

Free trade on the ropes in Congress

Central American pact running into problems

By [Greg Robb](#), MarketWatch

Last Update: 5:31 PM ET Feb. 15, 2005

WASHINGTON (MarketWatch) -- The philosophy of free trade - lower trade barriers to allow free movement of goods across borders -- is becoming increasingly unpopular in Congress, analysts and lawmakers said Tuesday.

And in the crosshairs is the Central American Free Trade Agreement, the trade deal signed by President Bush and six Central American nations last year.

"CAFTA is in trouble," Rep. Sandra Levin, a Michigan Democrat and a former ranking minority member of the House trade subcommittee, told a conference on free trade sponsored by the Institute for International Economics.

The biggest problem for CAFTA, Levin said, is that it has attracted the "fervent, united opposition from labor unions."

U.S. labor unions want the pact to guarantee the rights of workers to organize and bargain for their contracts.

CAFTA does not include these rights. It only calls on nations that signed the treaty: Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua, to enforce their existing labor laws.

Congressional Republicans are opposed to adding these labor rights in the agreement.

Rep. Phil English, a Republican from Pennsylvania, told the conference that CAFTA is "a particularly difficult sell to Congress."

The treaty suffers politically because it is tied to the NAFTA trade deal with Mexico and Canada which remains "fundamentally unpopular" with voters, English said.

English said he will not vote for the CAFTA pact.

A vote on the free trade pact is expected in the next three months.

"My guess is that CAFTA will be approved - by a narrow margin," said Ian Destler, an international trade analyst with the IIE.

Destler said the vote would be a re-run of previous trade votes in the House since Republicans took control of the chamber. He said the House Republicans leadership will count on support from 10-20 Democrats, which will allow some Republicans with the strongest opposition to the trade pact to vote against the agreement without sinking it.

But this strategy is inherently dangerous because there are only so many votes that can be lost, Destler said.

China poisoning mood

The sour mood in Congress on trade is mainly due to the sense of frustration over the burgeoning U.S. trade gap, which hit \$61.7 billion in 2004, and with China, where the U.S. has the largest bilateral deficit, the lawmakers and analysts said.

"China's giant shadow hangs over the entire trade issue," said Fred Bergsten, the director of the IIE.

Many members of Congress have introduced legislation aimed at China.

For instance, Sen. Charles Schumer, a Democrat of New York and Sen. Lindsey Graham, a Republican of South Carolina, have introduced legislation that would impose a 27.5 percent tariff on imports from China unless China stops pegging its currency to the dollar.

"Many of us feel that Congress has to respond to China's failure to float its currency," said English.

Symbolic votes

Analysts said Bush is not in serious danger of losing the key "trade promotion" legislative power when it comes up for renewal next month.

Trade promotion authority, formally known as fast-track, allows for a straight yes-or-no vote in Congress on trade agreements.

Analysts expect the authority to be renewed because of some clever language inserted into the previous review.

Under the language, the trade authority automatically renews on March 30 unless the House and Senate vote in favor of disapproving the resolution. And that disapproval resolution must come from the trade-friendly House Ways and Means and Senate Finance committees.

Levin said he expected any disapproval resolution to die in the Ways and Means committee.

Congress must also vote this year on whether the U.S. should remain in the World Trading Organization.

The WTO is not extremely popular in Congress, but trade analyst Destler said he did not expect more than 100 votes in favor of leaving the WTO. In the last vote in 2000, only 56 members voted in favor of leaving the body.

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