INTERNATIONAL

Crossroad for CAFTA

The path to passage or defeat in Congress runs through Florida

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A boost in sugar quotas -- added as a sweetener to the Central American Free Trade Agreement -- has soured crucial agricultural interests on the largest proposed free trade deal for Latin America in a decade and triggered an uphill battle for congressional approval.

No one expected strong Democratic support for the yet-to-be-ratified trade agreement with Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua -- and the Dominican Republic tagged on -- because of complaints over weak labor and environmental protection in the pact.

But the sugar and textile industries, normally supportive of trade agreements, oppose provisions that would give the Central American countries higher quotas for sugar or the ability to use textiles from countries other than the United States for duty-free apparel access.

Opposition from these two industries is likely to diminish some Republican support for the trade agreement and cut into the razor-thin margin the White House has garnered on other trade agreements and needs to ratify CAFTA.

The Bush administration remains confident it can win the vote at some unspecified date when implementing legislation goes to Congress for a "fast-track" vote that only allows legislators to vote yes or no on the accord.

"CAFTA is a great agreement," said Richard Mills, spokesman for the Office of the U.S. Trade Representative. ``We are consulting with Congress, and we look forward to working on it in the next Congress."

COALITION FORMS

Florida's sugar producers have joined with growers from Louisiana, Texas, Colorado, Michigan, Minnesota and Wyoming to fight the accord. As negotiated, CAFTA would immediately raise Central American and Dominican Republic sugar imports by 100,000 tons, about a 10 percent increase above the current level of U.S. imports. The industry warns that if larger sugar imports are offered to all the other countries negotiating bilateral trade deals with Washington, domestic growers are in danger.

This threat against the industry has spurred sugar companies into an intense lobbying campaign, teaming up with the textile and apparel industry and working in parallel with another loose coalition of labor, environmental, religious, health and consumer activists.

"The coalition that is working against CAFTA is very united. We feel pretty good about our vote count right now," said Robert E. Coker, senior vice president at the Clewiston-based United States Sugar Corp., one of the largest privately held agribusinesses in the United States.

U.S. Sugar, along with West Palm Beach-based Florida Crystals Corp. and the Sugar Cane Growers Cooperative of Florida of Belle Glade, produce some 2.15 million tons of sugar annually, about one-fourth of U.S. production.

Coker called the inclusion of sugar in CAFTA "an enormous mistake," adding ``it has generated a lot of opposition for nothing in return."

In its fight against CAFTA, the powerful sugar lobby is targeting House members and organized grass roots efforts: Louisiana growers have gathered 12,000 signatures to oppose CAFTA.

SLOW ACTION

The free trade accord has sat on the back burner for nearly a year since negotiations concluded because passage was going to require a major battle on Capitol Hill. Events have not been static elsewhere. In recent weeks, Washington threatened to exclude the Dominican Republic after its Congress imposed a domestic tax on U.S. exports of high-fructose corn syrup -- sending the country scrambling to change the law. Guatemala's decision to repeal a law extending pharmaceutical patent protection an additional five years -- an extension favored by Washington -- has annoyed the U.S. drug industry.

But whether sugar, textile and grass roots opposition in the United States will derail CAFTA is still a big question.

The impact of the trade pact is negligible for much of the U.S. economy; the five Central American economies combined are about one-fifth the size of Florida's economy.

But passage or defeat of CAFTA has a much larger symbolic importance.

'From the opponents' side, they say "if we can defeat CAFTA, we can derail trade liberalization,"' said Gary C. Hufbauer, a trade analyst in Washington.

"If CAFTA goes down, the Free Trade Area of the Americas goes into some kind of black hole," Hufbauer said. Resuscitating it would be difficult, although not impossible, he added.

The practice of signing trade agreements with countries with small consumer markets and big assembly industries has drawn criticism for economists who worry about the burgeoning U.S. trade deficit. "We keep negotiating trade agreements with countries that can only be net exporters to us," said Alan Tonelson, a research fellow at the U.S. Business & Industry Educational Foundation in Washington.

While it is harder to generate lobbying enthusiasm from large corporations for small accords, the private sector is gearing up for the battle.

"CAFTA is the whole ball game right now," said Robert Filippone, former trade advisor to Sen. Bob Graham and currently a lobbyist for the Pharmaceutical Research and Manufacturers of America:

Filippone said he was optimistic that if the Guatemalan and Dominican issues are resolved, a private sector coalition working for CAFTA could win passage by one or two votes.

Hufbauer, a senior fellow at the Institute for International Economics, agrees. ``It can be passed, but only if the president makes it a high enough priority that he whips together practically all of the Republicans in the House."

The agreement would permanently extend duty-free access on apparel to the Central American countries. The temporary preference program, which has boosted South Florida's ports as stopover points for textiles and apparel shipped to and from the Caribbean Basin, is set to expire in 2006.

Still numerous trade experts said that adding sugar to the CAFTA mix was the ingredient igniting the battle.

The U.S. sugar industry supports negotiating sugar trade in World Trade Organization talks, where negotiations are intended to address sugar subsidies in Europe and Brazil that depress world sugar prices.

Most countries refrain from including sugar in bilateral trade accords because the global sugar trade is complicated by numerous preferential agreements and a slew of direct or indirect subsidies.