

Oct. 19, 2003, 5:33PM

Talks here seen as vital to regional trade deal

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Nearly six weeks after global trade talks collapsed in Cancun, negotiators from the United States and five Central American countries -- along with hundreds of protesters -- will gather in Houston this week to wrestle over a trade deal covering everything from sugar to cell phones.

Working against a self-imposed January deadline to reach an agreement after a year of negotiations, the five-day talks here over the Central American Free Trade Agreement, or CAFTA, may well determine the success or failure of the accord.

"What is achieved here, I think, is what is going to be achieved for the whole thing," said Mercedes Beck, Nicaragua's consul general in Houston. "This will be the most important of all of the meetings." If successful, this would be the first regional free trade deal signed by the United States since the North American Free Trade Agreement, or NAFTA, was adopted more than a decade ago. That trade deal included Canada and Mexico.

But this week's meeting could also prove to be just as confrontational as the World Trade Organization talks in Cancun because some of the same issues are on the table. That meeting pitted rich countries against poor countries over agriculture subsidies and other issues.

Developing nations say that if they eliminate trade protections for farmers, they'll be run over by U.S. growers backed by billions of dollars in government aid. U.S. farmers respond that many of them are struggling, in part because they are shut out of many international markets.

The importance of this gathering isn't lost on protesters. Several hundred demonstrators are expected to hit the streets near the negotiating sessions at the Westin Oaks Galleria hotel.

Despite the obstacles, most observers expect some agreement to result from these negotiations. "There might be a CAFTA light," said Maria Crummett, director of the Center for International Business at the University of South Florida in Tampa. She expects negotiators to sign an initial accord and add more to the agreement later.

Negotiators say they have already made progress, leaving the more sensitive issues up for discussion in Houston. "The areas that are left are the thorniest ones to deal with," said Regina Vargo, assistant U.S. trade representative for the Americas. "We're going to keep chipping away at it."

Vargo manages the CAFTA negotiations, the same role she played in the recently concluded free trade negotiations with Chile, and she is involved in the Free Trade Area of the Americas, or FTAA, negotiations.

A Central American deal would make it easier to reach a FTAA agreement that would cover 34 democratic countries of the Americas, said Jorge Pinto, director of the Center for Global Finance at Pace University's Lubin School of Business in New York. The next round of those talks will begin Nov. 16 in Miami.

Most of the countries in these two regional trade agreements are eager to sign a trade agreement with the United States. Some nations, including three that are part of the CAFTA talks, had a "won't do" attitude in Cancun, said U.S. Trade Representative Robert Zoellick.

As a result of that attitude, Mexican Foreign Minister Luis Ernesto Derbez closed talks early, saying no agreement could be reached.

"As WTO members ponder the future, the U.S. will not wait; we will move towards free trade with can-do countries," Zoellick wrote in an editorial after the Cancun meeting.

The "won't do" countries he was referring to featured a group of developing nations, called the G-20 Plus, that negotiated together. At the top of their list of complaints were U.S. and European agriculture subsidies. Three of the members of G-20 Plus were Costa Rica, El Salvador and Guatemala. All three dropped out of the group at the Cancun meeting or soon after.

Guatemala left the group because it was no longer addressing agriculture issues, which is why the country had gotten involved, said Gustavo Soberanis, spokesman for the Guatemalan minister of economy. But just because these countries dropped out of G-20 Plus does not suggest that talks about agricultural subsidies will be any easier in Houston.

Farmers fear future

Central American delegates will come to Houston armed with their list of demands for the United States to lower tariffs and other barriers on goods including 50 agricultural products such as sugar, Soberanis said.

Many people in Central America fear CAFTA will hurt them as NAFTA hurt Mexico. After NAFTA was ratified in 1994, many small Mexican farmers lost their livelihood as cheaper U.S. agricultural products, especially corn, flooded their market.

Frank Garbers, a consultant for agricultural policies in Guatemala, said the agreement must consider poor farmers in Central America.

"It has to function as a development tool for these countries or it leads to more poverty and more immigration to the United States," Garbers said.

U.S. farmers also fear they'll be hurt by changes in the trade rules. They prefer that changes be negotiated on a global scale, through the WTO, because regional deals mean widely varying rules around the world.

"All of these agreements never favor the sugar industry, that I can tell," said Jack Nelson, president of the Rio Grande Valley Sugar Growers, based in Harlingen.

Sugar is especially controversial because of U.S. rules holding up prices by limiting imports.

Another controversial debate involves apparel; a new pact could harm an already battered U.S. textile trade. Currently, the United States allows some apparel made in Central America to come into this country without duties if it is made from cloth cut and dyed in the United States.

This aid to U.S. growers and fabric makers is seen as a burden for the sewing trade in Central America, which faces international competition and wants to use cheaper Asian materials.

The United States also will urge Costa Rica to open up its monopoly-run telecommunications and electricity sector to private investment. So far, Costa Rica has steadfastly refused to budge. But informal talks have been taking place.

Union opposition

On the U.S. side, Zoellick not only faces opposition from the farm lobbyists but also from manufacturing interests, which have seen a strong dollar and trade policies work against them.

Trade agreements that include tougher environmental and labor standards will be needed to protect U.S. manufacturing jobs from unfair foreign competition, according to the Economic Policy Institute in Washington, D.C. For example, trade agreements must include enforcement of international labor standards such as giving workers freedom to organize and the abolishment of forced labor.

Unions already are fighting CAFTA because they say it will cut more U.S. jobs and increase Central America's labor rights violations, such as quashing union organizing.

However, supporters of the agreement say it will add jobs in the United States by encouraging trade. That hope is strong in Houston, which explains why U.S. Rep. Kevin Brady, R-The Woodlands, worked to bring these talks here. This port city could especially benefit because so much of its economy is tied to trade, Brady said. One in three jobs in Harris County is tied to international trade.

Brady was tapped by Zoellick more than a year ago to lead an effort to build support in Congress. "Passage of a comprehensive and commercially meaningful CAFTA will level the playing field for American products competing to sell into Central America," Brady said.

If this meeting fails, it could mean President Bush will be unable to cut a major deal during his administration. "Is this administration going to be able to get up off the mat? Or is it going to say, 'Trade policy is kind of hard and maybe we won't get much done'?" asked Edward Gresser, trade policy director for the Washington, D.C.-based Progressive Policy Institute.