse effect on several Mexican industries which are no more "developed" than Central American counterparts. Opening up the Mexican market to Central American imports in the absence of reciprocal moves as suggested under "asymmetry" guidelines is particularly worrisome in the case of agricultural products (e.g., sugar, coffee, tobacco, cacao, milk, beef, bananas and other tropical fruits), textiles and aluminum products. (Sources: Agence France-Presse, 08/19/92, 08/20/92; Agencia Centroamericana de Noticias-Spanish news service EFE, 08/20/92; La Jornada, El Universal, 08/21/92; El Financiero, 08/21/92, 08/24/92)

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