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Lincoln Journal Star on CAFTA

Like any trade agreement, the proposed Central America Free Trade Agreement that heated up in Congress last week would create some winners and losers. The big losers would be businesses that profit from protectionism, such as the sugar industry in the United States that receives such high subsidies that raw sugar here costs three times what it does on the open market. The winners would be businesses that would see tariffs melt away. On that score, Nebraska stands to gain much more than it would lose.

Most food and farm products from Central America already enter the United States duty-free ...

The countries involved -- Guatemala, Costa Rica, Nicaragua, El Salvador, Honduras and the Dominican Republic -- are relatively small trading partners. They have a combined economic output that is only about 1 percent of the U.S. total.

But with a combined population of 46 million people, they do represent a significant trade opportunity for Nebraska. A study by Iowa State University economist Dermot Hayes estimated that passage of CAFTA would boost hog prices by 36 cents a head. The National Cattlemen's Beef Association estimated beef exports to the six CAFTA countries could rise from $12.5 million to about $41 million a year.

The American Farm Bureau projected that Nebraska's 3rd House District alone would gain from $25 million to more than $44 million a year when the trade agreement is fully implemented.

Unfortunately the proposed trade agreement, sometimes dubbed DR-CAFTA since the Dominican Republic was added, is running into stiff opposition from labor unions, protectionists, liberal farm groups and antitrade zealots.

This shortsighted opposition ignores historical evidence and predominant economic theory that supports belief that free trade generally helps raise standards of living for trading partners. Improving economies in turn lead to greater political stability. Because both trading partners want a system that honors contracts, free trade also has the effect of encouraging rule of law.

The trade agreement would provide the framework for a healthy two-way trading relationship that would benefit Nebraska and other Americans for years to come. The United States long has been a leader in encouraging the spread of free trade and economic opportunity in the world. It would be tragic if shortsighted opponents succeed in strangling future growth.