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INTERNATIONAL

Battle over CAFTA heats up

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The gloves are off in the battle over the Bush administration's biggest free-trade initiative and in an unusual twist, this time Big Business is going *mano a mano* against Big Business.

Gone are the days of the customary free-trade fight, when business groups, for the most part, fought alongside each other against labor, consumer and environmental activists.

In the battle to defeat or approve the Central American Free Trade Agreement, sugar producers are pitted against candy makers, the old-line beef industry against upstart cattlemen, and retailers and importers against pockets of textile makers.

Supporters of the agreement accuse opponents of being protectionist, while industries fighting CAFTA insist it is about their own survival as cogs in the U.S. economy.

The trade accord with Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua was signed in May 2004, with the Dominican Republic added three months later.

The Senate approved the legislation on June 30 by the narrowest margin for a free-trade accord in the trade-friendly congressional body in the 12 years since approval of the North American Free Trade Agreement.

President Bush is set to campaign for the trade deal himself in the next two weeks as his administration targets some 70 lawmakers to try to cobble together a majority to pass the legislation.

INDUSTRY INFIGHTING

Industry infighting is one of the key reasons why passage of CAFTA has become an uphill battle and has left business analysts wondering whether the battle, and particularly the sugar industry fight, will leave a bitter aftertaste.

"The nature of conflict has changed," said Charles W. McMillion, chief economist at MBG Information Services in Washington. "It is not just over whose ox gets fattened, but over whose ox gets gored."

The verbal ammunition over CAFTA has borrowed from debates over mortal combat.

"Economic terrorism," blasted CAFTA backer Jorge L. Arrizurieta in Miami as he described the battle being waged by Florida sugar growers, along with other sugar cane and sugar beet producers across the country, who have made CAFTA's defeat a priority.

For the sugar industry, Jack Roney, economist at the American Sugar Alliance, portrayed their battle to prevent CAFTA from causing their "death by a thousand cuts."

Of all the fights, none has become more bitter than one involving Florida's sugar cane growers and refiners. Big Sugar is not only being demonized by CAFTA supporters in Miami.

The Grocery Manufacturers of America and the Sweetener Users Association are fighting hard to have CAFTA approved, even though the additional sugar imports under quota would not lower the price U.S. consumers pay for candy or manufacturers pay for bulk sugar.

"It's more principle than an economic issue," said Sarah Thorne, senior director for international trade for the Grocery Manufacturers.

But sugar producers say the additional imports could end the government's sugar quota program, which sets a specific sugar import allotment for 41 countries.

But many sugar users are gunning for the sugar program.

"I sometimes wish that CAFTA would go down in flames so that everyone will blame the sugar producers, leading to the prompt downfall of the [sugar] program," said an e-mailed memo written by Thomas Earley, executive vice president of Promar International, which does economic consulting for the sugar users.

'HOUSE OF CARDS'

"There is an argument that if one is just patient, this house of cards will still eventually collapse," Earley wrote in a message to Randy Green, president of the Sweetener Users Association who is with McLeod, Watkinson & Miller, a Washington law firm.

Reached by phone, Earley declined to elaborate.

He did confirm to the Grand Forks (N.D.) Herald that the memo, leaked to sugar producers, was authentic.

The point of the e-mail exchange was to assure Green that a deal on sugar for Sen. Mel Martinez, R-Fla., and Sen. Saxby Chambliss, R-Ga., would not provide a fix for sugar growers.

The same kind of battle is being played out across the world trade arena.

The Ranchers-Cattlemen's Action Legal Fund United Stockgrowers of America, or R-CALF USA, was founded after the contentious battle over the North American Free Trade Agreement in 1993.

But it has taken an active role in CAFTA.

"I think a CAFTA agreement could have been fashioned that we could all live with," said Dennis McDonald, a rancher from Melville, Mont., who heads the organization's international trade committee.

But McDonald said that trade negotiators ignored the concerns of the 18,000 R-CALF USA members, some of whom are advisors to the the U.S. Trade Representative.

LITTLE INPUT

"I serve on the livestock committee. I can tell you we had little or no input into this agreement," McDonald said. "Our concerns were ignored while the concerns and wants of the big meat packing companies and importers were realized."

But after McDonald and others returned from a fact-finding trip to Central America outlining their concerns that the poor Central American countries offered little market and would open the export spigot to the United States, the 100-year-old National Cattlemen's Beef Association issued its own counter-attack: "Stop the bogus CAFTA claims!"

"There's a lot of misinformation about trade in general," said Michelle Reinke, NCBA associate director of legislative affairs in Washington. Because of the North American Free Trade Agreement, Mexico is now a key export market for beef, almost \$600 million last year, Reinke said.

"That is a perfect example of why you now have the business-to-business conflict," said R-CALF USA CEO Bill Bullard in Billings, Mont. "The argument that the NCBA makes for NAFTA is only realized by the meat packers and processors," Bullard said, noting cattle imports from Mexico have pushed down live cattle prices for U.S. ranchers.

It is hard to see how industries will be able to sweet talk each other in the future after such tart treatment. But some think businesses will work together in the future.

The beef association's Reinke said that cattle groups are not divided on all of the issues.

"There are issues that unite us," Reinke said. "Trade is just one of those that we have a different philosophy on."