Costa Rican presidential hopeful promises to obstruct Cafta

Financial Times
By Adam Thomson
February 27, 2006

San José -- The leader of Costa Rica's second largest political party has vowed to obstruct efforts to ratify a 2004 free trade agreement between Central America and the US.

Ottó Solís, a leftwing presidential candidate for the Citizens' Action party (PAC), said that Cafta, as the agreement is known, would "bankrupt Costa Rica's agricultural sector", and that fundamental changes to the text would have to occur before the treaty could be deemed acceptable.

Rejecting arguments from trade experts who insist that Cafta cannot be renegotiated or modified, Mr Solís told the FT: "If the government does not renegotiate the agreement, we will vote against it."

Mr Solís's uncompromising line on Cafta which, among other things, envisages increasing access for Central American products entering the US in return for opening the region's economies to greater competition, comes as many local economists warn that Costa Rica will fall behind its neighbours unless it ratifies Cafta quickly.

The Central American nation of just over 4m people, which has traditionally been considered the most politically stable and developed in the region, is the only member that has so far failed to ratify Cafta. Last week, El Salvador announced that it would be ready to implement the accord in the coming weeks.

Costa Rica's electoral authorities are almost certain to proclaim Oscar Arias, the country's former president and a firm believer in Cafta, winner of this month's closely fought vote. The result of a manual recount last week showed Mr Arias with a slim lead of 1.1 per cent over Mr Solís, and observers expect authorities to declare Mr Arias the winner by the second week of March.

But even if Mr Solís loses, his party could end up with as many as 18 of the legislative assembly's 57 seats. Experts say that would be enough to cause Mr Arias almost insurmountable difficulties in obtaining the majority needed to ratify Cafta.

In the case of Costa Rica, Cafta would mean ending the state monopoly in telecommunications and insurance, though it would not oblige the country to privatise its state-owned companies. Even so, Mr Solís said that was unacceptable.

"The private multinationals are not going to come for the bad parts of the telecommunications market. They are going to go for the beef, which is what allows our state institution to subsidise the losses in the bad markets and achieve universal access."

Asked if he was concerned that Costa Rica might be left behind as other countries press on with implementation, Mr Solís said: "They can go ahead. On many issues they have gone another way from Costa Rica. Thank god we did not copy them. I don't see why we should copy them now."