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LaTourette attributes flip-flop on CAFTA to tariff no one pays

By Stephen Koff

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Washington - KraftMaid builds kitchen cabinets in Middlefield, and for that it needs wood.

So when U.S. Rep. Steve LaTourette said he suddenly learned that the company had been socked with tariffs on Central American plywood - and that they jeopardized the company's jobs in Ohio - he decided to vote for a controversial trade pact to eliminate those tariffs.

"Absolutely," he said after the vote two weeks ago, confirming that his motivation was solely to protect KraftMaid jobs.

One problem: No U.S. company has to pay tariffs on plywood from Central America, according to trade records reviewed by The Plain Dealer and interviews with industry and trade officials.

Plywood, and almost every other wood product from Central America, is exempt from tariffs under arcane but long-standing trade rules.

"He's either been duped or is not being honest," Lori Wallach, a Washington trade lawyer, said of LaTourette.

LaTourette's last-minute decision on July 28 to back the Central American

Free Trade Agreement was crucial to helping President Bush and Republican leaders win a hard-fought victory.

He was a critical swing vote in a tight House vote - 217-215 - that came after a night of arm-twisting and deal-making.

For months, the Lake County Republican had said he was against CAFTA because he saw little in recent trade deals that helped American workers.

But in the afternoon before the final vote, LaTourette got a phone call from KraftMaid's president, Tom Chieffe.

Chieffe said the tariffs on Central American plywood, used to make cabinets, was making it harder for the company to stay viable, according to an interview with LaTourette after the vote.

Chieffe is not a player in the world of Washington power politics, and LaTourette has said he didn't know him well.

But KraftMaid is owned by a larger corporation, Masco Corp., whose Michigan-based chairman is a major Republican donor. Richard Manoogian donated \$115,000 to the Republican National Committee and its affiliates between 2002 and 2004, as well as

\$4,000 for Bush's re-election, records from PoliticalMoneyLine show. He has stayed overnight at the White House as a guest of Bush, according to the Center for Responsive Politics.

Chieffe, KraftMaid and Masco would not comment for this article.

Government records show that, when it came to plywood, chump change was at stake in the CAFTA debate. In the last 3½ years combined, tariffs paid on all plywood from Central America have totaled just \$4,700 -- hardly an amount that puts a crimp on American businesses, government records show, and a sum that experts say was probably paid by accident.

And CAFTA would not alter the equation: The plywood would remain exempt from tariffs.

That's why LaTourette's sudden change of heart mystified organized labor, trade activists and Sherrod Brown, the Lorain County Democrat who led the U.S. House opposition to CAFTA.

"Several people voted differently from what I expected," Brown said. "And it's up to them to explain it to their districts."

LaTourette was unavailable this week because he is on vacation, his office said. Attempts to reach him last week were also rebuffed because he was in Alaska on a congressional trip and, his office said, could not be reached.

In a prepared statement, his office said the congressman relied on what KraftMaid and President Bush's trade office told him about the tariffs. LaTourette's office has said repeatedly

that the congressman got no special treatment -- no bridges, roads, or promises of a future presidential appointment -- in exchange for his vote.

"The head of KraftMaid spoke to wanting to expand the company and add workers in Geauga and Ashtabula counties and said he did not want to have to manufacture cabinets in Central America or China in order to stay competitive," said LaTourette's statement.

Chieffe, in his phone conversation with the congressman, "was very clear that the current tariffs were harming his business," the statement said.

Those tariffs were 8 percent, LaTourette had said. His office repeated that figure this week.

After his conversation with Chieffe, LaTourette asked U.S. Trade Representative Rob Portman's office about the issue, according to LaTourette's statement. Portman's office sent over a document listing plywood products, enumerating their 8 percent "base" tariffs and stating that CAFTA would eliminate those tariffs.

But that list is misleading, according to both a private and a government trade lawyer. It cites the tariffs charged under the United States' normal trade relations program but fails to note a crucial fact: "Base" tariffs on most Central American exports -- including wood and wood products -- do not have to be paid because of other exemptions already given by Congress.

So there was almost no risk that companies would lose their breaks even

if CAFTA failed, trade experts said.

That explains why wood importers, trade associations and industry analysts were surprised that the import tariff issue came up.

"We've never paid any kind of tariff on any wood product coming in from Central America," said Sam Robinson, executive vice president of Robinson Lumber Co, a Louisiana-based wood importer. "And as far as plywood is concerned, frankly I don't know of much plywood production in Central America coming into the states."

Wallach, a trade lawyer who directs Public Citizen's Global Trade Watch, which lobbied against CAFTA, said she was so certain that neither KraftMaid nor any other company was paying the tariffs that she told her staff she would "walk on my hands from the Capitol to the White House if there's a tariff."

She doesn't accept LaTourette's explanation that he was only following what he was told.

"He is, after all, a member of Congress who has at his hands the staff and the resources to receive the Congressional Research Service to find out if that's true or not," she said.

Portman's office acknowledges giving LaTourette a paper that made it appear CAFTA would eliminate the 8 percent tariffs. It defended its actions in interviews with The Plain Dealer over the last week, saying the existing plywood exemptions were not as sweeping as those offered under CAFTA.

"And this locks in the benefits and therefore locks in the supply" of plywood, said Matt Niemeyer, Portman's congressional affairs liaison.

Yet figures from the International Trade Commission, an independent panel, and the Census Bureau, citing tariff collections, show that to be an unnecessary distinction in the claim that tariffs were jeopardizing a big corporation.

Plywood was exempt before CAFTA -- and still will be exempt when CAFTA eventually goes into effect.

Although LaTourette had said KraftMaid was at risk of reducing or closing U.S. operations because of the purported tariffs, Chieffe in February announced that the company was building a \$106 million production facility in Utah -- having just completed a \$25 million expansion in Ohio, including at its complex in Ashtabula County's Orwell, also in LaTourette's district.

In an e-mail to The Plain Dealer, KraftMaid marketing manager Kim Boos stated why the company will not comment for this article: "Tom Chieffe was only one of several business executives who spoke with Congressman LaTourette during his research for the CAFTA bill. This was a conversation between a congressman and one of his constituents and Mr. Chieffe doesn't plan to comment on their conversation."