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COSTA RICA

Free-trade pact stalls as Bush begins his push in Congress

Costa Rica has yet to make any move to approve the U.S.-Central America Free Trade Agreement pact, and local opponents of the pact are gaining political traction.

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SAN JOSE, Costa Rica - Though touted as a staunch U.S. ally and a beacon of democracy and trade-based economics, Costa Rica is poised this week to deliver the Bush administration an embarrassing political black eye.

While in a meeting with his Central American and Dominican Republic counterparts Thursday, President Bush was expected to launch his lobbying bid for congressional approval of the U.S.-Central America Free Trade Agreement (CAFTA) signed a year ago.

But this Central American nation of four million has yet to make any move to approve the agreement, and local opponents of the pact are gaining political traction.

Guatemala, El Salvador and Honduras have already approved the pact and the deal is being debated in the Nicaraguan National Assembly, but in Costa Rica, instead of sending the agreement to the Legislative Assembly last month as expected, President Abel Pacheco announced he would name a five-member "committee of nobles" to analyze the deal.

Already, CAFTA opponents are hailing Costa Rican reticence as a clarion call to oppose the White House's push for quick approval of CAFTA, which is expected to sail through both the House and Senate.

While Pacheco has traveled to Washington for what he is calling a "summit" meeting, he goes much like a procrastinating student who has left homework unfinished. He has only revealed the name of one of his committee's members and given no indication when the agreement will be put up for ratification.

LEFT BEHIND?

If Congress follows the administration's lead, CAFTA would take effect on Jan. 1 with those countries that have approved it, leaving Costa Rica's export-dependent economy facing the very real possibility of not having favorable trade access to its major market, something that has many executives nervous.

The United States makes up almost half of Costa Rica's \$16.5 billion in annual foreign trade or about 40 percent of Costa Rica's annual gross domestic product.

While traditional exports like coffee and bananas, which would enter the United States tariff-free even if CAFTA does not pass, rely heavily on the United States, it is the light industry and *maquila* assembly plants that employ tens of thousands in urban areas that depend most on access to the United States and would find themselves hard-pressed to compete if the deal languishes too long.

Since announcing the committee, Pacheco has been coy in answering questions about his commitment to CAFTA. His advisors have encouraged vague interpretations of his statements, which have failed to quell anger at his administration from free-trade opponents who object to the terms he negotiated in the deal and from CAFTA supporters in the business community who want the pact put to a legislative vote.

"It is not right that this deal is absconded in the presidential office," lamented Samuel Yankelewitz, president of the powerful Costa Rican Union of Business Chambers. Yankelewitz is confident there are enough votes

in the fractured legislature to ensure CAFTA's passage. ``There is a committee of nobles: the 57 deputies of the Legislative Assembly elected by popular vote."

Pacheco's has not been an administration marked by effectiveness. Shortly after taking office three years ago, he announced that tax reform would be his major goal. He is yet to get any tax proposals put to a vote. To pressure deputies, he has said only after his tax plan is approved would the much more popular CAFTA find its way to the legislature.

OPPOSITION

Part of Pacheco's reluctance to push CAFTA comes from opposition from farmers and public employees' unions, two of the country's most powerful lobbying groups. At the same time, free trade advocates and business leaders have spent the last year attempting to brush aside a series of corruption and influence-peddling scandals that have put two former presidents in jail and left a third unable to return home for fear of arrest.

Support for CAFTA has slowly but steadily eroded in opinion polls over the last 18 months, although they show CAFTA opponents are still a minority. Informal straw polls show most legislators support the deal but have reservations on isolated issues. This has emboldened opponents to propose renegotiating the pact.

"We have been taking this very seriously," said Carlos Alberto Solis, secretary general of the country's largest farmers' group UPANACIONAL. ``[Pacheco] should ask for the renegotiation of certain clauses in this agreement regarding food security."

PROTECTION SOUGHT

Farmers want better protection for rice and dairy products. Public employees' unions want to eliminate clauses requiring the state to end its monopoly control over local telecommunications and insurance markets. Environmentalists want stronger controls put in the deal.

Two long-shot aspirants to succeed Pacheco, political gadflies Otton Solis and José Miguel Corrales, have used calls to reopen trade talks to bolster their aspirations against front-runner Oscar Arias, the 1987 Nobel Peace Prize laureate and CAFTA's most prominent local supporter untainted by recent scandals.

However, Arias wants the pact approved before February's elections and certainly before he would take office next May, especially since polls show voters will likely elect a legislature as divided as the current one, where at least three parties are needed for a majority.