

Acting USTR Faces Tough Questioning On CAFTA By Senators

DOW JONES NEWSWIRES

April 13, 2005 2:48 p.m.

WASHINGTON (AP)--The Bush administration's spokesman for a proposed free trade agreement with Central American nations was met with a barrage of objections and feared problems from senators at a hearing Wednesday, signaling a hard road ahead for congressional passage.

Tough questions about the Central American Free Trade Agreement came from both free-trade Democrats and majority Republicans that the administration needs to realize the pact with El Salvador, Guatemala, Honduras, Nicaragua, Costa Rica and the Dominican Republic.

Sen. Max Baucus, the senior Democrat on the Senate Finance Committee and generally a backer of trade agreements, faulted the White House for doing too little to promote the agreement to a skeptical Congress.

"In my judgment, without presidential leadership, this agreement is going to face a very steep uphill battle," he told acting U.S. Trade Representative Peter Allgeier.

Baucus also echoed complaints of the sugar industry, the most vocal opponent of the agreement, saying beet growers in his state were worried about how it would affect their livelihoods. Baucus is from Montana, a major sugar beet-producing state. Its single congressman, Republican Rep. Dennis Rehberg, mentioned as a challenger to Baucus in the 2008 elections, has announced opposition to the agreement because of its possible affects on the sugar industry.

Allgeier, in the first congressional hearing on CAFTA this year, gave a strong defense of the deal, citing estimates that it would nearly double current agriculture exports to the region, by \$1.5 billion a year. He said that while almost all goods from the six nations now enter the U.S. free of duties, CAFTA would result in 80% of U.S. industrial goods and more than half of farm exports becoming duty-free immediately.

He was supported by Finance Committee Chairman Charles Grassley of Iowa, who said a vote against CAFTA was "a vote to maintain unilateral trade and keep tariff barriers to our exports high. It's a vote that defies logic."

He gave the example of a Caterpillar (CAT) off-road loader: under CAFTA the tariff on its export to Costa Rica would go from 14%, or \$140,000, to zero.

The House International Relations Committee also is holding a hearing Wednesday on Latin American trade issues, and Republican leaders have said they hope to vote on the measure in the House in May. A Senate vote would come after that.

Passage of CAFTA, which would be the biggest Western Hemisphere trade agreement since the North American Free Trade Agreement with Canada and Mexico was enacted a decade ago, is considered critical to the future of other bilateral and multilateral free trade agreements.

Other senators went through a list of worries about the pact: James Jeffords, the Senate's only independent, questioned provisions on labor rights and environmental standards; Jim Bunning a Republican from Kentucky, said it would cause problems for the U.S. textile industry.

A Western Democrat, Sen. Ron Wyden of Oregon, said he considered himself a free trader but was upset by provisions in CAFTA that he said protected the exclusivity of U.S. pharmaceutical industry drugs. "I'm one of the people you've got to get to have any chance of passing" the bill, he said. Because of the "egregious favoritism" to special interests such as the drug industry, "you've got a long way to go to convince me."

Allgeier stressed that under CAFTA, imports from Central America and the Dominican Republic, even after 15 years, would amount to only about 1.7% of U.S. consumption. He added there is a mechanism under which the U.S. can compensate CAFTA country exporters in place of imports of sugar.

He also said that U.S. textile industry would benefit under the agreement because it would help producers in CAFTA countries that use U.S. yarn and fabric in their goods. A T-shirt made in Honduras is likely to contain more than 50% U.S. content, while a T-shirt made in China probably has little if any U.S. content, he said.

The committee also heard from representatives of rice, food processing and business groups that supported CAFTA and sugar and labor groups that opposed it.