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U.S., Central American Nations Sign New Trade, Cooperation Accords

by LADB Staff

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On May 8, US President Bill Clinton met with the heads of state of six Central American countries, plus the Dominican Republic, in a one-day summit in San Jose, Costa Rica. During the meeting, the US and five of the isthmian governments signed an open-skies accord to liberalize aviation service, the first such pact between the US and Latin American nations. Among other things, the US also promised to expand the number of goods that the region can export at preferential tariff rates to the US and it vowed to examine measures to buffer the effect on Central Americans of the new US immigration law. Notwithstanding these agreements, the summit fell short of expectations for most of the isthmian countries.

Of the seven Central American republics (including Panama and Belize), only Panama failed to attend the summit with Clinton. In early April, Panamanian President Ernesto Perez Balladares had announced that, given the differences in the nature of that country's relations with the US as compared with the rest of the isthmus, his presence at the summit would be superfluous. "Panama's agenda is very different," said Perez Balladares. "The Central American governments, who depend on exports, are seeking preferential trade status with the US, while Panama, whose economy is largely based on services, is less interested in such treatment. We are interested in a bilateral relationship with the US, the implementation of the Panama Canal treaties, and the creation of a multilateral drug-fighting center, all of which are issues that differ substantially from the interests of the other nations."

Frictions between the US and Panamanian governments, however, may have contributed to Perez Balladares's decision. According to local press reports, Perez Balladares is allegedly annoyed at President Clinton's refusal to attend a September conference on the Canal convened by Panama. In addition, a new US State Department report on international narcotics matters, submitted to Congress earlier this year, has provoked an official protest by the Panamanian Foreign Ministry. The report alleges that Mexican bankers launder some US\$10 billion per year in Panama's international banking center and the Colon duty-free zone. Besides the six other Central American presidents, Dominican President Leonel Fernandez also attended the summit, invited as head of the only democratic Spanish-speaking nation in the Caribbean.

And, from the US, President Clinton was accompanied at the summit by the US secretaries of state, commerce, energy, transportation, and interior US promises to expand CBI benefits & soften immigration law During the summit, the US and Central American delegations signed a series of new trade and cooperation accords. Among the concrete agreements contained in the San Jose Declaration are: * An open-skies pact signed by the US, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua that permits commercial airlines to compete freely for routes in the US and Central America. (Panama signed a separate open-skies accord simultaneously in Panama, but Belize and the Dominican Republic are still negotiating individual agreements with the US).

The accord is expected to rapidly increase passenger and cargo transport, since commercial airlines have been aggressively expanding air service to and from the US in recent years, including:

-A US commitment to set up an International Law Enforcement Academy in Central America to contribute to the professionalization of the region's security forces and judiciaries.

-Closer collaboration between the US and Central America in anti-drug programs, including an agreement to modernize extradition treaties and apply them more vigorously, plus a US commitment to increase bilateral and multilateral assistance for combatting drug trafficking, drug consumption, and money laundering.

-An agreement to create a US-Central America Trade and Investment Council, plus a decision to hold annual meetings among US and isthmian trade ministers.

In addition to the concrete accords, President Clinton made two important promises to his hosts: a pledge to seek congressional approval to provide more trade privileges to Central America by expanding the number of products covered by the US's Caribbean Basin Initiative (CBI), and a vow to seek measures that will buffer the impact of the US's new immigration law on the Central American countries. Regarding the CBI, President Clinton said that the budget framework agreement reached between the White House and bipartisan congressional leaders in early May includes US\$2 billion over five years for reducing some tariffs including those on apparel for Central American and Caribbean nations.

On immigration, Clinton promised that there would be no mass deportations of Central Americans illegally residing in the US, a prospect that has generated panic among the isthmian nations since the US's new immigration law took effect in early April (see NotiCen, 03/06/97 and 04/10/97). More important, Clinton agreed to suspend until October deportation procedures against Central Americans whose temporary visas and work permits have expired. And, in the interim, Clinton promised to propose to Congress amendments to the immigration law that would soften the impact of future deportations.

Despite progress, agreements fall short of expectations. Officially, President Clinton and his counterparts hailed the agreements as a major step forward in US-Central American relations. "This is truly a new day for Central America," said Clinton. "A decade ago, we focused on civil wars. Now, together, we are fighting against poverty and fighting for prosperity, stronger democracy, and the sustainable development of our precious resources." According to Costa Rican President Jose Maria Figueres, the summit "marked a new stage in US-Central American relations, one characterized by dialogue and understanding among equals."

Nevertheless, outside the summit limelight, high-level government officials from most of the countries concurred with independent critics that the meeting with Clinton produced minimal results compared with the expectations generated after Clinton announced his visit last January. In particular, the US's refusal to negotiate a free-trade accord with Central America ahead of the hemispheric Free Trade Area of the Americas (FTAA) disappointed the isthmian governments and private sectors. In April, the Central American governments had pressed the Clinton administration

to include free-trade talks as the top agenda item at the summit. The isthmian and Caribbean nations have suffered a major loss of investment and trade since the North American Free Trade Agreement (NAFTA) took effect in 1994 and they have been pressing the US to grant them NAFTA-parity status to level the playing field.

Although an expansion of CBI benefits is welcomed, it falls far short of such expectations, and Central American officials have begun to warn the US that they will aggressively seek trade agreements with other regions if the US does not negotiate with them. "Central America does not intend to be like the ham of the sandwich," said Costa Rican Foreign Minister Fernando Naranjo, referring to the NAFTA-member efforts to reach trade agreements with Chile and other South American countries. "The US should begin to consider its economic and trade relations with Central America, because, if not, it will lose advantages with regards to the European Union and Japan."

Clinton's promise to seek measures to soften the immigration law also did little to calm concern in Central America, since the isthmian nations had hoped for a concrete offer to provide legal status for their citizens in the US. Most Central Americans now fear that, at best, Clinton granted a temporary reprieve from the law until October, when deportations will begin. "The ceremony and photo ops were impressive, but the results in terms of immigration were poor, to say the least," read an editorial in the Nicaraguan daily La Tribuna, titled "Just one more promise."

According to La Tribuna, "Clinton simply reiterated his already over-used phrase of 'no mass deportations,' but in reality, he only committed himself 'to see' if the US government might be able to do something. In the meantime, at least a dozen Nicaraguans per week are being deported, steadily enlarging the army of unemployed in our country." [Inter Press Service, Agence France-Presse, El Panama America (Panama), 04/02/97; El Tiempo (Honduras), 05/01/97; Prensa Libre (Guatemala), 04/19/97, 04/23/97, 05/06/97; The News (Mexico), 05/02/97, 05/06/97; Spanish news service EFE, 05/01/97, 05/06/97, 05/07/97; Diario de Hoy (El Salvador), 05/07/97, 05/08/97; Associated Press, 05/08/97; Notimex, Prensa Grafica (El Salvador), 05/08/97, 05/09/97; Dallas Morning News, 05/09/97; New York Times, 05/09/97, 05/10/97]

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