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## Nicaragua Threatens Tariff War with Costa Rica

by LADB Staff

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The three-year dispute between Costa Rica and Nicaragua over use of the San Juan River, which separates the two countries, has become entangled with the presidential election campaign in Nicaragua. With no resolution of the dispute in sight, Nicaragua threatens to impose a heavy tariff on imported Costa Rican goods if the case goes to The International Court of Justice at The Hague.

In July 1998, Nicaragua prohibited armed Costa Rican police vessels from using the river. Before that, the police used the river to resupply their remote outposts (see EcoCentral, 1998-08-13). Costa Rica does not challenge Nicaragua's sovereignty over the San Juan River and Nicaragua recognizes Costa Rica's treaty rights to use the river for commercial purposes. But Costa Rica argues that its police must have free access not only to reach its outposts but to guard against illegal immigration and contraband. Nicaraguan President Arnaldo Aleman first proposed then rejected a plan for Costa Rican police to use the river if accompanied by Nicaraguan escorts (NotiCen, 1999-07-15).

In March 2000, Costa Rican President Miguel Angel Rodriguez gave up trying to get a negotiated settlement and proposed instead to take the matter to the Organization of American States (OAS) for mediation. Aleman rejected mediation and proposed negotiation (see NotiCen, 2000-03-09). When negotiation failed, Rodriguez said he would take the case to The Hague tribunal, but Aleman threatened to impose trade sanctions if he did. Next, the two presidents agreed in June 2000 that Costa Rican armed police could use the river after notifying Nicaraguan authorities (see NotiCen, 2000-07-13). When that agreement fell through, Rodriguez resolved to take the case to The Hague tribunal and the Legislative Assembly approved US\$1 million in the 2002 budget to cover costs.

### *President Aleman threatens punitive tariff*

That prompted Aleman on Sept. 8 to threaten a "patriotic tax" of 35% on goods imported from Costa Rica. He said the measure would be necessary to raise funds to defend against Costa Rican claims in the tribunal. The additional revenue was projected at US\$200 million per year. However, Costa Rican exporters said the steep tariff would completely block their access to the Nicaraguan market, raising the question of whether there would be any tariff revenue at all.

Nicaraguan National Assembly secretary Pedro Joaquin Rios said the tariff would wreck the Costa Rican businesses that have significant sales in Nicaragua. Costa Rica's annual earnings from exports to Nicaragua average US\$200 million, as compared with US\$38 million in Nicaraguan exports to Costa Rica. Adolfo Calero, president of the Nicaraguan National Assembly's foreign relations committee, said he believed Costa Rica was taking advantage of Nicaragua's economic troubles to press its case in The Hague. He called Costa Rica's intentions "a threat" and warned that if Costa Rica lost the case, it would have to pay Nicaragua's legal costs.

### *Daniel Ortega calls for joint development of river*

Presidential candidate Daniel Ortega of the Frente Sandinista de Liberacion Nacional (FSLN) told the press in September that if elected he would try to reach a negotiated settlement with Costa Rica. He said that he and President Rodriguez had met and agreed that they would seek international funds for a binational project to develop tourism in the river basin. Ortega said that since Nicaraguan sovereignty over the river was not at issue, it was better to discuss development than to fight over whether Costa Rican police could use the river.

Governing Partido Liberal Constitucionalista (PLC) Deputy Victor Manuel Talavera said the Assembly should question Ortega about his proposal, and Aleman called Ortega a "traitor." Ortega responded to the attacks by accusing the administration of provoking a conflict with Costa Rica.

### *Nicaragua rejects international jurisdiction*

On Oct. 23, the Nicaraguan Foreign Ministry sent a letter to UN Secretary General Kofi Annan asserting that The Hague tribunal had no jurisdiction over anything stemming from the treaties that established the river boundary. The day before, Aleman said on his weekly radio broadcast, "There is nothing to arbitrate, nothing to discuss." He reiterated that the only solution for Costa Rica was to ask for permission before each trip by its police boats. He made the procedure sound less than routine, however, saying, "We will make the necessary decision to grant [permission] or analyze the case."

In Costa Rica, Foreign Minister Roberto Rojas reaffirmed the Costa Rican view that The Hague tribunal should rule on the case, but that Costa Rica "maintains its position of dialogue with Nicaragua, and out of respect for the electoral process in that country, it awaits the conclusion of the elections to discuss bilateral issues." Legal experts said Nicaragua's rejection of the tribunal's jurisdiction was invalid. The daily La Nacion cited jurists who said that no state could refuse to accept the court's jurisdiction, which is imbedded in treaty law.

One observer said Aleman's assertion had no legal basis and could only be explained by the current election campaign in Nicaragua. When the tariff bill went to the Nicaraguan Assembly in October, Rodriguez said it was "inconceivable that [Nicaragua] would think of limiting Costa Rican trade." He said the measure went against the movement toward regional economic integration. Abel Pacheco, presidential candidate of the governing Partido Unidad Social Cristiana (PUSC) in Costa Rica's 2002 election, said, "As a psychiatrist, the behavior of the president of Nicaragua awakens in me the keenest curiosity."

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