

## The ABC of the AA EU - CA

(The ABC of the Association Agreement between the European Union and Central America)

### Practical guide for the analysis of the negotiation

Introduction.....	1
<i>What is the AA?.....</i>	<i>2</i>
<i>When and where is it being negotiated?.....</i>	<i>2</i>
<i>Why are Europeans negotiating with Central America?....</i>	<i>5</i>
<i>What is to be negotiated with regards to cooperation?.....</i>	<i>5</i>
<i>What about political dialogue?.....</i>	<i>5</i>
<i>Has the negotiation being transparent and democratic?.....</i>	<i>6</i>
<i>What are the European Union's trade interests in Central America?.....</i>	<i>7</i>
<i>Why are corporations interested in the AA?.....</i>	<i>9</i>
<i>How will the working class be affected?.....</i>	<i>10</i>
<i>How will women be affected?.....</i>	<i>10</i>
<i>How will indigenous communities be affected?.....</i>	<i>11</i>
<i>How will the environment be affected?.....</i>	<i>11</i>
<i>Why are we fighting against the AA?.....</i>	<i>11</i>
<i>The AA's myths and facts. Final reflection.....</i>	<i>12</i>

#### **Introduction:**

Although hard to believe, free trade and trade agreements constitute a direct impact on your life. Trade modifies your choices as well as influencing your decisions with regards to work and consumption. Trade may contribute towards you acquiring the necessary goods in order to live a dignified life, but it may also have a negative effect on your income, culture, customs, diet and quality of life. In any case, it impacts directly on your future and that of your family. Therefore, you have the right to react

against it, so it doesn't become a threat, by informing yourself, informing others and putting pressure on those who have the power to regulate it.

Students, organisations run by young people, women and indigenous women must identify and defend the positions of those who are most vulnerable with regards to international trade: we must impose our own voice, but also support theirs. This is our reason for providing this information on the Association Agreement between the EU and Central America. We believe it constitutes an instrument which contributes towards a better understanding of what is going on in order to have a more solid background to form an opinion and thus take action to defend the interests and rights of the majority.

### **What is the AA?**

The Association Agreement is a free trade contract which is being currently negotiated between the European Union and five Central American countries (Guatemala, Salvador, Honduras, Nicaragua and Costa Rica). It is referred to as Association Agreement because it not only refers to trade, but also includes other aspects such as political dialogue as well as cooperation for development.

### **When and where is it being negotiated?**

This negotiation has not emerged recently. It is the result of several gatherings that took place during the second half of the 20<sup>th</sup> Century. These gatherings include:

**In 1980**, dealings between EU and Central America were aimed at finding a way out of the armed conflicts in the region.

**In 1984**, assisted by the San Jose Dialogue, a process of political exchange and cooperation was initiated that managed to pacify the region, and eventually involved the signing of peace treaties (in Guatemala's case, this happened in 1996).

**During 1985**, the second San Jose Dialogue meeting took place in Luxemburg. In this instance the Cooperation Treaty between the European Communities and Central American governments was signed.

**In 1999, 2002, 2004 and 2006**, the Summits for European and Central American Head of States took place, and these included the following issues:

- Democracy
- Security
- Multilateralism
- Human Rights
- Cooperation
- Social cohesion
- Fight against poverty
- Inequality and exclusion
- Economy and trade

**During 2003**, the Political Dialogue and Cooperation Agreement were signed in Rome. This included issues such as:

- Human Rights
- Democracy
- Public administration modernisation
- Regional integration
- Services
- Intellectual Property
- Public contracts
- Policy of competition
- Customs cooperation
- Technical regulation
- Industrial cooperation
- Development of small enterprise
- Agriculture and Forestry
- Hygiene measures

- Fishing and aquiculture
- Mining
- Energy
- Information technologies
- Telecommunications
- Tourism
- Financial institutions
- Scientific and technological cooperation
- Biodiversity
- Health
- Indigenous communities
- Battle against drugs and money laundering
- Migration

**During 2006**, general guidelines were drawn with regards to the Association Agreement. These established that each region had the possibility of defining its “negotiating mandate”, which represented a guide for negotiators. Europeans were able to define theirs. However, Central Americans could not reach an agreement.

**In 2007**, a mixed commission defined the structure, schedule and course of action for the negotiation. The European Union delegated its representation to the European Commission. Central America on the other hand, placed the responsibility regarding trade negotiation on the Ministers of Economy (or of trade, if this position was available). The task of cooperation and political dialogue agreements was placed on the Ministers of International Relations.

Since Central American governments were not able to concur in order to have one voice, representation is assigned to the country which acts as site for each round. The sites have been distributed in alphabetical order beginning with Costa Rica in 2007, followed by El Salvador in April 2008, and Guatemala for the second half of 2008. Rounds would also be taking place in European territory during the dates in between. During the latter, the Central American spokesman would be the country which had acted as site for the previous meeting.

## **Why are Europeans negotiating with Central America?**

By signing the agreement, the Europeans would be able to gain access to transport infrastructure (roads, ports, airports) as well as connections that would enable trade with North and South America, therefore expanding their markets with this continent. Nevertheless, Europe's main aim is to gain unlimited access to the region's natural resources, water, biodiversity (exclusive rights to use Central America's natural wealth), state owned businesses and to consolidate their control over public services which are currently being provided in many cases by European companies.

## **What is to be negotiated with regards to cooperation?**

Not much, since the EU has a defined strategy in place for the period 2007-2013. This includes contributions towards Central American regional integration, which is one of the conditions regarding trade between both regions. In relation to this already negotiated cooperation, much can be said: for example, as far as women are concerned, there have been no tangible nor significant budgets designed for them; neither programmes or strategic projects to approach the structural causes of gender discrimination; and further yet, no existent frameworks for the development of projects to strengthen women's roles as economic and political individuals, with adequate foundations to build their own independence (land, capital, technology, labour, labour formation, etc).

## **What about political dialogue?**

Among other issues which have been in the lime light for over a decade, the conditions that would facilitate the consolidation of the democratic system and a Right's orientated State constitute a prerequisite in order to guarantee the steadiness of foreign investments. The creation and implementation of public policy that promotes gender equality is not a priority (therefore, organised Central American women demand civil society's participation – women's organisations included – in political dialogue).

## **Has the negotiation been transparent and democratic?**

In spite of the EU assuring that the treaty will strengthen democracy throughout Central America, the process has been held in secrecy. Solely negotiators will be aware of what is being discussed during each round; not even national congresses are let in on the details, even when they are the ones to authorize the agreement in each country. Until now, the negotiation process embraces the following characteristics:

1. It isn't transparent. The public is not allowed access to documents regarding positions, the negotiation agendas, negotiating mandate, nor to details regarding the negotiations. The EU demanded a confidentiality agreement to be signed by both parts involved in the negotiations, in order to prevent delegates from revealing information without the unanimous consent of all participants.
2. It lacks citizen participation. In spite of citizens' participation generally being the stepping stone for democracy, the vast social movements that took place in the EU and Central America – particularly women's movements – which questioned the negotiations, had no significant space to make their voices heard during the negotiating process. These conditions considered, the AA does not have many possibilities of responding to the needs of women, indigenous people, trade unions, farmers and small scale producers.
3. It follows advice from doubtful sources. In order to fake civil society's participation, the EU has financed the Consultant Council of the Central American System of Integration (SICA) and has acknowledged it as the valid mediator representing the organisations of the region with regards to the negotiation's follow up. Nevertheless, its participation is not intended to enquire neither to encourage the questioning of issues related to the economic model the agreement endorses.

4. More of the same. Those who negotiated the Association Free Trade Agreement between United States, Central America and the Dominican Republic, form part of the negotiating team of Central America with the EU. The involvement of economically powerful sectors which integrate the enterprise chambers of the region is also guaranteed.
5. There is no submission of accounts. This is due to the fact, that during the negotiation no information will be accessible to the population. Governments involved can easily evade responsibilities of explaining accounts to its citizens because of the consequences the AA could have on their lives.

### **What are the European Union's trade interests in Central America?**

- **Market access in Investment and Services.** The AA will grant free access to investment in public services such as water, education, health, transport and telecommunications. There are currently many European companies which are operating within these areas, and the Agreement would enhance them, unless strict control and regulations should be imposed by the National Governments. Most likely, considering the conditions surrounding the negotiation, the public sector will end up being excluded from these types of functions, and consequently, more families, particularly women and children, will find themselves in an extremely vulnerable situation.
- **Government procurement.** The EU's competitive tactic "Global Europe: competing worldwide" clearly states that one of the EU's main interests regarding trade is the liberalization of governmental purchases. A clear example of this is the construction service which represents 90% of business opportunities in developing countries, and in which four of the main firms that rule the market are European. If enterprise welfare gains importance over social welfare, the possibilities of Governments to implement policies that favour lower classes will be limited.
- **Intellectual Property Rights.** The relevance of having legislation for Intellectual Property is particularly important to the EU; this is because Central American

countries would have to commit themselves to monitoring and protecting copyright, brands and author, in order to protect the European transnational businesses in the region. Governments would be expected to invest great amounts of resources and focus their attention on this task rather than prioritizing the population's needs. This way, poor countries' resources would be allocated in order to fulfil business interests of rich countries.

With the AA, the EU is able to demand more benefits than it would be able to do with the World Trade Organisation's multilateral agreements which guide international commerce (as far as investments, competition policies, commerce facilitation and governmental purchases – also known as “Singapore issues” -, conditions promoted by Europeans and North Americans have been rejected).

- **Environmental Services.** These include water, hygiene and energy sectors. There are at least 4 European transnational companies already working in Central America's energy sector, with very few State restrictions. If the AA should grant further privileges, this would mean threatening the human rights of people that live in the region.
- **Sanitary and Phitosanitary measures.** The AA demands that certain prerequisites and sanitary controls be done for the commerce of animal and vegetable products which the majority of small scale producers will be unable to fulfil. This will contribute to intensify the gap between large and small scale producers.
- **Free flow of Capital.** This will have serious implications on financial stability, since the repatriation of capital and profitability of foreign investors will be enhanced which will prevent future regulations from being established by National Governments within the sector.
- **Competition Policies.** The signing of the AA implies European companies will be able to establish conditions for the functioning of the domestic market. This means that small and medium scale producers will not count with the same skills or technological and economic support.

□ **Protection of Commerce.** The EU aims to guarantee the continuity of disloyal competition. It will employ this device to protect itself from demands which may arise as a result of the provision of its services or sale of its products. The Government could be accused by transnational companies if it did not comply with its obligations.

### **Why are corporations interested in the AA?**

European companies will be successful with the AA, because Central American labour and environmental laws are weaker than in their countries, in which trade unions have enough strength to demand the defence of their rights by means of the State. Once more, women will be those most affected since they will be exploited as cheap labour within a context of pronounced gender discrimination.

The negotiation with Central America also represents:

1. Control and Access of important natural resources by European companies, including minerals, oil, energy, territory and biodiversity.
2. The privatization of services, which until now, Central American Governments had provided to their population. The EU constitutes the largest service exporter worldwide, controlling 26% of the global market which represents 40% of its balance of payments. The EU's aim in Central America is to explore areas which will guarantee a profit.
3. The introduction of a more aggressive trade agenda than that obtained by the EU during the multilateral negotiations of the World Trade Organisation. An agenda which aims to ensure privileges for EU businesses within the services sector, non agricultural goods, governmental purchases and the protection of investments and intellectual property.
4. Intellectual Property rights promoted by the AA go beyond those established by the WTO (and even those established by the Free Trade Agreement

between Central America and the United States). This means European companies will have access to bio genetics and bio prospect ion, ensuring the protection of exclusive rights over the mentioned resources.

### **How will the working class be affected?**

Central America is known for its lack of labour protections, its gender and ethnic discrimination within the labour market, its child labour, and even its impunity with regards to the killings of trade union leaders. The region's working class has generally being excluded from the benefits granted to the companies, and these tendencies will be highlighted even more by the AA.

### **How will women be affected?**

Women are generally the main service providers within families, society and market economy. Women represent the foundations on which the labour force is reproduced. The privatization of public services means women will feel the pressure increase while trying to find services elsewhere.

When the EU promotes free trade, at no point does it refer to a gender equality based perspective it so formally claims to include in its cooperation projects. The AA is not putting itself forward as a system which will enhance dignified and equal wages between men and women, neither is it guaranteed to have enough strength to ratify and fulfil the agreements established by the International Labour Organisation.

With regards to job opportunities for women, which many companies claim to promote, thousands of women workers can testify that their integration to the labour market has been under conditions of exploitation, lacking union representation and any form of stability within factories and maquilas. There is no indication that these conditions will change. There is neither guarantee that their employers will contribute towards the improvement of social services by paying tax.

Judging from this, the possibilities for women to organise themselves and take part in the public arena, will be reduced by the pressure of family requirements and

longer working shifts in order to fulfil these. This added to their domestic responsibilities which will also increase.

### **How will indigenous communities be affected?**

Intellectual property rights will allow foreign corporations to copyright their medicines, cultivation techniques and knowledge which have been used by Central American indigenous communities for centuries. Most indigenous communities survive on subsistence agriculture. By allowing copyright of seeds, these communities will be denied the scarce possibility of making a living from agriculture, since they would be forced to depend on seeds belonging to the companies.

### **How will the environment be affected?**

Central America's natural richness of resources will be attacked from various fronts: extractive industries, the impacts of megaprojects and copyright laws which enhance "bio-piracy", which consists of the corporative theft of biological resources found in the Central American jungle.

### **Why do we fight against the AA?**

The AA represents a basic step which will enable the domination by companies from the Northern Hemisphere. If this is not stopped now it could be extended to 34 neighbouring countries. The AA is not the only strategy implemented by this plan to dominate, since transnational companies are driving their interests from different fronts which could complement each other. A few examples are:

The Puebla Panama Plan (PPP) aims to construct industrial infrastructure in Central America with resources provided by the Government (not private companies), such as pipe lines and motorways; even at the expense of destroying native forests, water sources, subsistence agriculture, indigenous communities and local economies. The aim of this megaproject is also to facilitate trade from Southeast Asia to the industrial east coast of the United States.

The Free Trade Area of the Americas also represents a huge Project aimed to enhance free trade between the United States and Latin America by abolishing trade barriers imposed on the North and on foreign investments. Although the FTAA may seem far, it represents a constant threat supported by military expansion as well as trade.

### **The AA's myths and facts. Final Reflection.**

The AA ascertains it “supports Democracy and social cohesion”; however it is based on the neoliberal economic model which (here and elsewhere) aims to benefit the most powerful at the expense of poor, discriminated and marginalised people. Therefore, social movements throughout Central America have raised their voice to oppose such model.

The EU assures the AA will foment “openness and transparency”, though this is not quite believable since the agreement has been negotiated behind closed doors, without listening neither responding to questions posed by civil society. In reality, those supporting the AA are undermining democracy by leading negotiations in secrecy, thus promoting corporate responsibilities and silencing the shout of social movements.

According to the EU, the AA will help to “support the common efforts aimed at the protection of the environment and the improvement of employment conditions”. Nevertheless, the AA does nothing to prevent European businesses reducing their costs at the expense of the environment and the Governments of the countries in which they operate.

Following from this, we cannot conform to discourses on hypothetical good intentions: let us inform ourselves, study, analyse other countries' facts and experiences. Let us take action as a result of reflection and analysis. Let us take part from our relevant places. Let us shift reality towards the left and from below.

International Gender & Trade Network



**Texts:** Norma Maldonado

**Editorial:** Anabella Sibrian

**Translation:** Allison Pollock, CAWN

## FIRST ENCOUNTER OF LATIN AMERICAN UNIVERSITIES

**“University Proposals against Neoliberalism”**

San Carlos University of Guatemala, USAC

From 14<sup>th</sup> to 16<sup>th</sup> April 2008.

Within the framework of the:

**III Social Forum of the Americas, Guatemala October 2008**

