

Posted on Thu, Apr. 14, 2005

TRADE

U.S. battle ensues over CAFTA

A Senate hearing previews a bruising battle to pass a Dominican Republic-Central American Free Trade Agreement.

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WASHINGTON - Launching a Congressional trade battle that promises to be the fiercest since NAFTA was approved 11 years ago, a Senate committee Wednesday opened hearings on a free trade pact with Central America and the Dominican Republic.

The Senate Finance Committee hearing immediately exposed divisions and skepticism about the proposed Dominican Republic-Central America Free Trade Agreement, known as DR-CAFTA.

Sen. Chuck Grassley R-Iowa, said since CAFTA would help U.S. exporters, voting against it "defies logic." But others strongly questioned its impact on sectors such as the Florida sugar industry and its effect on the ballooning U.S. trade deficit.

Getting CAFTA through Congress will test President Bush's resolve to support a trade pact that is resisted by a powerful phalanx of opponents, including labor and environmental groups and free-trade skeptics on both sides of the aisle.

Sen. Max Baucus, a Montana Democrat who in the past has voted in favor of free trade deals, said he had "serious concerns about this agreement."

Trade observers say if the Senate hearing and additional panels planned in the House do not produce momentum for CAFTA, the pact could face more delays. Although U.S. negotiations with CAFTA member nations ended over a year ago and Guatemala, Honduras and El Salvador have already approved the pact, ratification provoked violent protests in Guatemala last month.

CAFTA also includes Costa Rica and Nicaragua. Combined, the Dominican and Central American economies are smaller than Connecticut, but they buy more U.S. goods than India, Russia and Indonesia combined.

Trade experts said the passage or rejection of CAFTA could also have an impact on the stalled Free Trade Area of the Americas initiative, a project launched at a 1994 summit of Latin America leaders in Miami.

"This could really be the final nail in the coffin [of FTAA] and it would complicate other bilateral and multilateral trade negotiations," said Jeffrey Schott, a trade specialist with the Institute for International Economics.

The Bush administration argues that CAFTA would give U.S. exporters greater access to Central American markets and strengthen democracy in a region now friendly to Washington but two decades ago in the throes of civil war.

"What is the point of turning your back to countries that have done their homework?" said René León, El Salvador's ambassador to Washington. He said that many "myths and monsters" have been tagged to CAFTA and "there are those who want a rematch of the NAFTA battle."

But noting that CAFTA would open U.S. doors to sugar imports, Sen. Kent Conrad, D-N.D., complained to

Acting U.S. Trade Representative Peter Allgeier during the hearing that ``you've just negotiated away another industry here."

The American Sugar Alliance, which represents 146,000 farmers from 19 states, has clout among key Republicans whose support will be needed to pass CAFTA.

U.S. negotiators agreed to let 109,000 metric tons of sugar in the first year after CAFTA goes into effect, and gradually raise that amount later on. Allgeier said that amount equals just 1 ½ teaspoons per week per U.S. citizen, and that the U.S. government can unilaterally stop those imports at any time.

But the sugar industry says that the CAFTA quota would add to the 600,000 tons of sugar already stored in warehouses and would set a dangerous precedent when the U.S. government negotiates free trade deals with big producers.

"I do think the precedent this sets is going to be difficult," said Sen. Craig Thomas, R-Wyoming.

Sugar comprises between 10 and 20 percent of cash crop receipts in states such as Florida, Minnesota, North Dakota, Montana and Michigan. In Louisiana, it accounts for 44 percent.

Florida Rep. Clay Shaw, the Republican head of the Trade Subcommittee of the Ways and Means Committee, acknowledged that CAFTA supporters don't have the votes to pass the pact today. But he added that he would try to persuade those who would benefit from CAFTA to argue their case before Congress and ``balance the playing field."

Shaw also noted that Miami's hopes to host the FTAA secretariat could take a big hit if CAFTA does not pass.

The administration is between 30 and 40 votes short of the 218 needed to pass CAFTA in the House, said Lori Wallach, the director of Global Trade Watch with Public Citizen, a consumer advocacy group that opposes CAFTA. Fewer than 10 Democrats support CAFTA, she said.

Democrats continue to be skeptical of the labor provisions in CAFTA. Already, two key Democrats who supported the Chile trade deal, Rep. Charles Rangel of New York and Xavier Becerra of California have been critical. The Bush administration says CAFTA member nations have adequate labor legislation but have problems enforcing the law.