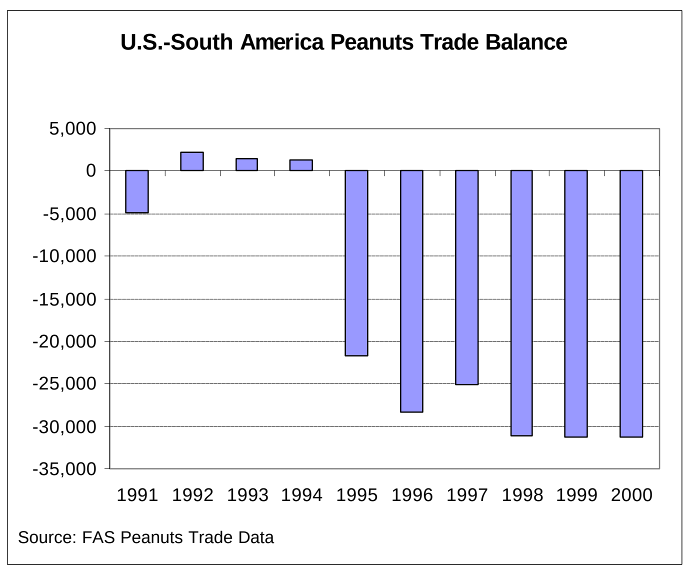
FAST TRACK WILL EXACERBATE NAFTA'S DAMAGE TO U.S. PEANUT FARMERS

Coming Fast Track Battle is a Referendum on NAFTA's Seven Year Record

President George W. Bush has asked Congress for Fast Track powers to expand NAFTA to 31 countries in Latin America and the Caribbean through a proposed Free Trade Area of the Americas (FTAA). President Bush and his principal trade advisors have announced that the coming debate about the President's request for Fast Track is a referendum on the North American Free Trade Agreement (NAFTA) — and so it should be. Given Fast Track's purpose is to expand the NAFTA model hemisphere-wide through the FTAA, the seven-year track record of NAFTA for family U.S. farmers and ranchers bears close review.

During the 1993 Congressional battle about the fate of NAFTA's approval, U.S. farmers were promised that NAFTA would provide a path to lasting economic success through rising exports. Consumers were promised lower food prices. These promised benefits never materialized during seven years of NAFTA: farm income has declined and consumer prices have risen while some agribusinesses — which lobbied hard for NAFTA and now are avidly promoting Fast Track — have seen record profits. Granting President Bush Fast Track to expand NAFTA would have a potentially devastating effect on U.S. peanut growers. FTAA would require the U.S. to accept more peanut imports from South America, which already accounts for 69% of peanut imports. Indeed, even before FTAA requires more imports into the U.S., the U.S. has a peanut trade deficit with South American and Caribbean countries who can produce peanuts cheaply given low labor costs and lax health and environmental rules.



During the debate over NAFTA, President Clinton made explicit promises to U.S. peanut growers that the Administration would use U.S. trade law to prevent Canada and Mexico from unfairly dumping cheap peanuts in the U.S. market. **The NAFTA promise languished unfulfilled: despite an astounding 1400% increase in imported Mexican peanuts and a 10% increase in imported Canadian peanuts, no efforts were ever made to utilize U.S. trade law to protect domestic peanut growers from unfair competition.**

NAFTA Failed U.S. Peanut Farmers

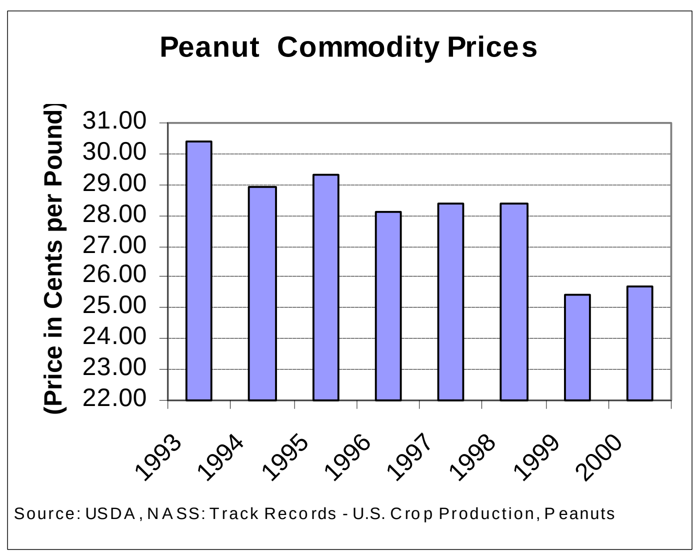
NAFTA already has had a devastating effect on U.S. peanut farmers. U.S. market access commitments in NAFTA and the global WTO trade pact eliminated the Section 22 provisions of U.S. trade law that had prohibited the importation of peanuts. The new NAFTA and WTO rules increased the permitted imports of peanuts (at a lower in-quota fixed tariff rate) from 96,298 short tons in 1995 to 135,669 short tons in 2000. Peanut imports above the in-quota limits face stiff tariffs, but under NAFTA and WTO the allowed in-quota volume increases each year. In 2003, peanut butter from Mexico will enter the U.S. duty free and the over-quota tariff rate will be low enough to allow increasing imports under NAFTA. In 2008, limits on cheaper imported peanuts from Mexico will be eliminated under NAFTA.

Increasing peanut imports caused by NAFTA and WTO's rules requiring access into the U.S. for for foreign peanuts have had a devastating effect on U.S. peanut farmers. Since NAFTA and the WTO went into effect, the U.S. peanut surplus with the world has declined 38% from $5.4 billion in 1995 to $3.3 billion in 2000. Under the increasing NAFTA quotas, the import of Mexican peanuts grew 1,400% to $1.8 million between 1993 and 2000 and the import of Canadian peanuts grew 10% to $289 million.

Virginia's peanut crop value fell from $80 million in 1994 (the year NAFTA went into effect) to $59.9 million in 1999 — a 25% decline. According to a 1998 Auburn University study, U.S. peanut farmers lost $64 million in gross farm income because of cheaper imports, primarily from Canada, Mexico and Argentina by 1996. $36 million of that U.S. gross peanut farm income loss went to foreign peanut producers and $27 million went to U.S. peanut product manufacturers who switched to cheaper imported foreign peanuts. The study further projected that peanut farmers would lose an additional $19 million between 1999-2002 if market conditions remained constant. By granting even more access for imported peanuts to imports, FTAA will only accelerate the NAFTA damage, given that FTAA target nation, Argentina, is a major peanut exporter and already has rights to 80% of the U.S. import tariff-rate-quotas under the WTO.

NAFTA Has Been Used to Justify Shredding Farm Safety Nets for Peanut Farmers

Using NAFTA both as a sales pitch and as the political instrument to force policy change, corporate and political lobbyists in Washington set about eliminating domestic farm programs aimed at safeguarding growers, especially peanut farmers. The 1996 Freedom to Farm Act, part and parcel of implementing the export-oriented NAFTA agriculture model, hit peanut growers particularly hard The Freedom to Farm Act significantly reduced the peanut program safety net protections for peanut farmers that had been in place since the Depression. The peanut program restricted imports and set a poundage quota and floor price for food peanuts that was adjusted upwards for production cost inflation for the farmers with quota rights. Peanuts grown outside (known as 'additionals') the quota could be sold for $132 a ton to produce peanut meal or oil or sold on the world market. The Freedom to Farm Act reduced the peanut quota support price 10% to $610 a ton, reduced the total quota poundage and eliminated the production cost adjustment. In 2002, U.S. peanut price supports are likely to be cut or eliminated when the Freedom to Farm Act is revisited.



Fast Track and FTAA Will Further Threaten U.S. Peanut Farmers

South American countries now negotiating with the U.S. over terms for an FTAA NAFTA expansion are seeking the removal of U.S. farm supports, such as the current peanut program. They also demand eliminating the U.S. anti-dumping and countervailing duty trade laws which protect domestic farmers from unfair import practices, such as commodity dumping. A recent *Los Angeles Times* story nicely summarizes agricultural export giant Brazil's negotiating position on FTAA: "Brazil says it won't join hemispheric free-trade bloc if United States won't open markets to orange juice, steel and other imports." The elimination of U.S. anti-dumping law, the removal of limits on agricultural imports, and the elimination domestic commodity support programs are the starting point on FTAA for Brazil, according to the article.

Thanks to the then-existing U.S. peanut program, imports of peanuts from South America were nonexistent before 1995, the year the World Trade Organization went into effect. Then, the first year the U.S. was required to accept imports of peanuts for food, peanut imports jumped to $23 million. Since 1995, peanut imports from South America have risen 47% to $34 million in 2000, with the U.S.-South American peanut trade deficit rising 44% to $31 million. U.S. total peanut imports grew 57% since 1995 to $50 million in 2000, driving the U.S. world peanut trade surplus down 26% to $173 million from $234 million in 1995. Imports from South America accounted for 69% of peanut imports into the U.S. in 2000.

If the FTAA were to eliminate the current Tariff Rate Quota protection for domestic producers, a study by the U.S. Department of Agriculture (USDA) of possible FTAA outcomes predicts that a "very large share" of the domestic peanut market would be captured by foreign peanuts and products. The USDA reported that this would lead to a domestic production that would be "concentrated" in the southwestern producing areas and explicitly would cause a contraction of production in Georgia. Given even USDA is predicting that the FTAA for which President Bush is seeking Fast Track would harm U.S. peanut producers, expect the Administration to make assorted offers to 'help' if there are future problems. Beware!

NAFTA Promises to Peanut Farmers Never Materialized

In 1993, then-President Clinton gave assurances during the NAFTA debate that the government would deal with any peanut import problems caused by NAFTA. This pledge was given to then-Representatives Glenn English (D-OK) and Bill Sarpalius (D-TX) who were concerned that NAFTA would encourage surging peanut and peanut product imports from Canada. Specifically, President Clinton promised he would have the U.S. International Trade Commission (ITC) investigate whether "imports are being or are practically certain to be imported into the United States under such conditions, and in such quantities to interfere with, the peanut program of the Department of Agriculture." But as with an array of NAFTA "side" promises and deals that were not part of the core NAFTA text, this promise never came to fruition. The situation for American peanut producers has gotten worse because of NAFTA and other trade deals. Indeed, thanks to NAFTA, importation of Canadian peanut paste, made from some of the 11 million tons of peanuts grown in China, is "expanding," says the National Peanut Growers Group.

Although there have been hundreds of countervailing duty and import surge investigations performed by the ITC since 1993, when President Clinton promised that any adverse effects of NAFTA on peanut imports would be examined, no peanut investigation was ever performed. (There have been investigations of aluminum horseshoes, bicycle speedometers, and kiwi fruits.) According to an ITC commodity analyst, a peanut report was initiated by the ITC before 1997, but then it was suspended at the request of President Clinton before the ITC could issue a final report or make recommendations. Given Argentina is a major peanut producer, expanding additional NAFTA import rights to Argentina and 30 more countries will only exacerbate the dire situation for U.S. peanut growers.

Fast Track Is Unnecessary and Will Further Harm Independent Farmers

The only way to ensure that U.S. trade policy suits the needs of U.S. peanut farmers is for Congress and the public to play a more prominent and continual role in the entire trade policy process. Congress must be involved in setting the U.S. agenda, selecting appropriate prospective trade partners with whom to negotiate, and ensuring U.S. negotiations meet Congress' goals. Only trade agreements that meet U.S. goals should be approved and implemented. This necessary level of involvement and oversight is impossible under the Fast Track process which give up Congress' delegation of its Constitutional trade authority. The Fast Track delegation allows the Executive Branch to promise the world to Congress and U.S. farmers and deliver only woe.

For more information, contact Public Citizen's Global Trade Watch 202-546-4996
(*See*, Public Citizen's Global Trade Watch study, *Down on the Farm: NAFTA's Seven-Years War on Farmers and Ranchers in the U.S., Canada and Mexico,* at www.tradewatch.org)