Costa Rica Opposition Leader Calls for Renegotiation of Cafta

By Mark Drajem
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July 25 (Bloomberg) -- The top opposition leader in Costa Rica said he wants to renegotiate a free-trade agreement with the U.S., citing as a precedent the U.S. revamping of a similar agreement with Peru.

The leader, Otton Solis, said rules in the Central American Free Trade Agreement would give foreign investors access to independent tribunals, allow imports of subsidized U.S. farm goods that would push local farmers out of work and undermine any strengthening of environmental laws Costa Rica might want to pursue.

Peru's Congress, which in June 2006 approved a free-trade agreement with the U.S., was forced to approve amendments to that trade deal this year after the Bush administration and Democrats in Congress insisted on new rules for labor rights and the environment.

``That's a very good precedent, to be dynamic rather than static,'' Solis said in a speech in Washington today. ``It shows that this thing can be renegotiated even after some parliament has approved it.''

In 2005, the U.S. Congress approved the trade deal with five Central American countries -- Costa Rica, Guatemala, Nicaragua, El Salvador and Honduras -- and the Dominican Republic. All the countries except Costa Rica have implemented the tariff cuts and investment rules since then.

The accord removes duties on 80 percent of the $15 billion in annual U.S. exports to the region and makes permanent the duty-free access to the U.S. that most Central American products already enjoyed.

Region's Richest Nation

Costa Rica, the region's richest nation, doesn't need the agreement because it is benefiting from high-tech investments and can compete with China and other low-cost countries because of its strong education system and infrastructure, Solis said.

``There is no way for us to compete with the wages in those countries,'' Solis said. ``We have to compete based on our comparative advantages.''

Solis, who lost a race for Costa Rican president against Nobel Peace prize winner Oscar Arias last year, is now campaigning on a nationwide referendum on whether his country should implement the agreement.

Getting a renegotiated deal is unlikely because ``fast-track authority" in the U.S. has expired, and Congress won't be inclined to approve any new trade agreements, said John Murphy, vice president of the U.S. Chamber of Commerce. Under fast track, Congress must accept or reject a trade agreement without amending it.

Solis said he would prefer to have no trade agreement with the U.S. to signing Cafta as currently negotiated. He used the experience of the North American Free Trade Agreement, which the U.S., Canada and Mexico signed in 1994, to bolster his argument.

``If Nafta has been such a success, then why is the U.S. building a wall along the border with Mexico?" he asked