

U.S. warns Costa Rica against rejecting CAFTA

By Doug Palmer

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WASHINGTON (Reuters) - Costa Rica could lose valuable access to the U.S. market if the country rejects a free-trade agreement with the United States when voters go to the polls on Sunday, a top U.S. official said.

The United States respects Costa Rica's sovereign right to decide whether to join the pact, "but, I hope whatever decision is made is based on the facts," U.S. Trade Representative Susan Schwab said in a statement on Thursday.

"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. The opportunity for Costa Rica to enjoy the benefits of regional free trade is now," Schwab said.

The warning came as Costa Rica prepared to vote Sunday on whether to join the U.S.-Central American Free Trade Agreement (CAFTA), which the U.S. Congress narrowly approved in 2005. Some Costa Rican opponents of the pact have argued it could be renegotiated and improved if voters reject it.

About 100,000 Costa Ricans turned out last Sunday to protest the pact, a huge number in a country of 4 million.

The deal locks in Costa Rica's current duty-free access to the U.S.

market under the Caribbean Basin Initiative (CBI), and phases out many trade barriers facing U.S. manufacturers, farmers and service industry companies in Costa Rica.

The referendum has split the nation, with Costa Rican President Oscar Arias and some businesses saying CAFTA will bring investment and jobs. Opponents says it will mean a flood of cheap farm imports and limit the country's sovereignty by taking investment disputes to international arbitration.

"The opposition has always said that nothing will happen to this country without the trade pact. This statement (by the United States) comes at the right time so that Costa Ricans know all the cards are on the table," said government official and brother of the president, Rodrigo Arias.

SOME BENEFITS TO EXPIRE

Other CAFTA countries -- [El Salvador](#), Guatemala, Honduras, Nicaragua and the Dominican Republic -- have already ratified the agreement. Only Costa Rica has let its voters decide.

Schwab also took issue with a recent letter from Senate Majority Leader Harry Reid and House Speaker Nancy Pelosi that said Costa Rica would not lose current U.S. trade benefits if the pact is rejected.

"Participation in the CBI is not conditioned on a country's decision to approve or reject a free trade agreement with the United States, and we do not support such a linkage," the Democratic leaders said in a letter to Costa Rica's ambassador to the United States.

Although many trade benefits under CBI are permanent, certain others benefiting Costa Rica's textile and tuna industries expire next year.

"The fact is, 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.

(Additional reporting by John McPhaul in Costa Rica)