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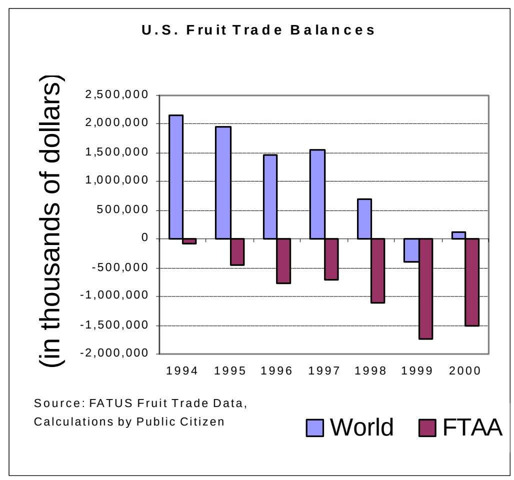
FAST TRACK WILL EXACERBATE NAFTA'S DAMAGE TO U.S. FRUIT GROWERS

Coming Fast Track Battle a Referendum on NAFTA

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 debate about Fast Track is a referendum on NAFTA — and so it should be. Given Fast Track's purpose to expand the NAFTA model hemisphere-wide through the FTAA, the seven-year track record of NAFTA for family farmers and ranchers bears close review.

During the 1993 debate over the fate of NAFTA, 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 are avidly promoting Fast Track — have seen record profits. Now the Bush administration wants Congress to give it Fast Track Authority, effectively a blank check to expand NAFTA to fruit producing powerhouses such as Brazil and Chile. Congress would cede its authority via Fast Track to the Bush Secretary of Agriculture, Ann Veneman. She was one of the previous Bush Administration's negotiators for NAFTA and the Uruguay Round of GATT and then worked as a lobbyist for international fruit and vegetable giant Dole Foods at Washington, D.C. firm Patton, Boggs and Blow.



Granting President Bush Fast Track to expand NAFTA could have a devastating effect on fruit and vegetable growers. For example, Chile is a world-class producer of fruits (peaches, pears, apples and grapes) that compete directly with produce grown in the U.S. However Chile's produce can be sold at lower prices because of cheap labor and weak pesticide and worker safety standards. Even without special market access privileges for Chile, U.S. fresh fruit imports from Chile grew by 42% to $597 million between 1996 and 2000.

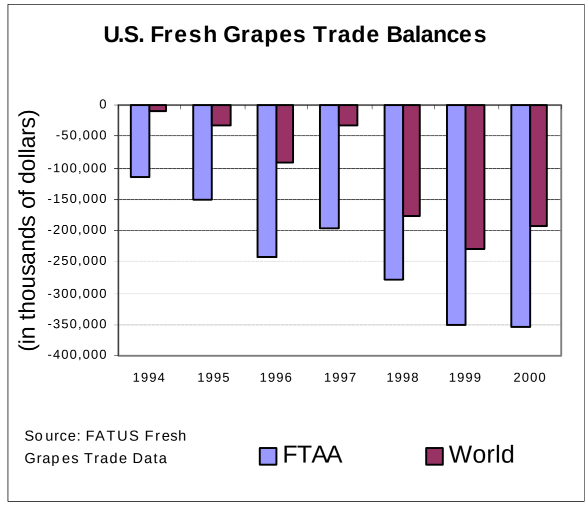
Meanwhile, Brazil produces half the world's orange juice. Brazil has stated that it will not sign any FTAA that does not produce free and open access to the U.S. for its citrus. USDA says such access would crush U.S. growers.

U.S. Fruit Trade Balances Worsened under NAFTA

NAFTA has already had a devastating effect on U.S. fruit growers — FTAA will only accelerate the NAFTA devastation. If Congress grants President Bush Fast Track for FTAA, U.S. farmers would face stiffer competition from imports but would not gain in Latin American and Caribbean export markets. The proposed FTAA would grant foreign producers new import rights into the plum U.S. consumer market. However, since many of these countries already have lower-than-NAFTA trade barriers for U.S. goods and because production is cheaper because of lax environmental and food safety regulation and cheap labor, U.S. farmers will not see greater fruit exports to Latin America and the Caribbean. Between 1995 and 1999, the fresh fruit sector lost 8% of its establishments and 4% of its jobs. The U.S. fresh fruit trade deficit grew from $127 million in 1995 to $469 million in 1999. The frozen fruit trade sector saw a $9 million surplus in 1995 become a $37 million deficit in 1999. The prepared and preserved fruit trade deficit grew by more than half, from a deficit of $236 million in 1995 to a deficit of $396 million. The value of exports of U.S. tropical fruit such as pineapples, avocados and mangos fell 16%, and the share of production going to exports fell 40%. The value of citrus exports fell by a third and the share of production going to exports declined by 37% between 1995 and 1999. The $18 million fruit and vegetable juice surplus in 1995 has become a $48 million deficit in 1999. <u>FTAA will have a crippling impact on many fruit crops:</u>

U.S. Fresh Citrus Trade Surplus Shrank Under NAFTA

Worldwide, U.S. fresh citrus imports of limes, oranges and grapefruit rose 219% to $224 million, causing the U.S. world fresh citrus trade surplus to shrink by 35% to $379 million. Even though U.S. fresh citrus exports to Mexico rose 569% from 1994 to 2000, the fresh citrus trade deficit with Mexico still grew by 61% to $53 million. While U.S. fresh citrus exports to South America have grown 59% since 1994, the year before the WTO was implemented, imports of fresh citrus grew 560%, causing the trade deficit to increase 721%. In contrast, the three years before the WTO saw the fresh citrus trade deficit with South America shrink by 37%. Citrus farmers simply cannot export their way out of free trade-induced economic troubles --- with Brazil flooding world markets with oranges produced with rock bottom wages and lax health standards.



Expanding NAFTA to include Latin America will likely threaten the survival of Florida orange growers and orange juice producers. Brazil is the world's largest supplier of frozen concentrated orange juice with half the world production. In the 2000-2001 growing season, Brazilian orange production was estimated to be 350 million boxes, compared to 224 million boxes in Florida. In 1996 and 1997, two Brazilian companies bought processing plants in Florida, controlling enough of the Florida orange juice processing industry to have an impact on prices on bulk juice concentrate which they can import from Brazil, depressing prices. The U.S. ITC predicts that without countervailing duties Brazilian imports will enter the U.S. at low prices and high volumes, hurting Florida orange growers and orange juice producers' revenues, profits and employment levels. Brazil has said it will not agree to any FTAA negotiations that do not remove the countervailing duties that now protect Florida orange growers.

FTAA Will Threaten California Grape Producers

Since NAFTA, the grapes trade deficit with Mexico quadrupled to $104 million even though exports to Mexico increased by 80%-because of South American imports. California's dominant domestic market share of wine and table grapes is vulnerable to imports from Chile, which have increased by 79% to $388 million between 1994 and 2000. Although grape exports to FTAA countries have risen 21% since 1994, the U.S. grape trade deficit with FTAA countries more than tripled to $354 million. Over the same period, the U.S. world fresh grapes trade deficit has doubled to $191 million.

FTAA Will Exacerbate Hard Times for U.S. Apple Growers

In 1994, the U.S. had an $8 million apple trade surplus with South America. This has turned into a $16 million trade deficit in 2000. Apple imports rose 134% while exports fell by half over that time period as apple imports from Chile rose 218% to $22 million. Apple prices are 40% below the cost of production for U.S. farmers. In June 2001, the House Appropriations Committee voted to grant $150 million in emergency funds for apple growers. USDA figures show apple losses of $1.5 billion over five years, including $500 million in the past year, according to *The Packer* (Jun. 18, 2001).

FTAA Unfair for U.S. Raspberry Growers

U.S. farmers and packers of high-quality individually quick-frozen raspberries are facing major imports from Chile. Chile's berries are cheaper than U.S. production even after shipping because of lower wages and lax environmental conditions. Growers in Washington state pay labor at least $7.50 an hour, compared to $8 a day on Chilean farms. U.S. farmers pay $70 an acre for pesticides, while Chilean farmers pay $7 an acre to use pesticides banned in the U.S. These lower costs allow Chilean exporters to peg their exports to 5¢ below what Washington growers charge, driving prices below the U.S. cost of production.

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. fruit growers is for Congress and the public to play a more prominent and continual role in the entire policy process. Congress must be involved in setting the U.S. agenda, selecting appropriate prospective trade partners with whom to negotiating, and ensuring the negotiations are obtaining U.S. goals. Then, only agreements that meet U.S. goals should be approved and implemented. This level of involvement and oversight is impossible under the Fast Track process because Congress' delegation of its Constitutional trade authority allows the Executive branch to promise the world 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)