

# Schwab Says U.S. Won't Renegotiate If Costa Rica Rejects Cafta

By Mark Drajem  
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A free-trade agreement with Costa Rica and other Central American nations won't be renegotiated if voters in that nation reject the deal in a referendum, U.S. Trade Representative Susan Schwab said.

"It is difficult to imagine any U.S. administration renegotiating the current agreement or negotiating a new trade agreement with Costa Rica if this agreement is rejected," Schwab said in a statement. "The opportunity for Costa Rica to enjoy the benefits of regional free trade is now."

The Oct. 7 referendum on the Central American Free Trade Agreement in Costa Rica, a country of 4 million with an economy smaller than Lithuania, is drawing increasing scrutiny from lawmakers and public officials in Washington. It is seen as an indicator of whether these types of free-trade agreements with the U.S. will continue to enjoy support in Latin America – and in the U.S.

One leading critic in the U.S. of Cafta and other free-trade agreements has already pledged something different to Costa Rica and said he would work to set up a new trade accord with that country if the referendum is voted down.

"If the referendum is defeated, we can create a new trade agreement that benefits workers and communities, small businesses, religious folks, people who care about an economy that works for more of us," Ohio Democratic Senator Sherrod Brown said in the Senate this week.

Republicans and Democrats already offered voters in Costa Rica differing advice about whether their current trade preferences with the U.S. would continue if they vote down Cafta.

## Caribbean Basin Initiative

Costa Rica will maintain the current duty-free entry for its exports to the U.S. under the Caribbean Basin Initiative, Democratic leaders said. Republicans and the Bush administration said that only Cafta is a guarantee of permanent duty-free shipments.

"The United States has never faced a situation where one of our trading partners rejects a reciprocal trade agreement with the United States, but continues to seek unilateral trade

preferences,” Schwab said in her statement today.

The free-trade agreement enlarges the current duty-free preference programs. It would expand the number of items that enter the U.S. without tariffs, include new protections for foreign investors, extend patents for American medicines and in provide duty-free treatment for U.S. exports to Costa Rica.

In Costa Rica, opposition to the agreement is being led by Otton Solis, who lost the presidency last year to Nobel Prize-winner Oscar Arias Sanchez. In his visits to Washington, Solis has argued that Costa Rica's economy, the richest per capita in Central America, will suffer under terms of the trade pact that require it to break up insurance and telecommunication monopolies and toughen protections for patented drugs and copyrighted music and movies.

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