Dominican tax risks trade pact

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THE WASHINGTON TIMES
Published November 8, 2004

The Bush administration is working to strip the Dominican Republic out of a wider free trade pact if the Caribbean nation does not repeal a recently implemented tax on soft drinks that affects U.S. exporters.

The administration signed a free trade agreement with **Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua** in May, and rolled the Dominican Republic into the pact in August. Officials had hoped for a vote this year, but opposition by organized labor, sugar producers and Democrats forced a delay.

With President Bush's re-election, his administration is expected to continue aggressive pursuit of trade pacts. Passing the Central American-Dominican Republic deal next year is a priority.

But the Dominican Republic's president last month signed legislation that included a **25 percent tax on drinks made with corn-based sweeteners**, a major U.S. export. The sweetener provision was part of a broader bill to close a budget gap, but President Leonel Fernandez quickly asked legislators in his country to repeal it out of concern it would hurt prospects for the free trade agreement.

But the tax has not been repealed, angering free trade backers on Capitol Hill and in the White House.

"We don't negotiate agreements, watch our [free trade agreement] partners make domestic changes that clearly violate the agreement, and then plan to try to get congressional approval of something that's so flawed we would need to immediately get the [World Trade Organization] to fix," said **Richard Mills**, spokesman for the Office of the U.S. Trade Representative.

Rather than jeopardize the entire pact, the Dominican Republic may be removed from it so that the other five countries can move forward.

The Dominican Republic Embassy in Washington asked that questions on the subject be e-mailed, but by Friday afternoon had not responded to two written requests for comment.

"I think at the end of the day we will have the Dominican Republic back in the fold," said William Morley, vice president of congressional affairs at the U.S. Chamber of

Commerce.

Despite the difficulty with the Dominican Republic, Republicans on Capitol Hill hope to quickly advance the president's broader trade agenda.

"So far, we've taken full advantage of trade opportunities, and I'm confident we won't let them wither on the vine," said Sen. Charles E. Grassley, Iowa Republican and chairman of the Finance Committee, which has jurisdiction over trade.

The U.S. trade pact with five Central American nations and the Dominican Republic probably would come up for a congressional vote next year, possibly in late winter or early spring, though no timetable has been set for a final vote. Some lawmakers had hoped for a vote during a lame duck session this month, but that is unlikely.

Aside from the Central American deal, one early test is expected to arise as the president requests renewal of trade promotion authority, which allows him to negotiate trade pacts and submit them for a yes-or-no vote without revisions.

Trade promotion authority, which expires July 1, passed by a single vote in 2002. This time, the president's request would trigger automatic renewal unless both houses of Congress vote against extending it.