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CAFTA

In Costa Rica, it all boils down to rice

Beleaguered agricultural sectors and embattled state unions have made Costa Rica the only country involved in CAFTA not to ratify the agreement.

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SAN JOSE, Costa Rica - In Costa Rica, there is consensus on very few issues regarding CAFTA, the free-trade agreement among the United States, five Central American nations and the Dominican Republic.

One seems to be this: If CAFTA takes effect, the rice industry here probably will not survive.

The same could be said for some smaller agriculture industries. But it's the rice growers who pose the biggest moral dilemma for a country that has always been serious about keeping its poverty levels at a minimum by controlling prices and production of staple products such as rice.

"It's the only product that continues to be regulated by law . . . because it's the most important staple in the diet," said Oscar Campos, the head of CONARROZ, the rice federation that represents 1,200 growers.

Costa Rica remains the only country of those that signed CAFTA whose congress has yet to ratify the agreement. The reasons for Costa Rica's obstinacy are as multiple and layered as the agreement itself.

CAFTA was supposed to take effect Jan. 1, but implementation has stalled as those who have ratified the agreement -- Guatemala, Honduras, El Salvador, Nicaragua and the Dominican Republic -- scramble to alter their tariffs, duties and regulations to match the accord.

UNION FIGHT

At the heart of the debate in Costa Rica are sovereignty, pride and poverty. CAFTA would open the market for private telecommunications and insurance companies to

compete with state monopolies in those industries, something the militant state unions have resisted for years.

The unions have successfully thwarted the CAFTA agenda during two straight administrations with a mix of protectionist and anti-U.S. rhetoric.

Some CAFTA supporters in Costa Rica blame President Abel Pacheco for the delay. They say Pacheco's administration has been too weak to take on the unions despite their seeming minority.

OUTSPOKEN OPPONENTS

"The opponents of CAFTA are much more militantly opposed than the proponents are militantly supportive," said Carlos Denton, the head of the CID-Gallup polling firm in San Jose. Denton adds that the majority of Costa Ricans support CAFTA.

But the state unions may face a tougher, more agile foe if Nobel laureate and former President Oscar Arias wins the presidential election. Arias maintained a razor-thin lead Tuesday, and a manual vote recount to determine the winner is underway. The process could take two weeks.

Arias supports CAFTA and says he will open up telecommunications and insurance to private competition without selling off the government companies. His opponent, Otton Solis, opposes ratification of CAFTA.

"I have said that we will not sell a bolt or a nut," Arias told The Miami Herald. "I think we've educated the people that one thing is to open up the monopolies and another thing is privatization."

What may be more difficult for Arias is leaving agricultural industries like rice to compete with U.S. farmers. Arias is a committed free-market supporter, but the balance between finding food security to help keep food prices at manageable levels and allowing the free market to run its course may put him in a quandary. In fact, he said the Costa Ricans had tried to exclude rice from the agreement, but the United States balked.

"The U.S. is a tough negotiator," Arias told The Miami Herald. "You don't get what you want, you get what you can."

CRUCIAL STAPLE

Rice cannot compete in an international market. Costa Rica already imports at least 100,000 metric tons of rice per year, while producing 250,000 metric tons per year. But it's a staple in the Costa Ricans' diets, especially those of the poor.

What's more, rice growers in the United States receive government subsidies, something the growers in Costa Rica claim give them an unfair advantage.

"The treaty is this: I screw you and you let me screw you," CONARROZ's Campos said.

Campos, a former minister of agriculture, says Arias should renegotiate the treaty, and he is threatening to take action alongside the state unions if Arias wins and does not.

"[We will do] whatever we have to do," Campos said. "One thing is what Oscar [Arias] thinks today and another thing is what he's going to have to think tomorrow."

LITTLE SYMPATHY

CAFTA proponents have little sympathy. They argue the unions represent a minority and that rice, and other agricultural industries, were never competitive anyway.

"In the case of rice, rice growers were destined to disappear," said Hernán Pacheco, the president of the Costa Rican-American Chamber of Commerce. "I'm not saying we shouldn't give special help to farms in this country, but we should help when we have a competitive advantage."

The United States has said it will begin implementing CAFTA with or without Costa Rica, a prospect that terrifies some local business leaders who think investors will turn elsewhere and local exporters will not expand.

"If we don't approve CAFTA, Costa Rica would be sending a message that it wasn't trustworthy from a legal point of view," said Mario Montero, the director of the Union of Business Chambers, a pro-CAFTA voice.

All sides agree CAFTA will not be ratified until the new president and congress take over in May. Regardless of the new president's position, the ratification process will likely be difficult.