



Impact of the Free Trade Agreements with the United States and Taiwan on the handicraft production of two Guatemalan ceramics

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INTRODUCTION

One year after its approval, this essay aims to discover to what extent the Free Trade Agreements (FTAs) with the United States and Taiwan have affected the handicraft production of two Guatemalan ceramics.

At the beginning of the 1990s, with the collapse of the Soviet Union and the socialist blockade, the capitalist economic model triumphed in its neoliberal development phase, which accelerated the process of globalization of the world economy, formed by a set of economic processes that led to the integration of regional mega-markets embodied in free trade agreements between different nations, which dynamics implied the process of denationalization of state enterprises and transnationalization of relations between capital and labor, encouraging workers in one country to manufacture objects or parts that were assembled in different countries to be sold and

consumed in others, among many other expressions of economic activity.

Free trade sought to abolish all taxes between countries that formed mega-markets, tending to break down the economic, political and ideological structures we knew as national, intensifying transnationalization and provoking strong processes of economic and political denationalization that impacted the cultural sphere. Because the nation and the imaginary of the national had been driven by the political establishment in a world where there was no need for transnational free trade agreements. When the business group was interested in the conformation of the mega-markets and the political establishment, the processes of pacification of Central America began in Guatemala and the opening to globalization was speeded up.

It is until then that the neoliberal pressure to make the power and economic control of societies fall back on the business class is understood, reducing the political strata to an administrative conglomerate of a law and justice that protects the processes of deregulation, transnationalization and political, economic and ideological denationalization. The nationalist collective imaginaries that had begun in Central American countries, by others transnationalized and deterritorialized, has been the case of the governments of the National Advance party (1996-1999), which sold state companies such as Telgua and the Electricity Company; and that of the Great National Alliance (2004-2007), which have tended by their neoliberal policy to reduce the Guatemalan State, by privatizing national companies and pretending to do so with education, health services and other essential services provided by the State.

These days, the productive process, as well as consumption, have been

transnationalized to form mega markets, since the globalization process has confronted the great hegemonic blocks of capital that still struggles to conserve its areas of influence, such as the great North American and European transnational capitals and the new economic blocks that are emerging in India and the Far East.

The economic policies of the great capitalist powers have tended towards the formation of regional free trade agreements through the establishment of forms of free trade between countries that allow the development of the capital invested in those regions by the hegemonic transnationals. This is the case of the Free Trade Agreement with the United States, established by Canada, the United States, Mexico, and the subsequent agreement between Central American countries and the Dominican Republic, with the exception of Costa Rica, where the Congress has not approved it.

This treaty was imposed by the United States, approved and signed by the State of Guatemala in 2006, with great expectations of development by the Guatemalan capitalist sectors and fears for the processes of privatization and domination of transnational capital that the insertion of Guatemala in it could bring to various sectors of Guatemalan society.

One year after the entry into force of the Treaty, on July 1st, 2006, it is necessary to take stock of the effects, both positive and negative, that this treaty has brought to the economic sectors of Guatemalan society, mainly in the field of traditional folk crafts, which is what interests the Area of Popular Arts and Crafts of CEFOL.

FREE TRADE AGREEMENTS WITH THE UNITED STATES AND TAIWAN

According to Eduardo Smith, in the article published in the "Business" section of *Prensa Libre*, on August 13, 2007, it is foreseen that "Guatemala's economy will generate by the end of 2007, more than one million one hundred million (Q1,100,000.00) additional income just from the impact of trade, which is expected to grow more and more, following the implementation and negotiations of the trade agreement".

According to Smith (Ibid), for the president of the Bank of Guatemala, María Antonieta de Bonilla, a large part of this economic impulse is being provided by the Free Trade Agreement (FTA) with the United States of America, which came into effect on July 1st, 2006, and she indicated that in May 2007 Guatemala's exports had grown 29.2 percent and sales to the United States grew 23.6 percent, reaching \$1,277.4 million. 2 percent and sales to the United States grew 23.6 percent, reaching US\$1,277.4 million, making the United States Guatemala's largest trading partner, ahead of Central America.

The author, in the same article, points out that the "commercial dynamism generated a multiplier effect in other areas such as the generation of jobs and Carolina Castellanos, executive director of the American Chamber of Commerce of Guatemala (AmCham), explains that this means more than one thousand jobs, after the FTA came into force, mainly in the area of manufacturing (textile factories), services (Call Centers) and agriculture (labor). Job creation has also been boosted by the arrival of new inversions, not only of the United States, but also from other countries that see in the FTA a great opportunity".

The North American Free Trade Agreement (NAFTA) formed a free trade zone with nearby countries that together form the United States' 13th largest trading partner. Following the entry into force of the North American FTA, 98% of all product categories enter the United States duty free and, for North American companies, the agreement offers guaranteed reciprocal access. Another commercial hit for Guatemala has been the FTA with Taiwan, which entered into force on July 1st, 2006, and expanded the field of commercial exchange between Guatemala and Taiwan.

But not all it's cracked up to be because, according to Daniel Griswold, director of the Center for Trade Policy Studies at the Cato Institute in Washington, governments in Latin America are currently confronted with two basic economic models (Ibid). The analyst explains "one model adheres to free enterprise, macroeconomic stability and increasing involvement with the global economy including free trade with the United States, and the other tends to reject private enterprise, foreign investment and trade liberalization" (Ibid). This model is led by Venezuela, Cuba and Bolivia, with support from other South American nations.

So, the question is: How much has the Free Trade Agreement (FTA) with the United States and Taiwan affected or contributed to the development of traditional folk crafts in the field of ceramic work? Since we understand that in other sectors of the Guatemalan economy it has had a positive impact.

To answer this question, a guided interview of twelve questions was prepared and two artisans were chosen from among the producers of majolica ceramics and painted ceramics, whose production had a key market in their field. They were Don José Ramón Sánchez, owner of the J.R. pottery located in La Reformita

neighborhood of Guatemala City, who is dedicated to the artisanal production of the entire field of majolica ceramics, including tiles, gargoyles, vases and a variety of other products with quality standards and lead elimination. José Antonio Arriola Rodenas, artisan from La Antigua Guatemala, who produces painted ceramics, was president of the Artisans Guild of La Antigua Guatemala and has managed to place his product in the tourist and national market, adapting the forms to the demands of the market.

It is important to note that both artisans are bearers of traditional Guatemalan popular culture, as Don José Ramón Sánchez, preserves by family heritage, the tradition and techniques of the potters who moved from the city of Santiago to Nueva Guatemala de la Asunción. Meanwhile, Don José Antonio Arriola Rodenas, the tradition of the Rodenas family, potters in the colonial era and the 19th century, the antique painted pottery that has given fame to this field of Guatemalan handicrafts and has been in demand in the domestic market abroad.

When we asked the artisans how the FTA has affected their handicrafts in the year that the treaty has been in place? Don José Ramón answered: Legally, it has not impacted us much and production has continued to increase.

Don José Ramón said that in the field of majolica ceramics and tiles, they have not been affected to a greater extent by the FTA and also the demand for their products has continued to increase.

In the case of Don José Antonio, in the field of painted ceramics, the situation is different. He indicated that: *we had great expectations because we thought there was going to be something massive, but the reality is that we are the same and that we continue to depend on the tourism that comes to Antigua*

Guatemala. Perhaps, in my opinion, I believe it is not the FTA that affects us, but the problem of violence and the political issue, because it is an election year. This year 2007 is irregular because it is marked by violent events of international resonance. So, who is going to come to risk their lives in a country where nothing is guaranteed? Don José continued saying: in general, the FTA has not affected me because I have my clients who may not ask much of me, but I am getting something out of it. He indicated: the one that is low is the window in the local market. The months of higher sales are from July to August and the tourism that came in was significantly lower than other times and the Salvadorean tourism was little.

As for how the globalization process has affected the world economy, Don José commented: what we see most are the Chinese products that have displaced the handicrafts, especially the painted handicrafts that are easy to copy. The Chinese have saturated the market with three Quetzals, which devalues our handicrafts and that affects us.

With the FTA, we see many Salvadoran products that have entered Guatemala passing as our national handicrafts. The same happens with Nicaraguan handicrafts, not to mention Ecuadorian, although the latter country has nothing to do with the FTA, but people who do not know Guatemalan handicrafts, compare foreign handicrafts as if they were national. For example, Ecuadorian shawls are sold as Guatemalan shawls and pottery from Peru, which is cheap and of good quality, is also sold as national.

To the question Do you think sales have increased? The answer from both informants was, in the case of majolica ceramics and tiles: sales have increased this year, although this has nothing to do with the FTA. And in the case of

painted ceramics, both local and foreign sales have decreased because orders from abroad have been small.

When asked: Have exports to the United States or Europe increased during the FTA year? The response from both informants was, in the case of majolica ceramics and tiles: exports have been in minimal quantities and no agreements of any kind have been made with foreign companies. He indicated that: individually some people have come to make purchases from J.R. and have taken the merchandise abroad and it is those people who have carried out the customs procedures.

In the case of painted ceramics, Don José Antonio said: exports to the United States are few and that of the companies I work with, only two are placing small orders with me. As for Europe, the Italian market was my salvation, but a couple of years ago they stopped buying from me. Now I no longer export anything, and the Italians say that their sales are going badly, as they have also had to face competition from the Chinese handicrafts market.

To the question: Has the number of tourists increased or decreased? The answer for the case of the majolica ceramics and tiles of the J.R. pottery of Jose Ramon Sanchez, was: the number of tourists who have come to visit my workshop is less and less and so far this year, referring to 2007, is about five tourists and I do not know what the cause is.

For the case of the painted ceramics, Don José Antonio said: although official statistics say that the number of tourists has increased in the country, it is not seen in reality that a greater number of tourists visit La Antigua Guatemala and that they produce an increase in the sale of popular handicrafts. He believes that one of the main causes of this drop in the number of tourists

is the violence that plagues the country, as many tourists do not risk traveling to this place for fear of assaults.

To the question: Do you have more tariffs or have taxes been reduced? Regarding the ceramic and tile industry, Mr. José Ramón said: *I pay all the taxes. But what has increased are the tariffs on imports of raw materials to almost double and it has not affected us because we bring goods from El Salvador, and in customs, they charge us a lot of money for the entry of these products and customs procedures are cumbersome and there are more policies to pay.* For that reason, he says that they do not bring products from Mexico because in the Mexican customs, they let the raw material pass without any problem, however, the panorama changes when they have to enter the Guatemalan customs, he said: *the entrance to Guatemala is the problem. When we send products to Mexico, Mexican customs do not offer as much trouble as Guatemalan customs.*

What concerns Don José Ramón the most are the imports from El Salvador, because they import clay from that country to work with, since the price of clay is cheaper there. Because taxes in Guatemala have gone up, the raw material is even more expensive than Salvadorean clay. They still have Guatemalan clay to work with, but when he has to do a lot of special pieces, most of his production needs *very fine* clay, then he has to buy it from El Salvador.

For the painted ceramics, Don José Antonio said that taxes have not increased any more. The problem is that he is a small taxpayer and has difficulties with the procedures of the withholding agents with whom he trades, because they take a long time to deliver the withholdings, mainly IVA (an indirect tax), and this has caused him fines.

Regarding the question: Have the artisan associations been consolidated or have they been reduced? In the case of majolica ceramics and tiles, Don José Ramón answered: *for me the associations have been strengthened because now the small artisans are getting help and more information on how to send their products abroad.* But in the particular case of Don José Ramón, he does it individually because he has never been advised and this he says: *it is from years ago and all the ceramic workshops that were in the Reformita neighborhood and that were small industries, all of them closed, except mine. Since the Free Trade Agreement with Taiwan was signed, sales went down because the agreement with Taiwan affected more than in the United States.* He explained that before in that place, there were more or less eight ceramic workshops that employed five or six people, which had to close because they could not compete with the Chinese prices and only I remained due to the production costs that are lower because I produce enough raw materials such as dyes and I do not depend so much on buying them in Mexico or the United States.

As for the painted ceramics, Don José Antonio says that they are restarting the artisans' guild with legal status, bylaws and regulations. They are starting from scratch again, in order to be able to enter the markets and they are being helped by the Ministry of Economy. The Ministry is supporting them to create an Internet portal for the guild and is inviting them to fairs but, according to him, *the fair has an economic limitation because the Ministry pays the airfare or the stand and not the other expenses. Therefore, those who have economic resources participate in the fair. Most of them are limited to participate in local fairs and very few can leave the country.*

When asked: Have you had to change the styles of your handicrafts due to market demands? José Ramón, of the majolica ceramics and tiles, said: *No!* He has kept the styles and has had almost the same range of products since he started working in this field. He concluded by saying: *The market has not affected my business in any way.*

He goes on to say: *the Christmas series, made up of angels, loas, little trees, stars, and so on, are flat and that is what the market demands. Fake birds, which are made with clay, are made like a normal bird, but they are painted with flowers and abstract things, but they have a very good market. The problem is that it is not possible to increase the quantity produced, because there are not many tourists or intermediary buyers. Nobody can guarantee that this will be constant, and everything is reduced to small orders, and you can only have a small stock for the local market.*

What is left is to be like a thermometer to see what sells and what does not sell in the market. And what sells the most is what is produced. Now there is the magnet business, which is selling very well. But the problem is that everybody has magnets. I was the first one who started with the business of magnets, and I took it to Puerto Quetzal to sell them on cruise ships.

But this is another problem, according to Don José Antonio, since he has a terminal and has to pay \$250.00 per month for a stand. He indicated that, on average, *five or six cruise ships arrive each season.* But the experience was not entirely pleasant because he could see that *the market is trapped by voracious people. They lease blocks of stands to sublet them to small traders.*

To the question: Which artisan fields do you think have been favored by the FTA

agreements? Don José Ramón of J.R. pottery considers that in his field, there have been no benefits. *However, it has benefited textiles and artisanal foods that do not use machinery for their production and that correspond mostly to the production of jellies. Others who have benefited are small producers who are making shampoo without preservatives.*

For the field of painted ceramics, Don José Antonio said: *I do not think they have been favored with the FTA because all the artisans I know, at least in La Antigua Guatemala and working in different fields of crafts, continue with their same customers and the FTA did not open more commercial spaces for them. We had an expectation that we could improve, but that's all it was. And it was because the Guatemalan Association of Exporters, (AGEXPORT for its acronym in Spanish), organized with the AID, Agencia Internacional para el Desarrollo or for its name in English, Agency for International Development, a training to bring designers from New York.*

He said that they received a seminar with American designers in La Antigua Guatemala for three months, three days per month. Each participant had to provide their own material. According to him, several designs were worked on, even making mixtures of silver and jade. The pieces made during the seminar workshops were taken to a gift fair in New York. Don José said that: *since the quality of the products was excellent and there was a great presentation with colored trifolds and flyers, we had the expectation that there would be many orders, but there were none.* The samples were not sold and were returned to their creators.

Don José Antonio commented: *at the end of the day, all those workshops were a waste of time for the artisans, which translates into a*

waste of money, because the artisans are interested in selling their products.

To the question: Do you think that the FTA has had a relevant impact on handicraft production? In the field of majolica ceramics and tiles, Mr. José Ramón said: *No, and it has not had a major impact.* They are still doing the same thing and he believes that in painted ceramics, Chinese products have displaced them. And for the painted ceramics sector, Mr. José Antonio expressed a resounding No, because the FTA has not had any relevance for them in the year that it has been in force.

When asked: Has the FTA affected the production of materials by increasing or decreasing the prices of the products? José Ramón explained that raw materials have risen in price and so have taxes, although he does not believe that this is because of the FTA.

Don José Antonio said that the materials for work have gone up and *as the rate of inflation has increased so have the prices of raw materials and it has not been possible to increase the price of the products because they are almost the same, because if the prices are raised, they do not sell.*

The biggest problem is *the bargaining with which the tourist is annoyed and this has been a terrible experience, because bargaining is fine in ranges where one knows it is acceptable, but there are people who quadruple or quintuple the prices, which is almost a robbery to the tourist and when he asks for a discount, then they get a big profit and that has gotten the buyer used to it, who asks for a fifty percent discount and still they fool him. And if one raises the product a little with that form of bargaining, one cannot sell because then the bargaining ranges are very uneven and that, in the end, damages the market and gives a bad impression.*

To the question: Have customs procedures to enter the U.S. market been made easier? Don José Ramón response was: *exports have not affected me because I do not export anything directly to the United States, but other people come and buy the product from me, and they are the ones who export it.*

Don José Antonio also said that: *the processes have been simplified now. I don't even leave my workshop. I just talk to a company to do all the paperwork and charge the customer.* He indicated that in the case of ceramics, *there is no problem. The only issue is that it has to be lead-free and since we no longer use anything lead-based but acrylics, there is no problem. The ones that I think do have problems are the wood-based products, since they must prove that they come from a renewable forest and, if they get the license to export them, the rest is the same.*

To the question: Have you been asked for certification of the handicrafts in terms of the raw materials used or the quality of the product by ISO¹ standards?

In the case of majolica ceramics and tiles, Don José Ramón indicated that: *they have not yet required the use of standards or certifications. We take care of the product we manufacture. That is, that it does not contain lead in the glaze and colorants.* He said that several years ago the Ministry of Mines and Hydrocarbons requested samples of the handicrafts they make to analyze the raw materials used. The Ministry's report found them to be of good quality and that they were not harmful to health.



¹ *International quality standards, recognized by the Ministry of Economy of Guatemala.*

Don José Ramón said that he imports the raw material for the dyes from the United States or Mexico. In the Ministry of Mines they will make a study to see the quality of a new colorant that he wants to bring from Mexico. He said: *I always use the normalizations given to me by the Ministry of Mines and at the moment I am not subject to any new regulation or certification related to the FTA.*

As a final comment, Don José Ramón said that *Chinese products have invaded the Guatemalan market with decorative figures and ornamental things that have nothing to do with what I produce. But this has affected those who work in ornamental ceramics, who have had to close their businesses, as in the case of some friends of mine who, from ceramists, went on to work in the flower industry.*

In the tile industry, I have not had strong competition *because most of the people who manufacture colonial style houses do not like modernism* and, because of the traditional colonial styles they produce, they buy tiles from them. He indicated that, where the competition is strong is with the ceramic floors since China produces a lot of this type of material and it is also imported from Italy and Spain. Samboro, which produces ceramic floors and tries to export its product to the United States, is the one who has this competition at the national level, but José Ramón doesn't know why he was unable to enter this market and had to close one of its factories in 2006.

For the field of painted ceramics, Mr. José Antonio stated that: *There are no regulations and ideally ceramics should be certified, but there is no entity that certifies them and the fact is that the FTA has not had any impact on the field of painted ceramics, so that this type of artisan work, according to José Antonio, is quite hard because of competition,*

lack of support from government authorities and the existing violence that scares buyers away. According to Don Antonio, in reality, the support is given by tourists with their purchases, which is what sustains this activity.

CONCLUSIONS

Regarding the level at which the Free Trade Agreement with the United States has affected ceramic handicrafts in Guatemala, it can be concluded that it has not affected them in a convincing manner, despite the fact that their producers had great hopes that the Agreement would increase exports, which did not happen.

Neither did local sales increase as a result of the FTA nor exports to the United States. Likewise, the number of tourists consuming these products did not increase visibly, perhaps as a result of the violence that plagues the country. According to those interviewed, taxes on imports have increased and there are delays in IVA withholdings that result in fines.

In the case of the associations of artisans, they consider that they have been strengthened in other branches other than ceramics, which are exporting with the FTA, such as textiles, vegetables and sweets. But those that correspond to ceramic handicrafts tend to disappear, although efforts are being made to reactivate them.

As for the majolica ceramic products and tiles, their owner has not had to change styles, but the producers of painted ceramics have to constantly adapt to market demands without losing tradition. The latter are in strong competition in the market with Chinese, Ecuadorian and Peruvian products. For both informants, the only handicrafts that have benefited from the FTA have been textiles and sweets. Therefore, the FTA has not been relevant for them.

As for raw materials, both indicated that their price has increased in relation to the rate of inflation. However, customs procedures to the United States have not affected them; one because he does not export, and Don José Antonio believes that now it is easier, and they have not yet been required to demonstrate certification of any type of ISO standard. Although Don José Ramón said that the Ministry of Mines has controlled the quality of his product, for Don José Antonio it is not a problem because he does not use lead in his handicrafts. Therefore, he has no problem exporting to the United States.

What has most affected the ceramists is the Free Trade Agreement with Taiwan, which has allowed ceramic flooring to enter the national market, displacing the national product due to its prices. In addition, products from mainland China, due to their low price, have done the same damage to domestic producers, since the Chinese copy the products that are in demand in the Latin American market and flood it with those products at low prices.

Due to the slow incorporation of the national market to the FTA, we have not yet seen all its possibilities and effects; besides, we are in an election year, which partially paralyzes many functions of the State. Consequently, as usual in election periods, a climate of instability is created by the very prospect of the change of government and possible new changes in the direction of state policies. Therefore, it will not be until 2008, with the new state administration, that it will be possible to observe which economic policies can promote the development of the FTA with the United States and the aid that the State of Guatemala can provide to small producers, in addition to the efforts made by the current administration through the Ministry of Economy and the Guatemalan Association of Exporters, (AGEXPORT for its acronym in

Spanish), to promote national handicrafts and incorporate them into the FTA market.

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