

## Annex 1: DR-CAFTA

- **Background to the agreement**

Five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and the Dominican Republic signed a free trade agreement with the United States – DR-CAFTA—in May 2004, which the national legislatures in all the countries, except Costa Rica, ratified in 2005. The negotiation and signing of the agreement were the culmination of a long process of trade and policy reforms in the region that began in the late 1980s. Although an initial growth spurt was credited to these reforms, most of the region's economies slowed down around the turn of the millennium, causing a certain degree of disenchantment.

Central America's progress with trade liberalisation and integration policies, together with increased trade flows, trade diversification and general growth, form part of the context surrounding the signing of DR-CAFTA. The significant changes made in trade policy in the region since 1990 can be assessed by analysing the effects on commercial activity and the impact on overall growth. From this, it is possible to proffer an opinion on what can be expected from DR-CAFTA and its potential effects on Central America's economies.

During the past 15 years, the countries of Central America have signed trade agreements that by their nature defer to preferential agreements, which have taken on increasing importance for trade relations in the region, while at the same time instituting reforms aimed at strengthening their economic activity. These changes have moved them away from their old inward-focused pattern and have facilitated initiatives that depend more on market strength and private ventures.

A key objective of these reforms is to increase open trade practices and the outward orientation of the economy. Reforms in this area include unilateral liberalisation of trade barriers, elimination of controls on foreign trade, courting foreign investment flows, and greater involvement in global, regional and bilateral trade agreements. In order to encourage trade flows, these policies have been complemented by more flexible agreements on currency swapping and selective measures in other areas. Other reforms include privatisation of IT infrastructure services, elimination of controls on foreign trade and opening up to direct foreign investment, along with efforts to increase the efficiency of governmental programmes.

In this way, preferential agreements have become important elements in trade liberalisation, but their growing number raises concerns regarding their administrative costs, effects on transparency in market access, and possible effects on deflection of trade. At the same time that the Central American Common Market (MERCOSUR) member countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) are involved in talks on an Association agreement with the EU and with CARICOM member countries, they also belong to and benefit from several Generalised Systems of Preferences (GSP), including those of the European Union (EU), Canada, Japan and Switzerland. Furthermore, since 1989, they have also been participating in the Global System of Trade Preferences (GSTP) for developing countries.<sup>1</sup>

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<sup>1</sup> Developed countries grant access to their markets for products from developing countries in the framework of the WTO. These unilateral concessions are called tariff preferences and are nothing more than the reduction or elimination of taxes (tariffs) on imports.

From this frame of reference, DR-CAFTA presents new challenges and ostensibly represents an opportunity for increasing economic growth and reducing poverty. In general, the expectation created in Nicaragua is that the agreement will increase the confidence of local and foreign investors, thereby attracting investments<sup>2</sup> and providing business opportunities that will lead to more exports to and imports from the US,<sup>3</sup> greater economic growth, increased employment and reduced poverty.

However, whether or not countries can take advantage of the potential opportunities arising during DR-CAFTA's implementation will be closely tied to the ability of national productive sectors to transform and develop on the one hand and, on the other, to governments promulgating policies to help this happen. This is a risky proposition for the region in general and Nicaragua in particular due to the region's historic underdevelopment, seen in low levels of human, industrial and technological progress.

- **Structure and content**

DR-CAFTA was conceived of as an instrument of economic policy, intended to develop production, investment, employment and trade, through the opening of regional trade flows through open markets. It would transform initial trade concessions based on the preferential systems of the United States into reciprocity agreements, enduring judicial security and the elimination of unilateral conditionalities. From one perspective, DR-CAFTA is the final piece in the jigsaw puzzle to stimulate economic activity in Central America, while from another perspective it is an opportunity for improving growth, provided that complementary policies accompany it.

As a trade agreement, DR-CAFTA contains sections covering the fundamental facets of investment, services, labour issues and environmental issues, which each have separate provisions on market access, etc. Each section contains a common regulatory framework that puts the signatory countries on an equal footing. The provisions on market access contains the obligations that the signatory countries acquired for phasing out taxes or tariffs and mutual restrictions on trade in goods and services, which are annexed to the official document. In the case of products or goods, the provisions include the agreements on the timeline for eliminating taxes or tariffs on trade (ranging from immediately upon the agreement's entry into force, up until 10 to 15 years, according to whether they are industrial or agricultural products). For services, there are agreements on the conditions under which nationals from each of the countries can provide services negotiated in the other country, which includes strengthening the current regulatory framework and, as needed, additional obligations.

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<sup>2</sup> According to data from the Banco Central de Nicaragua, foreign investment accounts for approximately 9% of the GDP.

<sup>3</sup> According to Sánchez, M and Vos, R., June 2005, 42% of all exports in 2000 were to the US. The proportions for the main agricultural export categories were 92% of fish, 48% of sugar, 68% of processed meats, 73% of tobacco, 57% of textiles, and 38% of coffee. Imports from the US were 22% of imports and the proportions for the principal agricultural imports were 90% of basic grains (primarily maize), 66% of livestock and animal products, 62% of forestry products, and over 30% of meat.

As a set of rules and measures, DR-CAFTA could be pushing the region's economies, especially Nicaragua's, to align on fundamental economic parameters, such as prices, interest rates and institutional rules. Alignment of the Nicaraguan and Central American markets under the rules in the agreement could tie some productive and trade sectors to certain productivity and efficiency parameters while their technological conditions are still quite shaky and where in most cases women have unequal opportunities for entering the market.

DR-CAFTA reaffirms three aspects of the obligations stemming from the agreement with the WTO and other multilateral agencies, which are important to its legitimacy and legal security: 1) the interpretation and application of the objectives of the agreement will be made in conformity with international legal standards; 2) it does not keep the signatory countries from maintaining the existing legal instruments on Central American integration or from adopting new integration instruments; and 3) the recognition of other treaties and agreements signed by the countries in the framework of the WTO. It also states that nothing in the Agreement will keep the "Central American Parties" from moving forward with regional integration, to the extent that those instruments and measures are not inconsistent with the Agreement.

The objectives of DR-CAFTA lay out the general strategy of the Agreement. They are the following (Art. 1.2):

- Encourage expansion and diversification of trade between the Parties.
- Eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the Parties.
- Promote conditions of fair competition in the free trade area.
- Substantially increase investment opportunities in the territories of the Parties.
- Provide adequate and effective protection and enforcement of intellectual property rights in each Party's territory.
- Create effective procedures for the implementation and application of this Agreement, for its joint administration, and for the resolution of disputes.
- Establish a framework for further bilateral, regional, and multilateral cooperation to expand and enhance the benefits of this Agreement.

The primary areas covered in the agreement are market access, services, investment, E-commerce, government procurement, intellectual property, labour, the environment, safeguards, sanitary and phytosanitary measures and dispute settlement.

Market access under DR-CAFTA is a two-way street. In one direction is the trade in products to the United States market and the conditions for entering that market; in the other, are imports coming from the United States and the conditions covering how they compete on regional markets.

These are Nicaragua's main reasons for negotiating DR-CAFTA:

- Consolidate and expand the Caribbean Basin Initiative.
- Diversify Nicaragua's available export supply.
- Attract greater foreign direct investment.
- Benefit consumers through easing of trade restrictions.

- Improve import conditions for goods and services.
- Eliminate non-tariff barriers on trade to the United States.
- Expand quotas; place a greater volume of products, such as meat and sugar, on the United States market.
- Strengthen enforcement of national laws.
- Further Central American integration.
- Linkage with other free trade agreements.
- Intra-regional (Central American) trade facilitation.
- Include the Dominican Republic in DR-CAFTA, since all the region's countries had an FTA signed and in force with the D.R.

The list of the objectives sought by the government of Nicaragua related to aspects of trade and production of primary goods and did not mention the basic concerns of small producers and MSMEs, which are capacity building on intellectual property rights, investment commitments, environment, labour rights, a complementary cooperation strategy for restructuring disadvantaged sectors, and the exclusion of gender.

The government's initial proposal, which was limited to and biased toward the trade issue and preferences for foreign investment, plus the region's technological and productive backwardness, led to the need for developing a complementary agenda that would contribute to closing the gaps and asymmetries between the signatory countries.

- **Main provisions of DR-CAFTA**

**Market access.** The agreement eliminates tariffs and other taxes and charges that affect exports from Central American countries and consolidates and expands the trade benefits provided for in the Caribbean Basin Initiative (CBI) and the Generalised System of Preferences (GSP). It also eliminates non-tariff barriers and other restrictions on the region's exports and provides for the establishment of effective cooperation mechanisms with the United States in order to attain the effective application of the WTO agreements on technical trade barriers and sanitary and phytosanitary measures.

**Services.** The agreement provides incentives for the expansion and greater development of cross-border flows of trade and services, through the establishment of a clear, precise regulatory framework, as suggested by the United States.

**Investment.** The agreement fosters the development of greater flows of investment toward the region's countries through the establishment of a regulatory framework that protects investment and promotes a stable, secure business climate, also at the suggestion of the United States.

**E-Commerce.** The agreement fosters a favourable environment for expanding e-commerce so that it can become an instrument to facilitate and create new trade opportunities and foster development, modernisation and competitiveness to the benefit of producers and consumers. This point is very important for the MSME sector.

**Government procurement.** The agreement establishes a regulatory framework and general principles that guarantee the public sector effective, reciprocal access to the procurement market for products and providers of the other party to the agreement as a means for promoting economic exchange. The MSMEs were left out because they do not meet the negotiated thresholds for operating on regional and US markets.

**Intellectual property.** The agreement establishes disciplines that ensure appropriate, effective protection of intellectual property rights, in line with current laws. This issue is particularly relevant to Nicaragua and formal micro, small and medium enterprise sectors should pay attention to it because they could benefit from some of its advantages, even considering the difference in size and development between the economies of Central America and the United States.

**Labour.** The agreement seeks to ensure that the regulatory framework and principles adopted on labour do not constitute, or permit, the adoption of measures that affect trade among the countries that are parties to the agreement, grounded in the enforcement of labour laws.

**Environment.** The agreement seeks to ensure that the regulatory framework and principles adopted on the environment enforce environmental policies and laws, while presupposing that the application procedures for environmental regulations do not constitute, or permit, the adoption of measures that affect trade among the countries that are parties to the agreement.

**Safeguards.** The agreement provides temporary protection for sectors or industries that face serious harm or the threat of serious harm from the increase in imports of merchandise from the other trading partner.

**Sanitary and phytosanitary measures.** The agreement seeks to protect the life and health of people, animals and plants and the creation and implementation of sanitary and phytosanitary affairs committees, which will have an important role in ensuring that the application procedure for the regulations keeps these measures from turning into a trade barrier.

**Dispute settlement.** The agreement includes measures to facilitate and develop the use of arbitration and other alternative conflict resolution measures without a high cost to Nicaragua.

- **Complementary agenda**

The Nicaraguan National Assembly's Special Oversight Committee on Free Trade Agreements and the executive branch developed a Complementary Agenda to capitalise on DR-CAFTA. This agenda was included in the Committee's report and is an annex to the Law to Ratify the Free Trade Agreement among the United States, Central America and the Dominican Republic. The agenda includes aspects related to competitiveness, free and equal access to the competition, labour, environment, and intellectual property, and breaks each aspect down into its principal components.

The competitiveness section included the following agreements:

1. Improve agricultural SMEs access to credit.

2. Create special programmes for training skilled labour, for technology transfer, and for training for small businesses, including agricultural businesses.
3. Adapt the legal and institutional framework for strengthening SMEs.
4. Strengthen associativity in small and medium enterprise organisations.
5. Develop a unified export-development information system.
6. Officially integrate university research and development into the national production process.
7. Promote quality, technology and certified standards.
8. Animal and plant health, and food safety.
9. Adapt production and export support infrastructure.
10. Facilitate trade flows through strengthening trade law and the institutions that regulate it.

These agreements will be put into practice as advances are made in the customs union and in Central American integration, exports and imports, trade infrastructure, the Puebla-Panama Plan (PPP),<sup>4</sup> and in the passage or amendment of a number of legal regulations (Law on Foreign Trade, Amendment of the Law on Free Trade Zones, Law on Trade Arbitration and strengthening of the institutions and authorities to enforce it, Law on Competition, Law of the Superior Labour Council, and updating the Nicaraguan Code of Commerce in line with the new international trade environment).

On free and equal access to the competition, regulations need to be developed for the administration and adjudication of the export and import quotas agreed in DR-CAFTA, along with identifying compensation mechanisms for the country because of the industries that benefit from the quota for tax-free access to the US market.

On labour, a standing tripartite committee will be established to monitor current labour legislation. Enforcement of the law on acquired labour rights will be protected, for which the National Assembly should support the institutional strengthening of the Ministry of Labour, through adequate budget allocations.

On the environment, the Nicaraguan government will adapt the organisational structure of the Ministry of Environment and Natural Resources (MARENA) so it can enforce environmental laws and regulations. It will also draft and pass the following laws to protect traditional, ancestral knowledge, especially about Nicaraguan plants and animals: Water Law, Amendment of the General Environmental Law, Classification of Environmental Crimes, Biosafety Law, Biodiversity Law, and Amendments to the Intellectual Property Laws.

On intellectual property, mechanisms will be developed to ensure access to generic drugs in emergencies or national crises, or for priorities to be defined in the national health plan, taking into consideration the international obligations in the framework of the WTO and the Doha Round.

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<sup>4</sup> The Puebla-Panama Plan is an initiative that brings together the development strategies for transforming and modernising Central America and south-southeast Mexico in the 21<sup>st</sup> century. It also includes initiatives that the region's governments have adopted to have an impact on integration and sustainable, integrated development of the Mesoamerican region.

The complementary agenda is part of a longer-range action plan the National Assembly and the executive branch will put forward for overcoming the country's structural problems, through an integrated strategy to improve competitiveness, strengthen human capital, and strengthen the regulatory and institutional environment. This should foster transparency and efficiency and successfully gain the country's entry into international markets. The agenda also points out that the proper implementation of the agreement and making the best use of its benefits depend on putting the parallel agenda into practice and assigning adequate resources for its effective implementation.

## **Annex 2: THE ASSOCIATION AGREEMENT BETWEEN THE EUROPEAN UNION AND CENTRAL AMERICA**

- **Background to the agreement**

The antecedents to the Association Agreement (AA) that the European Union is currently negotiating with the countries of (CA) are in the Political Dialogue between the two regions, which grew out of the framework created by the Esquipulas Accords (1984) that focused on peacemaking in the region. These Accords were the first effort to re-initiate the Central American integration process begun with the Common Market and to create a framework cooperation agreement, put into practice in the San Jose Dialogue (1994, Costa Rica).

Later, in different summit meetings, Latin America and the European Union continued dialogue on the relevance of creating a strategic association between the two regions for acting together on issues of joint interest (1992-2002, San Jose and Madrid). This dialogue led to separate cooperation and political dialogue agreements with the Andean Community and with the countries of Central America (Rome 2003) and to a joint agreement to establish an association agreement that would include a free trade agreement based, fundamentally, on the outcome of the negotiations at the Doha Development Round of the World Trade Organisation (WTO).

Finally, at the Fourth Summit of Heads of State and Government of the European Union, Latin America and the Caribbean (Austria, May 2006), the European Union and Central America announced their interest in developing an association agreement. The negotiations toward the agreement, structured around a negotiating mandate drafted by the European Commission and approved by its Council, officially began in Guatemala (April 2007), with the participation of the EU and the countries of Central America, including Belize and Panama. Panama's active participation in the negotiations will be subject to its accession to the Central American economic integration process (SIECA).

The AA mandate states that an important feature of the Agreement is that it will be negotiated on a region-to-region basis, which excludes the possibility of negotiation with individual countries. A clause establishing the conditions for the start of negotiations and the conclusion of the Agreement should also be considered in the negotiating directives. This clause should relate to an assessment of Central America's delivery of its Vienna Summit commitments on consolidating economic regional integration in the isthmus, in particular, setting up a Customs Union by the end of 2006.

The Agreement will build upon and replace the existing 1993 Framework Cooperation Agreement between the two regions and the 2003 Political Dialogue and Cooperation Agreement between the EU and Central America, which has yet to be ratified. The objective is to complete these negotiations no later than two years after their effective start. In line with normal practice, the commission will report regularly to the Member States in the appropriate committees of the Council on progress in the negotiations.

- **Structure and content**

The draft negotiating directive<sup>5</sup> that provides guidelines for the conclusion of an association agreement between the European Union and the countries of Central America says that the association should be based on a foundation of: i) greater political cooperation; ii) progressive and reciprocal liberalisation, through a broad Free Trade Area, fully compliant with the rules and obligations of the WTO, as well as investment promotion; and iii) enhanced cooperation in all matters of common interest.

The Association Agreement between the European Union and Central America (AA EU-CA) is structured around three areas—political dialogue, cooperation and trade—in a single Agreement, thus reflecting more visibly the depth and variety of bi-regional links while developing them further.

The purpose of the Association Agreement is to:

1. Consolidate existing relations and develop their potential and mutual benefits by providing a comprehensive, forward-looking perspective for the whole of the EU-Central America relationship.
2. Develop a privileged political partnership based on respect for and the promotion of human rights, democracy and good governance, and on defending these common values on the world stage, while contributing to the development of multilateralism.
3. Firmly root in the democratic achievements in Central America by fostering further intra-regional links and enhancing bi-regional political dialogue and cooperation.
4. Enhance bi-regional cooperation so as to reinforce the political, social and economic stability of the Central American countries, deepen the process of regional integration, help create conditions for reducing poverty, promote decent work and more equitable access to social services, as well as ensure an appropriate balance between economic, social and environmental components in a sustainable development context.
5. Set out the conditions for the gradual establishment of a Free Trade Area between the two regions, and develop both intra- and bi-regional trade exchanges.
6. Provide further impetus to the regional economic integration process (notably by negotiating on a region-to-region basis), in order to contribute to higher economic growth and gradual improvement of quality of life for their peoples, integrate Central America in the world economy, harness globalisation in support of sustainable development and open up to new partnerships on the world stage.
7. Bolster good neighbourly relations and the principles of peaceful resolution of disputes between the Central American states.

Among the aspects that should inform the agreement, the following are relevant to the issues examined in this paper:

1. Respect for and the promotion of democratic principles, fundamental human rights and fundamental freedoms, including those of ethnic minorities and indigenous peoples.
2. The subscription to and application of the principles of the rule of law, including international commitments on good governance, labour rights and environmental related provisions.

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<sup>5</sup> This section is based on the Draft EU-Central America negotiating directive (2007), [http://www.bilaterals.org/article.php3?id\\_article=8336&lang=en](http://www.bilaterals.org/article.php3?id_article=8336&lang=en)

3. The shared responsibility principle for enhanced cooperation in the field of justice, freedom and security, migration and asylum.
4. Sustainable development is an overarching objective of the Parties, aimed at economic development, environmental protection and social cohesion, the principal objective and criterion for informing the resolution of issues arising with regard to political dialogue, cooperation and trade.
5. Reaffirmation of the principles and values on which both sides base their regional integration and inter-regional trade relations.
6. Consideration of the nature and characteristics of the asymmetries between the two regions, while limiting differentiation of commitments between Central American countries strictly to a minimum.

The political dialogue area shall cover aspects of mutual interest and new initiatives pursuing common goals, including regional integration, poverty reduction and social cohesion, sustainable development, human rights, democracy, good governance, migration, and serious crimes of international concern. It should also include terms for cooperation in the field of foreign and security policy, along with core labour and environmental standards subscribed to by and applicable to the Parties at the time of the entry into force of the Agreement.

In addition and in consideration of the relevance of the indigenous peoples in Central America, the Parties could ratify and implement ILO Convention 169 or include in the Agreement a commitment to the principles contained in the Declaration on the Rights of Indigenous Peoples, to be adopted by the UN General Assembly before the end of 2006.

The cooperation area, based on the provisions of the Rome Agreement (2003), should advocate the widest possible scope for bi-regional cooperation, from which no field of activity should in principle be excluded.

The draft directive states that the aim for cooperation between the two sides should be to strengthen links between the Parties while contributing to the sustainable development of the countries' economies and raising standards of living. Special emphasis should be put on the promotion of political and social stability, democracy, respect for human rights and good governance. A key objective of the Association will be to deepen the process of regional integration among the countries of Central America, so as to contribute to higher economic growth, gradual improvement of quality of life for their peoples, poverty reduction and the promotion of both social cohesion and sustainable development.

According to the draft directive, the trade part of the Agreement shall deal comprehensively with all trade components, and be fully consistent with WTO rules and obligations, including the progressive and reciprocal liberalisation of trade in goods and services, and the establishment of rules on a broad number of trade-related issues.

Given that sustainable development is one of the overarching objectives of the Parties, the trade provisions will aim to ensure and facilitate respect on agreed environmental and social standards, minimising negative environmental and social impacts. The directive also states that the Parties to the Agreement shall not encourage foreign direct investment by lowering domestic

environmental, labour or occupational health and safety legislation and standards, or by relaxing core labour standards or laws aimed at protecting and promoting cultural diversity. Sustainable development will also be taken into account throughout the trade provisions of the Agreement.

It underscores the objective of stimulating and consolidating regional integration efforts in Central America, and increasing the benefits of a regional market as compared to rather small individual national markets. In addition, it mentions the need to limit differentiation of Central American countries' commitments to a minimum and only where a common approach would not be possible in the short term.

Taking into account different levels of development in the EU and in Central America, region-to-region asymmetries may be considered, where necessary, in all trade and trade-related areas discussed in the course of negotiations, for instance by agreeing to different timings for transitional periods.

This section also includes specific sub-sections on trade in goods, non-tariff measures, trade defence instruments, trade in services and establishment, capital movement and payment, public procurement, trade and competition, intellectual property rights and geographical indications, customs-related matters and trade facilitation, trade and sustainable development, general exceptions, transparency of regulations, and dispute settlement.

As regards the specific areas of activity, the AA should inter alia include, reinforcement of institutions/rule of law; cooperation on sustainable development, labour standards and social and global environmental issues; social cooperation, including reinforcing economic, social and environmental policies and a commitment to supporting social dialogue at national, sub-regional and bi-regional levels; good governance in the tax area, which includes the development of an appropriate regulatory framework (transparency, exchange of information, and fair tax competition); regional integration for trade purposes; knowledge intensive cooperation in education, science, technology and innovation; and the promotion of mutual understanding and the knowledge of the respective cultures.

The Association Agreement should also make reference to the possibility to expand and deepen cooperation by establishing specific *policy sector dialogues* in areas of common interest, and any other type of measure to support the implementation of the Agreement.

General provisions will be included on means to be made available in order to fulfil the objectives set out in the Agreement, the possible discrepancies in the interpretation and on the application of the agreement, and a 'future developments' clause. The institutional framework section will set out the necessary institutional arrangements for the application of the Agreement, namely the establishment of a Joint Council (ministerial level) and a Joint Committee (senior official level), which will be responsible for the general implementation of the Agreement. The Joint Council may decide to set up any other special committee or body to assist it in the performance of its duties. Civil society will be involved as appropriate in the implementation of the AA by means of a bi-regional Consultative Committee established by the Parties.

In any event, the Agreement may only enter into force after the entry into force of the Central American Customs Union, the Central American Treaty on investment and services, and the development of a jurisdictional mechanism that could secure enforcement of regional economic legislation.

### **Annex 3: CENTRAL AMERICAN WOMEN'S AGENDA ON THE AA EU-CA**

Members of the Foro de Mujeres por la Integración Centroamericana (Women's Forum for Central American Integration) and Central American union women, attending the CA-EU International People's Forum: "Fair and Equitable Trade is Possible" in Tegucigalpa, Honduras in March 2007, declared that the negotiations for the AA EU-CA, following the Agreement's three main areas of action, should consider the following:

#### **On political dialogue**

- Deepening democratisation, making social justice and citizen participation the underpinnings of peace and reconciliation, which will make it possible for Central America to become a region of peace. Therefore, the Agreement must contribute to the establishment of reliable electoral systems that guarantee respect for the electoral power of the people.
- Promotion, protection and respect for human rights as a whole and citizen participation as indicated in the democracy clause, an essential element in all EU agreements with third countries or regions.
- Promotion of women's participation in the design and implementation of programmes and projects for the sustainable use and conservation of natural resources, ensuring that they share in the income from the sale of environmental services.
- Measures to combat sexual exploitation of women and children and family violence, indispensable factors in attaining human development and the consolidation of democracy, overarching objectives of EU foreign policy.
- Promotion of an integration process that surmounts the emphasis on trade and opens the doors to true social and political integration of the isthmus's peoples and becomes a true instrument of Central America's sustainable development.
- Observance of the mandate to not conclude the AA negotiating process as long as there is no real progress on regional integration, which must consider Central American women as economic, political, social and cultural agents.
- Prioritise the identification of mechanisms and means by which the AA can support reforming and strengthening the existing regional institutional structure, harmonising the legal framework of the region's countries, and drafting a common development agenda for Central America that includes policies on agriculture, industrialisation, macroeconomics, environment, strengthening the rule of law, and strengthening the region's identity in the context of its distinctive multiculturalism, among others.
- Identification of and support for the commitments of the region's governments to finalize and strengthen the customs union, advancing in those commitments that involve the free movement of all production factors, especially the labour force.

- Promotion of the integration and association of peoples and groups, especially indigenous peoples, people of African descent, trade organisations, labour unions and women's movements.
- Measures for furthering the Central American Integration System (SICA), and for making its responsibilities and binding authority more effective, including, among others, the following:
  - a) Strengthening the role of civil society in the SICA Consultative Committee and its influence in SICA, including greater participation by women.
  - b) Finalize the formation of the Central American Court of Justice and measures to guarantee its independence.
  - c) Demand transparency and effectiveness from the Summit of Presidents, PARLACEN and the SICA General Secretariat.
  - d) Periodically inform the Central American public of the work done by the SICA bodies and by PARLACEN.
  - e) Contribute to the creation of a Central American Comptroller's Office to facilitate demanding greater transparency in the administration of SICA's financial resources.

### **On trade**

- Promotion of a common trade policy that minimises the negative effects of the free trade component and promotes development of Central America's productive sectors, which includes:
  - a) Measures to protect and develop the agriculture and livestock sectors affected by the FTAs, especially small and medium producers and rural women.
  - b) A common energy policy to address soaring fuel prices.
  - c) Common policies for Central American countries to protect their industries and producers as part of their development strategy, especially when imported products are subsidised in European countries.
  - d) No requirements of reciprocity in commitments on free market access and in benefits greater than those conferred by WTO regulations, or requirements of obligations that go beyond those regulations (Singapore Issues).
  - e) No obligation to negotiate public sector investment, competitiveness and procurement.

- f) Dismantling of EU subsidies on production and marketing of agricultural products, to enable better utilization of revenues from commercial transactions in the framework of the AA and to provide an impetus to development of the country and the region.
- Measures to ensure food quality and accessibility to reduce the negative effects on food security, prevention of dumping of European agricultural products in Central America, and regulations on intellectual property rights that exclude living organisms or their components and traditional knowledge.
  - Ensure compensation funds for producers when their harvests are in jeopardy from imports or natural disaster.
  - Measures to ensure access to essential services—water, electricity, health and education— including no further privatisation of public services, in particular for excluded social sectors, as set forth in the International Covenant on Economic, Social and Cultural Rights.
  - Creation of a Central American council on the minimum wage aimed at enacting a higher, uniform minimum wage for the region, and guaranteeing working conditions and labour rights, and observance of the right of women workers to social security benefits.
  - Mechanisms for the defence of trade that include safeguards for products made by Central American SMEs, especially those that employ women.
  - Set specific rules on the aid that countries can offer and provide to producers, primarily those that employ women, for the purpose of ensuring equal conditions and preventing greater trade distortions.
  - Promotion of a migration policy that considers women workers and the creation of compensation funds that help to reduce migration by increasing job opportunities.
  - Demand a review of the framework for installing and operating maquila companies that violate workers' rights, ensuring observance of the international ILO standards and conventions that have been ratified.
  - Promotion of women's economic participation along the entire production chain, including their access to the means of production (land and capital) and to trade, and the development of their professional and technical know-how to create a higher-skilled work force.
  - Elimination of discriminatory employment practices based on the reproductive capacity of women, in particular, the refusal to hire or dismissal of pregnant women.

## **On cooperation**

- Support for government commitments and obligations on poverty reduction, sustainable development and economic, social and cultural rights, including ILO conventions and international agreements on the rights of women.
- Promotion of regional policies on the prevention of environmental disasters, and protection of the rights of migrants travelling within the region and to other countries and observance and respect for their human rights.
- Promotion of investment aimed at reducing structural problems that cause gender discrimination, considering that investment in this field is marginal at best and rarely centred on the structural causes of discrimination.
- Design and implementation of programmes that strengthen the role of women as economic and political agents, including women who are young, indigenous or of African descent.
- Promotion of government policy to effectively mainstream gender equity, including indicators to measure outcomes and impact of budgets, programmes and projects.
- Promotion of mechanisms for applying the Convention on the Elimination of All forms of Discrimination Against Women (CEDAW) in public gender policies.
- Support for networking initiatives in the women's social and political movement, to aid its advocacy work to influence PARLACEN, COMMCA, the commissions on women and integration in the parliaments, CCJ, among others, and initiatives that contribute to women gaining access to the public sphere and decision-making.
- Promotion of changes in the government's role, emphasising the institutional structure and the protection of human rights, especially the rights to health, education and employment.

#### **Annex 4: POLITICAL DECLARATION FROM THE FORUM ON THE GENDER AGENDA— THE GLOBAL ECONOMIC MODEL AND LOCAL RESISTANCE**

We, the participants in the Europe, Latin America and Caribbean Social Encounter “Linking Alternatives,” meeting in Guadalajara on 25 May 2004, state our position regarding the Third Latin America and Caribbean-European Union Summit.

##### **We consider that:**

- This Summit seeks to provide continuity on issues that our peoples have already rejected and that have paralysed the negotiations in different venues.
- Its intent is to provide continuity to the same globalising neoliberal model that has meant an increase in poverty and social exclusion and, in particular, has led to the deterioration of women’s quality of life.
- The negotiations have given priority to trade aspects, leaving aside political dialogue, the social dimension, development, and cooperation among peoples.
- The countries of Latin America and the Caribbean come to this Summit under conditions of asymmetry and with severe internal inequality.

##### **We state that our primary concerns are the following:**

- The violation of people’s economic, social and cultural rights, which has had the consequence of increasing, inter alia, inequality between women and men in Latin America and Europe.
- The negative impact that trade agreements have had on agriculture, resulting in crop substitution, an emphasis on production for export, and the loss of food sovereignty.
- The increase in migration, which results in, among other consequences, women being burdened with greater economic responsibilities, lacking land ownership rights, credit or technical aid to farm the land.
- The trend toward privatisation of basic services that are essential to life—education, health, food, water, electricity—endangers the poor and women in particular.
- The deterioration of natural resources and growing environmental risks affect not only our countries, but also humanity as a whole.
- The exclusion of the demands of indigenous peoples and people of African descent and of their right to autonomy and to control over their natural resources.
- Labour reforms based on the needs of transnational corporations that violate the individual and collective rights of workers.

- The lack of a gender perspective in trade agreements that has led to public policies that do not consider the differential impact on women and men and do not consider women's participation in their development and implementation.

**Therefore:**

- We reject agreements that may come out of this Third Summit from behind the backs of the people, without any consultation or true dialogue with civil society.
- We intend to advance a gender agenda that cuts across all areas, issues, decisions and actions, aimed at transforming this global economic model.

Guadalajara, Jalisco, Mexico, 26 May 2004.