# Business, Labor Prepare for Battle on CAFTA Deal

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By Doug Palmer

WASHINGTON (Reuters) - U.S. business and labor groups are gearing up for a battle early next year over a free trade pact with five Central American countries that could have major consequences for the Bush administration's longer-term trade agenda, trade experts said this week.

The debate on the U.S.-Central American Free Trade Agreement follows relatively bloodless fights over the past two years that led to approval of free trade pacts with Chile, Singapore, Australia and Morocco.

The vote in the U.S. House of Representative on CAFTA could be the tightest since a December 2001 vote to give President Bush trade promotion authority. House leaders had to lean hard on textile-state Republicans and the party's economic isolationist wing to provide the winning 215-214 margin.

"We should look forward to a major fight," AFL-CIO international economist Thea Lee told a group of mostly business lobbyists on Tuesday.
"I think the opposition in the United States will be strong and it will cross party lines."

Bill Morley, vice president for legislative affairs at the U.S. Chamber of Commerce, said the business community was preparing a major education campaign to persuade lawmakers about the merits of the agreement. That task is expected to be tougher in the House than the Senate.

"We're not expecting margins on the Moroccan and Australia levels, but I'm hopeful that once the facts get out there we will succeed just as we did on those agreements," he said.

The Morocco and Australia agreements each passed with the support of more than 300 of the 435 members of the House.

However, eight of the 21 Democrats who voted for trade promotion authority in December 2001 won't be in Congress next year. That includes retiring Rep. Cal Dooley, a California Democrat who has worked to round up votes on trade deals.

Labor groups see CAFTA -- which includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and potentially also the Dominican Republic -- as a watershed agreement.

Approval would clear the way for pacts with other developing countries such as Colombia, Peru, Ecuador, Thailand, and South Africa that the Bush administration is already negotiating. Stopping CAFTA could also halt those deals.

The pact crystallizes concerns U.S. workers have about manufacturing jobs being moved to lower-wage countries and a mounting U.S. trade deficit that is expected to exceed a record $500 billion this year, Lee said.

"The question is whether the answer to a trade deficit of that magnitude is simply to negotiate more trade agreements," Lee said.

But supporters argue the benefits of the trade agreement outweigh any potential job losses. They point out that the Central American countries are already able to export most of their goods to the United States without paying duties under U.S. trade preference legislation.

"This deal opens their market for us" and requires the countries to make other changes that would improve the business climate for American companies, said Richard Mills, a spokesman for the U.S. Trade Representative's office.

Mills brushed off Democratic suggestions to reopen the agreement to address concerns about labor and environmental provisions of the pact.
"We negotiated a great agreement within the TPA (trade promotion authority) parameters that a congressional majority set and we'll be working with Congress to pass this agreement," he said.

The Bush administration also hopes that the strong backing of the American Farm Bureau Federation and other farm groups will overcome intense opposition from sugar growers, who fear increased competition under the pact.