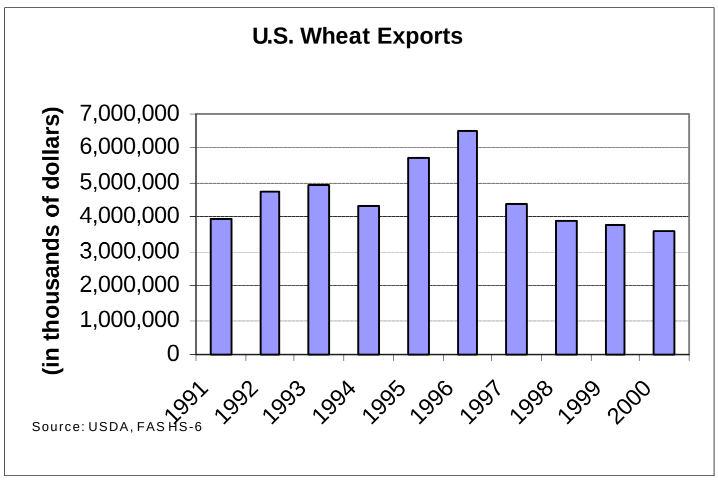
FAST TRACK WOULD EXACERBATE NAFTA'S DAMAGE TO U.S. WHEAT GROWERS

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 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.

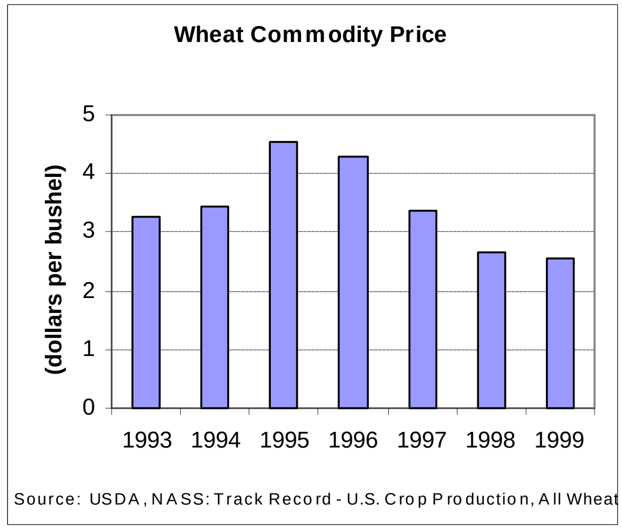
During the 1993 debate over the fate of NAFTA, U.S. farmers were promised that NAFTA would provide a path to lasting economic success through rising exports. Consumers were promised lower food prices. These promised benefits never materialized during seven years of NAFTA: farm income has declined and consumer prices have risen while some agribusinesses — which lobbied hard for NAFTA and are avidly promoting Fast Track — have seen record profits.



Granting President Bush Fast Track to expand NAFTA will likely have a potentially devastating effect on wheat growers. Although the U.S. is a major wheat producer, the promised jump in U.S. wheat exports never materialized under NAFTA. Instead, during the period of NAFTA, U.S. farmers have seen a flood of imported Canadian wheat enter the U.S. Since 1995, the price paid to U.S. farmers has dropped 42%. The grain and cereals surplus has slid by a third since 1995. The flood of imports into the U.S. has driven down U.S. domestic wheat prices. Meanwhile, according to U.S. ITC, the value of U.S. cereal and grain exports declined by 31% between 1995 and 1999 and the share of production going to exports fell by 17%. Expanding NAFTA could intensify the injury to U.S. wheat farmers because the FTAA would include the South American breadbasket wheat exporters such as Argentina, Brazil and Uruguay. Wheat imports from South America grew by 309% since the WTO went into effect in 1995. Over the same period the U.S. wheat trade surplus with South America declined by 55%, falling from a $502 million surplus in 1995 to a $224 million surplus in 2000.

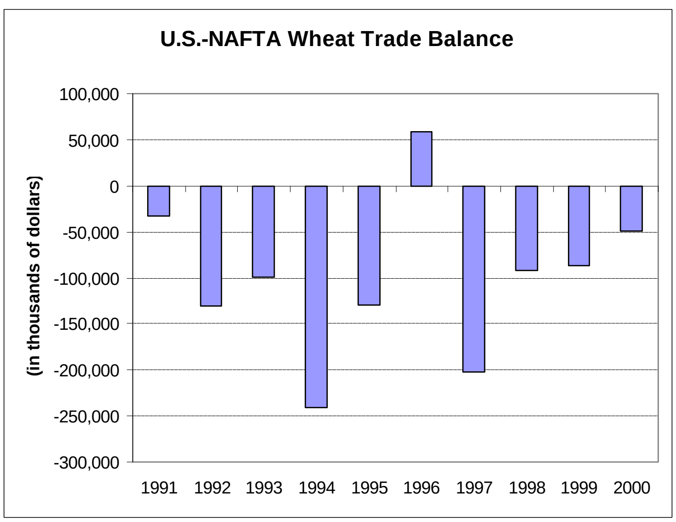
FTAA Will Accelerate NAFTA's Devastation of Wheat Farmers

NAFTA has already had a devastating effect on U.S. wheat farmers. Between the 1994-1995 growing season and the 1999-2000 season, the volume of U.S. wheat exports declined by 8% and prices dropped 28%. The price paid U.S. farmers per bushel of wheat declined 42% between 1995 and 2000. According to the Farm and Agriculture Policy Research Institute, the majority of the representative wheat farms are projected to be in poor financial condition by 2005, including 60% of wheat farms. According to the USDA, inflation-adjusted gross farm income per acre for wheat is projected to decline 15.7% from the 1990-1995 average to 2000. And all of these predictions do not even factor in the expanded imports to the U.S. that an FTAA would bring. 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 due to lax environmental and food safety regulation and cheap labor, U.S. farmers will not see greater wheat exports to Latin America and the Caribbean. The U.S. wheat trade balance with FTAA countries has declined since the WTO went into effect, falling 38% since 1995 from a $665 million surplus to a $409 million surplus.



NAFTA Encourages Consolidation at Expense of Wheat Farmers

While independent farmers have faced falling farm incomes and increased imports and consumers have failed to obtain the promised price cuts for food, NAFTA and other free trade agreements have been good news for some large agribusinesses. With the safeguards for the people who actually produced the raw agricultural products stripped away, the relative power and leverage of agribusiness conglomerates to exert pressure on both farmers and consumers was increased. Many agribusiness concerns operating in North America took advantage of the new rights of market access for agricultural products (and actual requirements to import agriculture products) and NAFTA's new investor protections and began rapid consolidation. By 2000, the largest five grain trading companies controlled three-quarters of the world's cereal commodity market.



NAFTA Failed to Remedy U.S.-Canada Wheat War

Ongoing U.S.-Canada trade disputes over wheat trade have failed to remedy the pre-NAFTA or post-NAFTA problems for U.S. wheat farmers. The U.S. government, often at the behest of wheat growers in the U.S., has long contended that the existence of Canada's state-run exclusive exporter of wheat, the Canadian Wheat Board, provides an illegal subsidy to the Canadian wheat sector. Since the 1989 formation of NAFTA's predecessor, the Canada-U.S. Free Trade Agreement, there have been disputes between U.S. wheat growers and Canada over the Canadian Wheat Board (CWB), which is the sole purchaser of Canadian wheat for the export market. The CWB is the largest state trade enterprise in the world and uses its market power to try to maximize the return for Canadian farmers. Canadian officials have long argued that the CWB has no more market power than U.S. agribusinesses.

After negotiations, Canada voluntarily entered into a one-year agreement in 1994 to limit its wheat exports to the U.S. However, five years after the limit ended, U.S. wheat imports from Canada had climbed 17% by 1999. Meanwhile, U.S. exports to Canada declined by 51% over the same period. The level of outrage by wheat farmers over the situation has resulted in electoral turmoil and in recent years has escalated so much that U.S. farmers have set up physical blockades of Canadian wheat at the U.S.-Canada border.

In September 2000, the North Dakota Wheat Commission (NDWC) filed a Section 301 petition with USTR against the Canadian Wheat Board for anti-competitive practices that hurt U.S. wheat growers at home and depressed worldwide wheat prices, hurting U.S. export sales. A month later, USTR accepted the North Dakota Wheat Commission's section 301 market-opening petition and initiated an investigation into the Canadian Wheat Board's practices and its impact on competition. Despite Canada's changes to the operation of the Canadian Wheat Board, including the elimination of one of the transportation subsidies in 1995 and the planned privatization of the railcar fleet in 2002, USTR continued to criticize the "government-sanctioned monopoly status" and other "privileges that restrict competition."

Canada maintains that the Canadian Wheat Board complies with NAFTA and WTO guidelines. Canada contends that the CWB legitimately pursues the best possible return for western Canadian wheat farmers. However, the U.S. has responded that repeated attempts by the U.S. ITC, the U.S. Department of Commerce, the General Accounting Office and the World Trade Organization have failed to get sufficient information to reach final conclusions on how the CWB operates, but these bodies believe that the CWB operations have trade distorting effects. Although these many investigations and disputes have identified some of the trade distorting effects of the CWB, none of the trade panels or commissions have acted either to require changes in the CWB or to impose countervailing duties or tariffs. In April 2001, U.S. ITC launched another section 332 competition fact finding investigation at the request of USTR in its efforts to complete its Section 301 anti-competitive investigation.

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. wheat 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)