

Several countries balking at Cafta plunge

By Elisabeth Malkin
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MEXICO CITY Two months after the Central American Free Trade Agreement was supposed to go into effect, only El Salvador is ready to join, frustrating Washington after a hard-won victory in its push toward free trade.

Of the five other countries that agreed to participate, four have yet to change a host of laws to bring them into line with the agreement, which requires them to open up their economies to American trade and investment, dismantle protections for many local industries and enforce intellectual-property rights. The fifth country, Costa Rica, has yet to ratify the agreement.

While the delay is in part a sign of how complex negotiations have been when so many countries are involved, it also reflects the extent of the concerns about the agreement in the tiny economies it will affect.

As the legal changes make their way through the various congresses, they have reignited opposition from an array of groups who fear the trade alliance with the United States will destroy many local businesses and impoverish farmers.

Central American governments also face pressure from powerful business groups that backed the agreements to win the best deal possible.

To complicate matters, some Central American governments now argue that the U.S. government is asking for more than the countries agreed to.

"In some areas, Cafta is not precise," said Enrique Lacs, the vice minister of foreign trade in Guatemala. The U.S. government "wants precision based on its criteria."

Susan Schwab, the deputy U.S. trade administrator, denied in an interview earlier this month that the United States was asking for anything "more than is necessary to comply" with Cafta.

"Some of it may be misunderstandings of what we're asking," she said.

The Office of the United States Trade Representative's office says that the delays will not stop the accord and that countries may join the agreement one by one when they are ready. El Salvador will formally begin to carry out the accord on Wednesday.

Central American presidents sold the agreements to their countries as a way to broaden access for the region's textile and agricultural exports to the U.S. market and to attract much-needed investment. The agreement would ensure that they would not lose

temporary trade preferences they have enjoyed since the 1980s. But the details are proving a harder sell.

Robert Scott, a senior international economist at the Economic Policy Institute in Washington, which opposes the accord, said that Central American governments realized they "have to spend more political capital" to bring their laws into compliance with Cafta.

The Bush administration has made the accord a centerpiece of its trade policy, although the six countries' economies account for less than 2 percent of the United States' overall global trade. The new delays bode poorly for Washington's efforts to create a free trade zone spanning the Americas, a plan that has met with little enthusiasm among larger South American countries like Brazil.

U.S. officials argue that the delay is understandable, given the complexity of altering so many laws in so many different countries.

But trade experts say that interest groups in all countries, including the United States, are trying to get the best deal for themselves in the small print.

"The political jockeying and pork barreling and lobbying doesn't stop when the ink is dry," said Russell Roberts, a professor of economics at George Mason University in Fairfax, Virginia, who supports free trade.

Nicaragua and Honduras may follow El Salvador before midyear, their officials have said.

The deal has proved the most divisive in Costa Rica, where it has been stalled by protests from powerful unions of state-run companies and by concerns that it would weaken the country's social safety net.

Although a pro-Cafta candidate, Oscar Arias, appears to have won the Feb. 5 election after a manual recount, his tiny 18,000-vote margin and the lack of an outright legislative majority mean that he will find it difficult to get the accord through congress.