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Rep. Jim Gerlach Abandons Environmental Record on Land Use, Pennsylvania's Working Families and Small Farmers to Vote "Yes" on CAFTA

Last-Minute CAFTA Vote Predicted to Shape 2006 Rematch of Close Gerlach Re-election Fight; Public Citizen Launches CAFTA Damage Report to Track Results of Misguided CAFTA Votes

WASHINGTON, D.C. – Abandoning a long record of championing smart-growth and pro-conservation land use policies, and snubbing Pennsylvania's working families and small farmers, Rep. Jim Gerlach (R-Pa.) became a deciding "yes" vote for the Central America Free Trade Agreement (CAFTA). CAFTA eked through the House of Representatives 217 to 215; had Gerlach voted no, the agreement would have been rejected with a 216-216 tie vote.

Constituents in Pennsylvania's 6th District, a closely watched and contested electoral swing district, are wondering why Gerlach, whose home state has lost nearly a quarter of its manufacturing jobs since NAFTA,¹ would vote to extend NAFTA to six additional countries. Pennsylvania's 6th district alone, which encompasses the counties of Berks, Chester, Lehigh and Montgomery, had more than 1,200 workers certified as NAFTA job loss casualties under just one narrow U.S. Labor Department Trade Adjustment Assistance program. Yet, in a letter to a constituent explaining his pro-CAFTA vote, Gerlach argued that "Pennsylvania businesses and industries stand to benefit tremendously from the implementation of this trade agreement."²

In fact, according to the U.S. International Trade Commission (USITC), the official and bipartisan source for trade projections of the U.S. government, the U.S. trade deficit with the CAFTA target countries will *increase* by \$100 million once the agreement is fully phased in.³ Policies that increase the U.S. trade deficit with other countries results in a reduction in output (gross domestic product), and therefore of employment. The non-partisan Economic Policy Institute estimates that the 538 percent growth in the U.S. trade deficit with NAFTA countries over 1993-2004 accounted for more than 1 million net U.S. jobs lost, with 44,173 net jobs in Pennsylvania alone.⁴ So while some U.S. companies may export more to Central America under CAFTA, the United States as a whole is projected to lose jobs to Central America. Given that CAFTA simply expands the NAFTA model of trade under which Pennsylvania faced a disproportionate share of job losses, the prospects for gains from CAFTA for Pennsylvania are nonexistent, while more job losses are expected.

"That the member of Congress who is supposed to represent one of the states hardest hit by NAFTA job loss would become the deciding vote to pass NAFTA expansion to six more nations is unimaginable," said Lori Wallach, director of Public Citizen's Global Trade Watch. "It is one thing if you represent one of those few congressional districts that could actually gain from CAFTA – a district that grows rice, for instance – but for a Pennsylvania representative who claims to care about the environment and small businesses to support CAFTA is inexplicable."

Meanwhile, CAFTA will put into place in the United States and the six Central American countries foreign investor protections that directly undermine the conservation land use policies Gerlach championed in the state legislature. CAFTA's Chapter 10 investor protection rules empower foreign investors operating in the United States to challenge U.S. federal and state land use policies that they claim undermine their new CAFTA rights. CAFTA

allows foreign investors to take these claims to United Nations (UN) and World Bank tribunals, which are empowered to order the United States to pay foreign investors taxpayer dollars to compensate for lost future profits connected to complying with the same domestic policies required of U.S. companies and citizens.

“It is remarkable that a politician whose claim to fame is fighting for sensible land use policies would cast the deciding vote on an agreement that exposes Pennsylvania land use policies – perhaps those he himself fought to put into place and on which his constituents rely – to attack in UN and World Bank tribunals and creates enormous new financial liability against the very sorts of land use policies he claims to espouse,” said Wallach.

Under similar foreign investor rules in NAFTA, UN and World Bank tribunals have awarded more than \$35 million in successful investor claims, including a challenge against a Mexican municipality’s refusal to issue construction and zoning permits to open a toxic waste facility near a heavily populated area.

In his post-vote constituent letter, Gerlach also stated that CAFTA would help stabilize Central America’s economies and democracies. Yet in fact, the implementation of NAFTA – the template for CAFTA – in Mexico has led to intense Central American public opposition to CAFTA. Under NAFTA, 1.3 million Mexican peasant farmers were displaced, hunger increased, and minimum wages dropped 20 percent. CAFTA is nearly identical to NAFTA. The Central American Council of Churches and numerous Catholic Bishops from the region called on Congress to oppose CAFTA as an immoral and dangerous attack on the hemisphere’s poorest residents. Anti-hunger groups such as Oxfam, all of the region’s independent labor unions and many of the CAFTA nations’ official Human Rights Ombudspersons urged their Congresses to oppose CAFTA and thus forestall the foreseeable damage it would cause to the region’s fragile economic and social stability. Indeed, intense opposition to CAFTA in Central America means that a year after signing, CAFTA is not approved in half of the nations. In the others, brutal, anti-democratic tactics were used to suppress opposition. In violation of the 1996 Peace Accords ending Guatemala’s civil war, the military attacked a protest march of civilians, murdering two. In El Salvador, the ruling party called a 3 a.m. vote, without notice, and approved CAFTA as protestors marched outside.

“When Rep. Gerlach faced a choice of standing up for his constituents, for the hopes of millions in Central America for a better future and for his past work on land use policy, or caving in to the marching order of the Republican congressional leadership, who called this vote a test of their and President Bush’s power, Gerlach went with the Republicans instead of with his principles,” said Wallach.

To track the outcome of a handful of improbable pro-CAFTA votes, including Gerlach’s, Public Citizen is launching a new project – the *CAFTA Damage Report* – that will track the fallout from the agreement in his 6th District, as well as on Central America. In particular, it will track what Gerlach received for his vote and what effects CAFTA has on his district and state. The ongoing report will be available at www.tradewatch.org.

- **Did Gerlach get money for his CAFTA vote?** Conveniently, mere days before Gerlach’s CAFTA vote, senior White House advisor Karl Rove led a widely criticized and protested \$2,500-a-plate fundraiser for the embattled Pennsylvania Republican,⁵ who was first elected in 2002 as a result of a Republican-led gerrymandering effort.⁶ Just days later, Laura Bush arrived in King of Prussia, Pa., to help Gerlach raise at least \$60,000. After the event, Gerlach – who opposes Bush’s Social Security privatization plan – told reporters that, “There’s no particular litmus test” to receive Bush’s support, presumably in reference to his differences with the president on that topic. “Maybe Gerlach didn’t have to pass a litmus test on Social Security, but one wonders whether he was required to on CAFTA,” said Wallach. “The Department of Labor has certified 1,291 people in Pennsylvania’s 6th district alone as having lost their job due to trade during the NAFTA decade. Does Gerlach value his schmoozing with the Republican leadership over getting re-elected in his manufacturing-heavy district?”
- **Gerlach’s main campaign funders are CAFTA beneficiaries.** Among Gerlach’s top campaign contributors for the 2004 House race was AstraZeneca Pharmaceuticals and Pfizer, Inc.⁷ These corporations are part of the pharmaceutical lobby, which made passing CAFTA a major legislative priority because CAFTA contains intellectual property rules that would cut off access in Central American and the Dominican Republic to cheaper

generic drugs. The pharmaceutical companies hope that eliminating competition from generic drugs will force more purchases of expensive brand name anti-retrovirals for treating HIV-AIDS and antibiotics used for treating malaria and tuberculosis, all of which plague Central America.⁸ However, according to Doctors without Borders, Oxfam and ACT-UP, CAFTA's patent provisions would simply make it much more difficult for impoverished Central Americans and Dominicans to obtain affordable medicine, including dooming the hundreds of thousands who have HIV-AIDS to avoidable deaths. The *CAFTA Damage Report* will track and publicize Gerlach's campaign contributions from corporations who were pushing CAFTA.

- **How is Gerlach keeping his claimed focus on China trade with the CAFTA vote?** In his July 29 post-vote letter, Gerlach wrote: "The situation with China, in my opinion, is by far one of our most pressing trade concerns."⁹ And before the CAFTA vote, in defending his unwillingness to support CAFTA, Gerlach also claimed that his key trade focus was on China. Yet CAFTA includes new rules of origin that allow for additional duty free imports into the United States of goods containing Chinese inputs – Chinese imports that would not get such preferential treatment under the existing trade policies that CAFTA will replace. Also, CAFTA's foreign investor rules will allow Chinese subsidiaries in CAFTA countries to use the UN and World Bank tribunals to attack U.S. domestic policies and demand taxpayer compensation. In his letter, Gerlach cited his vote for a largely meaningless China-related bill the day before the CAFTA vote as proof that something was being done about China trade. However, that legislation was widely reported as having little substance, being designed to serve as short-term political cover for the many GOP congressmen who did not want to support CAFTA but who were being pushed to do so by the GOP leadership. The legislation is a watered-down version of a bill that had lingered in Congress for months. It does nothing to require action on Chinese currency manipulation. But even so, it is opposed by the White House and is not expected to ever become law.

"Gerlach's claim about voting for some China trade bill as a reason to support NAFTA expansion is yet another meaningless fig leaf, traded for a bad vote on CAFTA," said Wallach. "In taking the deal, Gerlach traded away the only chance he might have had politically to do something about either Chinese or Western Hemisphere trade."

Background:

Public Citizen's Global Trade Watch has studied over 90 deals taken by members of Congress for trade votes during the period 1992-2004, and found that over 80 percent of promises on such deals were not kept or were reversed by subsequent events. We divided these deals into pure pork barrel promises, of which 70 percent were broken; and ameliorative policy fix promises, of which 90 percent were broken. For our full report, "Trade Wars – Revenge of the Myth: Deals for Trade Votes Gone Bad," please visit <http://www.citizen.org/documents/tradewars.pdf>.

¹ Bureau of Labor Statistics, Current Employment Statistics Survey, All Employees, Manufacturing Super Sector.

² Letter from Rep. Jim Gerlach (R-Pa.) to Rev. Schaunel Lynn Steinnagel, dated July 29, 2005.

³ U.S. International Trade Commission, "U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects," USITC Investigation No. TA-2104-13, Publication 3717, Aug. 2004, at xii and xxii.

⁴ Robert E. Scott and David Ratner, "NAFTA's Cautionary Tale: Recent history suggests CAFTA could lead to further U.S. job displacement," Economic Policy Institute Briefing Paper, July 2005.

⁵ Nancy Petersen, "Gerlach's Rove tie criticized," *Philadelphia Inquirer*, July 16, 2005.

⁶ John L. Micek and Jeff Miller, "GOP readies redistricting vote; Legislature today may give Republicans chance to gain seats in Congress," *Morning Call* (Allentown, Pa.), Jan. 3, 2002.

⁷ Center for Responsive Politics, "Rep. Jim Gerlach (R-Pa.): Top Contributors," Opensecrets.org Database, accessed July 28, 2005.

⁸ M. Asif Ismail, "Exporting Prices: Drug makers' trade group makes the industry's priorities U.S. trade policy," Center for Public Integrity Report, July 1, 2005.

⁹ Letter from Rep. Jim Gerlach (R-Pa.) to Rev. Schaunel Lynn Steinnagel, dated July 29, 2005.