

It's a bad deal for farmers, business

By Alan Tonelson

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Of all the false promises made by supporters of the Central America Free Trade Agreement, none is more laughable than the claim that U.S. farmers and ranchers will win big-time.

U.S. Agriculture Secretary Mike Johanns predicts that under the agreement, which Congress could vote on soon, CAFTA could well double sales of U.S. farm products to the six other signatories - Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua.

American Farm Bureau Federation President Bob Stallman calls CAFTA "a golden opportunity to balance the scales of trade access."

Either these leaders don't know anything about the CAFTA region, or they haven't read the agreement.

At first glance, the CAFTA market does look mildly promising. Its 44 million population is roughly equal to that of California and New Jersey combined. And since the CAFTA 6 already enjoys duty-free access to most of the American agricultural market, while maintaining high tariffs of its own, the agreement does seem to help U.S. producers the most.

Yet appearances in this case are deeply deceiving. First, fully half of the region's potential consumers earns less than \$2 a day, and most of the rest are faring scarcely better.

That's why the CAFTA 6 economies combined only equal that of New Haven, Conn., as of 2002, when the most recent cross-national comparisons can be made. How can economies this tiny and impoverished possibly be major growth-drivers for the \$12 trillion U.S. economy?

Moreover, many of the agriculture lobby's predictions of big U.S. export increases are based on irrelevant economic figures. They judge the size of the CAFTA 6 economies according to their ability to buy goods that are locally produced and thus locally priced.

These figures say absolutely nothing about the ability of these countries to afford U.S.-made products, which will be much more expensive.

Just as bad, American diplomats have done a terrible job in negotiating CAFTA for U.S. farmers and ranchers. Most of the Central American tariffs on U.S. agricultural goods will be phased out over periods of between five and 20 years.

Savvy students of American politics know that when U.S. politicians make promises with long payoffs - such as balancing the budget - those promises are generally worthless.

After all, most of the promise-makers will be long gone from public life by that time, and so many circumstances can change so dramatically. Why do American negotiators put such trust in similar promises from foreign governments?

Moreover, since the Bush administration and CAFTA's corporate supporters have also been heavily promoting the deal as a foreign-aid program for Central America, expect pressure to grant these countries extensions on maintaining their tariffs.

Finally, the promises of exciting new markets and booming agricultural exports being made to sell CAFTA are the same promises that have been made to American farmers and ranchers to sell NAFTA and the dozens of other free-trade agreements America has reached since the early 1990s.

Yet few of these promises have materialized, even as the U.S. market has been opened wider and wider to imports. Largely as a result, the U.S. Agriculture Department itself predicts that America's long-standing agricultural trade surplus is likely to vanish this year.

According to University of Tennessee economist Daryll Ray, this surplus averaged \$16 billion annually during the 1980s.

Meanwhile, the guarantee of unfettered access to American consumers for agriculture in Central America is bound to attract U.S. agri-business investment to the region.

All this capital and technology can only boost Central America's agriculture competitiveness and exports to the United States, just as multinational manufacturing investment in China and elsewhere in the Third World has helped turned these regions into export powerhouses that have devastated domestic industries.

Small wonder that the agricultural community, which solidly backed most of our recent trade deals, is deeply divided on CAFTA.

CAFTA's impact on American agriculture, therefore, will surely be the same as its impact on American industry with barely detectable export growth, a major import boom, lost markets and lost jobs.

With its sub-par growth, and soaring trade deficits and international debts, CAFTA is the last thing the U.S. economy - or American agriculture - needs right now.

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