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Central America Free-trade Pact with U.S.

by LADB Staff

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Central American presidents are talking euphorically about the benefits from a proposed trade pact with the US suggested by President George W. Bush on Jan. 17. Addressing the World Affairs Council in Washington, Bush used Argentina's economic crisis (see NotiSur, 2002-01-11) as a springboard for pressing his case for Trade Promotion Authority (TPA) and a Free Trade Area of the Americas (FTAA) agreement. He indirectly criticized Argentine President Eduardo Duhalde for adopting monetary and other policies that suggested his government might retreat from free trade into a statist model to overcome the crisis.

Duhalde has gone further than any of his recent predecessors by saying the neoliberal economic model was "exhausted," and by resisting International Monetary Fund (IMF) demands for a "coherent" recovery plan (see NotiSur, 2002-02-01). Duhalde even said Argentina would strengthen its ties with the rest of Latin America and distance itself from US "dominance." That remark was in line with pronouncements by Cuban President Fidel Castro, echoed by Venezuela President Hugo Chavez, that Latin America had to set its own agenda and cease dealing bilaterally with the US, the IMF, the World Bank, and other Washington-dominated institutions.

Bush's speech was a clear signal that his administration is concerned that Argentina might start a trend away from the preferred US free-market system. He warned that this was not the time to weaken "our commitment to market-based reform." "Some are questioning the path to prosperity," Bush said. "Some wonder whether free-market reforms are too painful to continue. Some question the fairness of free and open trade, holding out the false comfort of protectionism." He held up Mexico as an example of a country that was rewarded with recovery after its 1995 economic crisis because it stayed "on the hard road of reform." Linking free markets with democratic institutions, Bush said that "there is even greater danger that some may come to doubt democracy itself." "Free markets and open trade are the best weapons against poverty, disease, and tyranny," said Bush. "The future of this hemisphere depends on the strength of three commitments: democracy, security, and market-based development. These commitments are inseparable, and none will be achieved by half-measures."

Bush then announced that he would work for a free-trade agreement with Central America as a step toward "economic, political, and social reform" in the region and toward the FTAA, which he wants completed in 2005. He called on Congress to give him TPA to make these steps possible. He promised an immediate contribution of US\$50 million to the World Bank for grants in education to the poorer countries of Latin America and the possibility of doubling that amount in subsequent budgets. Sources consulted by The New York Times said the administration believes that negotiations with Central America will be easier than with the larger South American nations and that a pact with Central America will push countries like Argentina and Brazil into FTAA negotiations.

Bush reverses policy on Central America

The Bush announcement marks a departure from Washington's usual policy of negotiating trade agreements with the larger countries and resisting repeated requests from Central America for improved trading status equal to the favorable access Mexico has to the US market under the North American Free Trade Agreement (NAFTA). During the Summit of the Americas in Quebec last year, Central American leaders asked for just such an agreement, but the administration announced through the Commerce Department that trade with Central America was not a priority (see NotiCen, 2001-04-26). Bush's new proposal met with nearly unanimous approval from Central American leaders.

Two recently installed presidents Enrique Bolanos in Nicaragua and Ricardo Maduro in Honduras are committed free marketers. Costa Rica holds presidential elections Feb. 3, and both candidates support a free-trade pact. Current Costa Rican President Miguel Angel Rodriguez has been more interested in forging a bilateral trade agreement with the US, but has recently urged greater regional integration and unified trade agreements.

In a joint communique issued after a meeting in San Jose, Rodriguez and Panamanian President Mireya Moscoso called the Bush proposal "an extraordinary opportunity." Guatemala's economy vice minister Marco Ventura said the proposal was "fabulous news." He, like many others in the region, believes that a trade pact would energize national economies, promote foreign investment, and slash unemployment. Salvadoran Central Reserve Bank president Rafael Barraza said that, with a trade pact with the US, he expected US investment in El Salvador to double from the present US\$4 billion and to generate 250,000 jobs.

Central American presidents met at the Copan archaeological site in Honduras for a brief mini-summit Jan. 27. They agreed on a final declaration on various regional themes such as corruption and the Plan Puebla Panama, a development plan proposed by Mexican President Vicente Fox Quesada (see NotiCen, 2000-09-21, SourceMex, 2001-07-11). They also sent the text of the declaration in a letter to Bush and expressed their pleasure at his interest in a free-trade pact. They offered "total support" for his efforts to get the Senate to pass TPA legislation. "We are sure that the free-trade treaty is an important step on the road to economic and social development in our nations, since it is the best tool to fight poverty, prevent uncontrolled migration, and [to create] a better future for our citizens," the letter said. The leaders also agreed to make free trade with the US a top regional priority and to meet again Feb. 17 to plan negotiating strategies. Rodriguez said Costa Rica was willing to lead the trade talks with the US.

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