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[CAFTA signed into law](#) [Bush hails trade pact after tough fight in Congress](#)

- [David Armstrong, Chronicle Staff Writer](#)

Wednesday, August 3, 2005

President Bush signed the Central America Free Trade Agreement into law Tuesday, hailing the seven-nation pact as an open-door policy that will benefit U.S. exporters and seed prosperity and democracy in Central America and the Dominican Republic.

"This is more than a trade bill," Bush declared at a White House signing ceremony. CAFTA, he said, will strengthen the six small Latin American signatories against "forces that oppose democracy, seek to limit economic freedom and want to drive a wedge between the United States and the rest of the Americas."

CAFTA passed after a bruising battle in Congress. It squeaked by the House, 217-215, after clearing the Senate, 54-45. Organized labor mobilized to oppose the pact, citing a fear of U.S. job loss, while environmentalists opposed it, saying it failed to protect the natural environment of the region.

The close votes give rise to questions about whether a hobbled administration will have the political clout to implement its sweeping free-trade agenda. The administration is talking with Thailand, several southern African nations and Andes mountain nations about creating separate free-trade agreements with them.

Trade pacts typically lower trade barriers such as tariffs and import quotas, and strengthen intellectual property rights, though international business can and does go forward without them.

Bush is also pushing the Doha Development Agenda, which would lower global agricultural subsidies and tariffs, at the World Trade Organization's ministerial meeting in December. And the administration is committed to creating a Free Trade Area of the Americas, which would include every nation in the Western Hemisphere except Fidel Castro's Cuba.

That ambitious agenda, which is generally backed by U.S. business and agriculture but opposed by labor and environmentalists, has probably not been derailed, but it may well have been slowed, analysts say.

"The battle (over) CAFTA had more to do with (free-trade agreements) than the inequalities of CAFTA itself," said Jon Haveman, a research fellow and trade specialist with the Public Policy Institute of California.



"About 80 percent of exports from those countries already enter the U.S. duty-free, so it's really very small," Haveman said of CAFTA's expected economic impact. The close vote, he said, "is an indication that things like the Free Trade Area of the Americas are going to have to move more slowly."

CAFTA opponents are heartened by Bush's difficulty in passing a bill he clearly wanted and say it shows free trade -- and the contentious issues of globalization associated with it in the public mind -- can be stopped.

"That CAFTA ... a trade deal of small economic significance, barely passed the House of Representatives shows that any economically significant attempts to expand the North American Free Trade Agreement model such as the proposed Free Trade Area of the Americas, would be dead on arrival," boasted Public Citizen, a nonprofit, anti-free-trade group, in a statement.

"The CAFTA debate makes clear that a dramatic shift in U.S. trade policy has occurred," Public Citizen said, noting that only 15 House Democrats joined Republicans to pass the measure. Earlier trade pacts have usually sailed by with strong bipartisan support.

Free trade may indeed be slowed but it will not be stopped, said John Murphy, vice president of international affairs for the U.S. Chamber of Commerce, which backed CAFTA and supports free trade.

"CAFTA was unique as a trade pact," said Murphy, who noted it was opposed by the powerful U.S. sugar industry, which feared competition from lower-cost Latin America sugar producers.

"Sugar represents one-half of one percent of American agriculture, but it provides 20 percent of the political contributions from agriculture. Sugar punches above its weight," Murphy said.

Murphy also said that organized labor's opposition to CAFTA made the tally very close but doesn't think WTO talks or a hemispheric trade pact will necessarily inspire such strong opposition.

Creating a Free Trade Area of the Americas will be difficult, but it will come into being, probably in five to 10 years, Murphy predicted.

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