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## Another Revolution in Latin America: Who Will Win?

by Andrea Gash Durkin and Ricardo Reyes

A decade ago, *Silence of the Lambs*, the cinematic thriller starring Jodie Foster and Anthony Hopkins, was on its way to sweeping the Academy Awards; South Africa was holding its first multiracial democratic vote; and in Nicaragua, to nearly universal surprise, national elections had swept the Sandinistas from power. In his book *Everybody Has His Own Gringo*, Glenn Garvin recounts how one disappointed former *contra* had re-armed and returned to the mountains only a few months after the elections. This *recontra* observed to Garvin, “Here in Nicaragua, the only dialogue we ever have is with bullets.”<sup>1</sup> At the time, many Central Americans agreed, fearing that their latest experiment with democracy would meet a quick and bloody end and that the region would again descend into the chaos of war.

Yet on December 17, 2003, Latin America was engaged in a very different kind of dialogue. Trade ministers from El Salvador, Honduras, Guatemala, and Nicaragua had joined U.S. Trade Representative Robert B. Zoellick to celebrate the conclusion of negotiations for a free-trade agreement (FTA) between their countries and the United States. At a press conference, El Salvador’s economy minister Miguel Lacayo predicted: “This will mean a new future for our region. We are firm believers that there is a strong link between trade, development and democracy.”<sup>2</sup> A month later, Costa Rica concluded an FTA with the United States; the Dominican Republic was added earlier this month.<sup>3</sup>

The ongoing crisis in Haiti highlights the remarkable progress that Central America has made in a short period of time. But there is no guarantee that these countries will con-

tinue on a path of economic and political progress. The democratically elected presidents from the region—no military man among them, a first—took a major risk in deciding to pursue trade negotiations with the United States. As U.S. policymakers have long urged, they bet their political futures on free markets and democracy.<sup>4</sup> If the United States now turns its back on this agreement, the resolve of those leaders and the support of their publics could disintegrate. The achievements of the past decade could be reversed, and the regional credibility of the United States would, once again, be badly damaged.

### CAFTA Makes Economic and Political Sense

Supporters of the U.S.–Central America Free Trade Agreement, or CAFTA, understandably tend to champion it on economic grounds. Trade between the United States and Central America is already significant for both sides, totaling about \$20 billion per year. Although Central America stands to gain the most from this agreement, U.S. consumers and businesses will also reap significant rewards. U.S. exports to the region—some \$9 billion in 2001—are already roughly equal to our exports to Russia, India, and Indonesia combined.<sup>5</sup> Trade is thriving despite the fact that U.S. exporters currently face a disadvantage in Central America. The region has more than 20 trade agreements granting preferences to products from Mexico, Canada, Chile, and several South American nations; CAFTA is needed to put U.S. companies on an equal footing.

There is also strong foreign policy justification for CAFTA. When foreign policy goals are cited, however, they seldom merit more than a sound bite, such as “[CAFTA] is more than a trade negotiation—it is a plan to strengthen democracy and promote development in a region that has known too little of both.”<sup>6</sup> While factually correct, framing the debate in this manner does not convey the full importance of CAFTA for Central America and, by extension, for U.S. foreign policy. For many Americans, the reasons

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behind Central America's desire for this agreement, if they are recognized at all, get lost in the cacophony of the domestic trade debate. An anti-globalization movement that works to undermine CAFTA by portraying it as something Washington is imposing on Central America further obscures the truth.

Ultimately, the biggest payoff from CAFTA will not be counted in dollars. With few exceptions, Latin America has a history of hope and potential that has repeatedly fallen prey to turmoil and poverty. Now, these small countries have approached the United States, not for a handout, but for a chance to be equal partners in trade. This is an important—and challenging—step on the road to political stability and prosperity. Despite progress, democracy in Central America remains fragile. Americans must not turn their backs on the region.

### **The Different Roads to CAFTA**

Economic growth requires sound government institutions and a reliable legal framework. As the CAFTA negotiations proceeded, Zoellick reflected on how free trade can be a valuable catalyst for political progress: "Oppression, violence, and dictators on both the left and right have given way to a commitment to democracy in Central America," he said. "With an FTA, we have an extraordinary opportunity to lock in economic reforms and strengthen the rule of law, good governance, and democratic institutions."<sup>7</sup>

Of course, Central America is not a monolithic bloc. Each country has experienced bitter conflicts—at times with neighbors, at times within itself, and at times with the United States. Yet the region's leaders now recognize that Central America will prosper more as a unified common market than as separate small economies. In a remarkably short period of time, these countries have come to share a common set of goals and are working to forge a united region. Staking their futures on the promise of free trade with the United States, Central America's leaders have resisted domestic interests that seek to undo two decades of free market and democratic reforms. Unfortunately, progress in these countries—where political campaigns and elections are relatively new and often turn violent—can crumble rapidly.

**El Salvador.** Although the country's economic turnaround has been called miraculous by outside observers, reforming El Salvador's moribund state-run economy has proven more painful than many of its citizens expected. Opinion polls have shown consistent popular support for free trade, yet this year's presidential elections have exposed a lingering nostalgia for the country's authoritarian past among a substantial segment of the population. Officials say CAFTA will help buttress pro-market reforms at a critical time in the country's history. They warn that excessive delay will give protectionist interest groups time to organize and will bring mounting pressure to backslide on trade.

The hard-fought win by pro-reform President Tony Saca on March 21 illustrates the dangers of rejecting CAFTA. As the *Christian Science Monitor* reported on the eve of the vote: "The left-wing party is running a former guerrilla commander and avowed communist. Twelve years have passed since a peace accord ended El Salvador's bitter civil war and

closed the curtain on one of the U.S.'s hottest cold-war theaters. But Friday, on the eve of Sunday's presidential elections, this tiny Central American nation seems to have gone back in time."<sup>8</sup>

**Guatemala.** Tension was palpable throughout the region in the fall of 2003, as elections threatened to return to power Gen. Efraín Ríos Montt. The former dictator has been accused of sponsoring 11 massacres in which at least 1,000 people died. During the campaign, Central America was reminded of its bloody past. As the BBC reported this month:

The leader of a military coup in the country in 1982, Ríos Montt came third in last year's presidential elections despite a constitutional rule that no one who had overthrown a government could stand for the presidency. The elections were marred by violence, with more than 22 people connected with political parties killed in the run-up to the polls. There were also riots in Guatemala City last June in support of Mr. Ríos Montt, when it looked as if he would be barred from standing. He was eventually permitted after a constitutional court overturned a supreme court ban on his candidacy.<sup>9</sup>

Fortunately, the Guatemalan people did not return Ríos Montt to office, and the new administration has stated that it strongly supports CAFTA and will seek to have it ratified as soon as possible. But the politics of the Guatemalan election show that the country is still not fully stable. Failure of the U.S. Congress to approve CAFTA would be a major setback for Guatemala's pro-reform government.

**Nicaragua.** Throughout his term, President Enrique Bolaños has battled against a culture of corruption pervasive in Nicaraguan politics and business. CAFTA has been at the center of his efforts. The Sandinista party, still a force in Nicaraguan politics, positioned itself to oppose the agreement in the early stages of negotiations. Undeterred, President Bolaños pressed ahead with an aggressive public education campaign, giving the public unprecedented insight into the CAFTA negotiations. In a short time, the Nicaraguan people began to expect transparency and accountability from their government. They also came to support CAFTA as an opportunity for the country to climb out of poverty. The Sandinistas are now on the defensive and have even acknowledged the economic benefits of free trade. However, Daniel Ortega and his Sandinista comrades are waiting in the wings, watching closely for an opportunity to capitalize on a hoped-for rejection of the FTA by the U.S. Congress.

**Honduras.** Although still recovering from the devastation caused by Hurricane Mitch in 1998, Honduras has demonstrated a quiet leadership in the CAFTA negotiations that has helped to keep the process on track at crucial junctures. The Honduran government understands the need to diversify its economy as quotas are removed from apparel next year. Certainly, geographic proximity to the United States and CAFTA will benefit the textile and apparel indus-

tries in both countries. Yet Honduras does not expect apparel production to be its primary engine of growth. Its leaders expect that CAFTA will make the country a more attractive destination for foreign investment in numerous sectors.

**Costa Rica.** Costa Rica is the most stable and prosperous country in Central America. In recent years, the country's leaders have shown an impressive commitment to implementing pro-market reforms. Yet much remains to be done. Costa Rica's archaic state-owned telecom and insurance companies, for example, cling to their protected monopoly status. Previous attempts to reform or liberalize those sectors were greeted with violent street protests. CAFTA has provided the necessary external pressure to get reforms moving again. Under the FTA's terms, Costa Rica's insurance sector will face immediate adjustment and be fully open by 2011.

Telecommunications will not open immediately. But Minister Alberto Trejos has argued that CAFTA will allow his government to take the first steps toward a separate process that will lead to a freer telecom market. For example, an independent regulator will be established and competition will be introduced in three key areas—stimulating demand for greater competition down the road, it is hoped. The Costa Rican government considers these commitments significant, fearing that they are putting the country's democratic future on the line. If the United States rejects CAFTA, it will weaken the government and embolden those who stage violent street protests.

**Dominican Republic.** Sharing an island with Haiti in the Caribbean, the Dominican Republic is not geographically a part of Central America. Its inclusion in a CAFTA package is thus a testament to the country's role as one of the region's top trading nations. The Dominican Republic also shares Central America's history of violence and statism, having suffered a 31-year dictatorship known as the "Era of Trujillo." Although the country has largely moved beyond its bloody past, it is currently facing economic troubles. Over the past year, the value of the Dominican peso has fallen by half, and the country's banking sector is in dire straits. CAFTA represents hope for renewed growth and prosperity.

### Whither CAFTA?

All the Central American governments have made commitments under CAFTA that will move their countries along the road to becoming prosperous free-market democracies. Much of what they agreed to do will be politically difficult. Leaders in the region accepted the sacrifice, however, because they see CAFTA as vital to future economic, social, and political progress—and because most people in the region agree. It would be shameful for members of the U.S. Congress to match this courage with timidity, to reward Central America's determination, foresight, and fortitude with narrow partisan self-interest.

Regrettably, CAFTA's future is cloudy, especially given the upcoming U.S. presidential election. It is unclear

whether the Bush administration, facing a Democratic rival who has been critical of the value of free trade, will fight to implement the agreement it has negotiated. Self-appointed activist groups, falsely claiming to speak for a majority of Central Americans, will undoubtedly employ scare tactics to delay or kill the agreement. Even if the administration does press for CAFTA's passage, Congress's response is uncertain.

It is unfortunate that CAFTA lacks more champions in the United States. The countries of Central America are not many years removed from political crises of the sort that now afflicts Haiti. Politicians and activists who demand action and support for Haiti would do well to reflect on how CAFTA can help avoid similar crises in Central America. It would be ironic if the lawmakers demanding aid for Haiti were to close the door of opportunity on Haiti's Latin neighbors.

A vote against CAFTA would send a clear message to the developing world: The United States prefers to maintain you as mendicants, peaceful and poor, but certainly not capable of taking care of your own affairs. Conversely, should Congress approve CAFTA, the troubled nations of our hemisphere would see the tangible rewards of a sustained commitment to freedom and democracy.

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1. Glenn Garvin, *Everybody Had His Own Gringo* (Washington: Brassey's, 1992), p. 265.
  2. Doug Palmer, "U.S. Reaches Free-Trade Deal with 4 Nations," Reuters, December 18, 2003.
  3. Costa Rica and the United States concluded negotiations on January 25, 2004. The Dominican Republic integrated into the U.S.–Central America Free Trade Agreement on March 15, 2004.
  4. For more on the link between open markets and democracy, see Daniel T. Griswold, "Trading Tyranny for Freedom: How Open Markets Till the Soil for Democracy," Cato Institute Trade Policy Analysis no. 26, January 6, 2004, <http://www.freetrade.org/pubs/pas/tpa-026es.html>.
  5. "Free Trade with Central America: Strengthening Democracy, Promoting Prosperity," USTR Fact Sheet, January 8, 2003, <http://www.ustr.gov/regions/whemisphere/camerica/2003-01-08-cafta-facts.PDF>.
  6. Robert B. Zoellick, quoted in Elizabeth Becker, "U.S. Announces Talks Aimed at Trade Pact with Central America," *New York Times*, January 8, 2003.
  7. Robert B. Zoellick, "Completing Latin America's Twin Revolutions," Address to the Council of the Americas, May 7, 2002, [http://www.ustr.gov/speech-test/zoellick/zoellick\\_22-councilamericas.PDF](http://www.ustr.gov/speech-test/zoellick/zoellick_22-councilamericas.PDF).
  8. Catherine Elton, "El Salvador Vote Recalls Cold-War Power Play," *Christian Science Monitor*, March 19, 2004.
  9. "Guatemala Ex-Head in House Arrest," *BBC News*, March 9, 2004, <http://news.bbc.co.uk/1/hi/world/americas/3545095.stm>.