Corn syrup controversy in D.R. continues

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The fallout over the decision of the Senate of the Dominican Republic (D.R.) to amend the proposed U.S.-D.R. / Central American Free Trade Agreement (U.S.-D.R.-Cafta) (CB Sept. 30) continues to rage. President Leonel Fernandez is pitted against the Senate (controlled by the opposition Dominican Revolutionary Party), and the issue has divided important areas of the private sector such as sugar and the free trade zones, but, most importantly, it has complicated relations with the U.S.

Although Fernandez signed the fiscal reform act, which had been amended by the Senate to provide for a 25% tax on imports of U.S. corn syrup, he announced his intention to seek the amendment's revocation because it could negatively affect the proposed pact and relations with the U.S. and Central American countries.

In a forcefully worded letter to Senate President Andres Bautista, Fernandez said, "Good sense [must] be used because the country needs coherence in our commercial relations in multilateral, bilateral, and regional obligations the country has taken on."

Meanwhile, a number of prominent legal scholars, among them Eduardo Jorge Prats, Jottin Cury Jr., and Frank Reynaldo Fermin, have asserted the ratification of the FTA would automatically nullify the controversial 25% tax on high fructose corn syrup.

Prats cited Article 3 of the D.R. Constitution, which stipulates that international agreements take precedence over all other actions of the Congress. Reynaldo indicated, however, "[Ratification of the pact] doesn't automatically repeal the tax, but once the pact is ratified, it wipes out the tax on syrup because the treaty supercedes the amendment to the tax law."

Fernandez has guaranteed the U.S.-D.R.-Cafta will go through. He spoke at the opening of the Expo Cibao 2004 in La Barranquita near Santiago, where a majority of the free trade zones in the country are located and which employ more than 100,000 people. His audience included politicians, businesspeople, and diplomats, including U.S. Ambassador to the D.R. Hans Hertell.

"No single sector of the economy has the right to endanger this country's future," said Fernandez. "The corn syrup surcharge represents an obstacle to progress in the D.R."

The controversial surcharge was included in an 11th hour amendment to the fiscal reform bill to protect the country's domestic sugar industry. However, the most vocal opponents of the surcharge are the manufacturers in the free trade zones, concentrated around Santiago, and they turned out to argue that abandoning the FTA would endanger their sector.

Fernandez and Hertell appear together

“The FTA represents an opportunity for the D.R. to insert itself into the most important sectors of the U.S. economy,” said Fernandez. Hertell, who delivered the keynote address at the Expo, repeated “[The syrup surcharge] could possibly derail the FTA as well as result in future job losses in other industries.” The president insisted that reasonable, democratic, and legal means must be found to enter into the U.S. free trade accords. “Demonstrating our two nations’ readiness to strike a cooperative deal, Ambassador Hertell and I are sitting right here, together,” said Fernandez.

The powerful local sugar lobby, consisting of Central Romana and Casa Vicini, requested that Fernandez ask the U.S. to revise the sugar-related provisions in the proposed FTA. But because the D.R. pact has been linked to Cafta, agricultural experts have warned that such changes aren’t so easy.

D.R. sugar producers want the D.R. to ask the U.S. either to exclude sweeteners from the pact or increase the D.R.’s sugar import quotas, thus compensating them for the expected losses their companies would suffer if local manufacturers opt for the cheaper imported corn syrup. Other sugar experts question whether the D.R. could get an increase in its sugar quota.

If the corn syrup provision were to go through, Central Romana indicated it could hurt 8,600 small sugar cane producers while Vicini warned that between 2,000 and 3,000 other employees would be left jobless. On the other hand, officials of the powerful free trade zones fear that without an FTA, some 250,000 jobs nationwide in their sector would be at risk.

Given the increased emotion the subjects of free trade, outsourcing, and chronic unemployment in manufacturing have injected into the U.S. political campaign, most Washington observers have conceded the U.S.-D.R.-Cafta is all but stalled for the rest of this year and will end up having to be reintroduced in the next Congress where its future would be determined by a new U.S. administration. Many Dominicans, in both government and the private sector, privately express their hope for a second Bush term though they acknowledge the D.R. enjoys strong bipartisan support in Congress. That is why the corn syrup controversy has emerged as a monkey wrench that severely complicates U.S.-D.R. relations.