3-9-1994

Mexico, Costa Rica Finalize Free Trade Agreement

Carlos Navarro

LADB Article Id: 56950
ISSN: 1054-8890

Mexico, Costa Rica Finalize Free Trade Agreement

by Carlos Navarro
Category/Department: Mexico
Published: 1994-03-09

After weeks of difficult negotiations, Costa Rica and Mexico in early March finalized a free trade agreement in San Jose, Costa Rica. The two sides ironed out their differences over trade in agricultural products, and disagreements over a timetable for reduction in tariffs, both of which had presented the greatest stumbling blocks during previous negotiations. In announcing the agreement on March 4, Mexican Trade Secretary Jaime Serra Puche and Costa Rican Trade Minister Roberto Rojas did not make a specific mention of agriculture, but the issue is thought to have been resolved through the negotiations on the tariff schedule. At issue were Costa Rican exports of dairy, meat, and sugar products to Mexico.

According to Rojas, Costa Rica was able to gain last- minute concessions from Mexico in the areas of intellectual property and services. Costa Rica also successfully negotiated a timetable which reduced tariff barriers for Costa Rican products at a faster rate than for Mexican products, given the difference in the size of the two economies. Presidents Rafael Angel Calderon of Costa Rica and Carlos Salinas de Gortari of Mexico are scheduled to sign the agreement sometime in April, possibly in Mexico City, following a review from legal experts in both countries. The new agreement is scheduled to take effect on Jan. 1, 1995, provided the accord is approved, as expected, by the appropriate legislative bodies in the two countries.

Tariffs eliminated in three stages

The new accord proposes to eliminate import tariffs in three stages for more than 8,400 products traded between the two countries. According to the accord, tariffs will be completely eliminated on Jan. 1, 1995 for at least 65% of the products shipped from Mexico to Costa Rica. At the same time, tariffs would be eliminated on that date for 86% of the products shipped from Costa Rica to Mexico, or roughly 4,000 to 5,000 items. The remaining tariffs would be phased out in five or 10 years, depending on the product.

Rojas estimated that under the agreement, Costa Rican exports to Mexico could approach US $250 million by 1996, compared with a recent annual average of US$60 million per year. He said such items as television sets, batteries, motorcycle helmets, storage safes, and other items, will be eligible for the duty-free status in January of 1995. Tariffs would be phased out gradually for such items as glass bottles, automobile tires, wallets, leather footwear, wooden doors, leather luggage, among other items. In addition, the accord created an initial quota of US$5 million for imports of Costa Rican clothing. This quota will increase by 15% annually. Negotiators also decided to create a Regional Integration Committee for Spare Production Inputs (Comite de Integracion Regional para Insumos, CIRI), which will determine rules of origin for imports of components not available in either country.

Speaking to reporters on March 4, Serra Puche and Rojas described the new agreement as the "most complete in Latin America," since the accord not only seeks to open trade in goods and services

LADB Article Id: 56950
ISSN: 1054-8890

but also reduces restrictions on investments and creates a strong dispute resolution mechanism. In fact, Serra Puche suggested that the accord is "so complete and balanced" that the text can be used as a basis for future negotiations with other countries in Central America. Costa Rica is the first Central American country to reach a free-trade accord under terms of an agreement reached in Tuxtla Gutierrez, Chiapas state, in January 1991, which called for the formation of a free trade zone between Mexico and five Central American countries by 1997. The Tuxtla Gutierrez agreement was signed by the presidents of Mexico, Costa Rica, Guatemala, Nicaragua, and El Salvador, and was supported by the executives of Venezuela and Colombia.

-- End --