

U.S. Senate Approves Central American Free Trade Agreement

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The U.S. Senate approved the Central American Free Trade Agreement today by a vote of 54-45, clearing the second to last hurdle to implementation. The House of Representatives is planning its vote for sometime after July 11.

The vote is the smallest margin for a trade agreement in the normally pro-trade Senate since at least 1993 when senators approved the North American Free Trade Agreement 61-38.

Cafta's future now hinges on the House where the vote is viewed as a toss-up because of opposition from Democrats as well as by Republicans in states that rely on the sugar and textile industries. U.S. sugar producers lobbied against Cafta because it allows a 50 percent increase in sugar imports over 15 years.

Senate passage came as the Bush administration picked up support from Republicans in the South and Midwest by pledging this week to maintain caps on sugar imports and preserve domestic price supports for the commodity through 2007.

Republican Senator Mel Martinez of Florida, who had been undecided about Cafta until this week, said the administration's pledge means his farmers were not left "unprotected."

Cafta would end most tariffs on more than \$33 billion in goods traded between the U.S. and Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. It would also make permanent the duty-free access to the U.S. that most products from Central America now have.

Under rules of Trade Promotion Authority passed in 2002, Congress can't amend trade bills when they come up for a vote.

Cafta is backed by U.S. companies such as computer-chip maker Intel Corp., software developer Microsoft Corp. and pharmaceutical company Pfizer Inc., which say the trade deal will open up markets for their products and create momentum for further trade liberalization in this hemisphere and globally.

U.S. Trade Policy

President George W. Bush reached the agreement with the six Central American nations more than a year ago, and has promoted it as a way to solidify the gains for democracy in that region.

Many Democrats and some Republicans oppose the agreement as part of a broader critique of Bush's trade policy. The U.S. trade deficit widened to a record \$612 billion last year, which included the largest bilateral gap in history with China.

“U.S. trade policy towards China is adrift,” Senate Minority Leader Harry Reid of Nevada said before the vote. “This administration likes to negotiate new trade agreements, but it never gets around to enforcing the ones it has.”

The House Ways and Means Committee voted 25-16 in favor of Cafta earlier today, moving the legislation to the House floor. The House's 435 representatives plan to vote after they return July 11 from a weeklong break for the Independence Day holiday.

“I am confident that when a vote is taken in the House this agreement will pass,” Republican Representative Kevin Brady of Texas, who is shepherding the bill through Congress, said after the committee vote today.

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