

Posted on Fri, Aug. 05, 2005

TRADE

Who's ready for CAFTA?

Leaders of South Florida's trade community witness trade pact signing and anticipate future business. But agriculture and labor warn of the downside to the new trade agreement.

BY JANE BUSSEY

jbussey@herald.com

As Miami trade lawyer Lee Sandler watched President Bush ink the Central American Free Trade Agreement earlier this week at the White House, he savored his firm's role in shepherding the accord into law and looked forward to future business.

On the horizon are trade seminars that Sandler, Travis and Rosenberg, one of the country's largest trade law firms, will hold to help companies understand and take advantage of the arcane and complex details of the free-trade agreement with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic.

While importers and exporters anticipate potential business from reduction of trade barriers, the passage of CAFTA by the slimmest of margins still rankles some Florida industries. Cattle ranchers, the sugar industry and labor groups aren't pleased.

But leaders in the local trade community signaled their approval by traveling to Washington to watch Bush sign the treaty into law in the East Room on Tuesday. In addition to Sandler, Greater Miami Chamber of Commerce CEO George Foyo, Miami-Dade Commissioner Jose "Pepe" Diaz, and Florida FTAA Executive Director Jorge L. Arrizurieta were at the signing ceremony.

TARIFF REFUNDS

One aspect of the accord that will be a windfall for apparel importers is a provision that will allow them to collect tariff refunds for imports retroactive to Jan. 1, 2004.

They will be able to file for the rebate after the effective date for CAFTA is decided. The Bush administration is currently in discussions with all the CAFTA countries about a date for implementation.

"Obviously the clearest, most immediate and dramatic benefit will be to get refunds for past importations," said Sandler, whose firm works extensively with apparel importers.

The Office of the U.S. Trade Representative, U.S. Customs and Border Protection, and major apparel importer Sara Lee Branded Apparel all said that it is too early to put a figure on how much the apparel importers will receive.

Stephen Lamar, senior vice president at the American Apparel & Footwear Association in Arlington, Va., said the provision was added to keep companies from moving their production out of Central America.

"A lot of people were going to move out of Central America," Lamar said. "Knowing that they were going to get this money back, if CAFTA passed, kept them there."

The funds will probably not trickle back to the consumer, Lamar said. "Companies have told me that it was going to be plowed back into their businesses."

The tariff rebates are just one of many provisions -- some small, others unexpected -- that ended up in the

trade legislation.

Al Merritt, the chief executive of the Doral-based MD International and a CAFTA booster, is anticipating increased exports of medical equipment if the Central American pattern follows the North American Free Trade Agreement with Mexico. Tariffs will fall from the rate of 10 percent to 20 percent to zero, he said.

"It will have a really positive effect like NAFTA did," Merritt said. "We supported it and did some lobbying to try to help it pass."

But few expect to see dramatic increases in overall trade in South Florida. That's not only because the combined economies of the six CAFTA countries are about the size of the Orlando economy, but also because the treaty makes permanent much of the same trade benefits that the six countries have received for the past 20 years.

Roughly 40 percent of U.S. exports, which are mostly component parts for assembly, already enter the region duty-free. Duties on another 40 percent of exports will drop to zero upon implementation of the accord.

"We want [it] to succeed because we believe in free trade," said Christopher Morton, senior manager at the Port of Miami Terminal Operating Co. "But specifically as how it is going to affect one commodity, I don't know. You don't get the feel for it."

Others, however, were less sanguine about the effects of CAFTA.

INDUSTRY CONCERNS

Robert E. Coker, senior vice president of U.S. Sugar Corp. in Clewiston, said CAFTA will hurt the Florida sugar industry.

"It means that there's 110,000 tons of additional sugar that's going to enter the U.S. market at the time when I am limiting my production and my sales and laying off my workforce because of an oversupplied market," Coker said.

Nor did the accord bring joy to Frank Ortis, the president of the Florida State Council of International Machinists and Aerospace Workers.

"I am all for fair trade," said Ortis, who is also the mayor of Pembroke Pines. "I think CAFTA, just as NAFTA, is going to be detrimental to the United States."

But in the end, the most persuasive argument to support CAFTA in the local trade community was the larger goal of free trade proponents: the proposed Free Trade Area of the Americas.

"When you start talking about a larger regional market, you need to build that momentum," Sandler said. "You don't build that momentum unless you put CAFTA in place first."