



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

LIVESTOCK ECONOMIST

David Anderson, Texas A&M University

Producer groups can work toward forestalling or avoiding trade disputes being elevated to court cases by building ties between industry groups in each country. These relationships require hard work and the ability to listen to a counterpart's opinion. There has been a strong working affiliation built up among cattle organizations in Canada, Mexico and the United States. Over the years, there has been a lot of contact among personnel from the three countries. It has been very helpful, overall, as they know their counterparts and where they stand on the issues. But, while helpful these relationships are difficult to maintain because producers in each country do take opposing positions on imports and exports. Unfortunately these relationships can break down as trade disputes heat up. My following comments are directed at one such case in point.

A VOCAL MINORITY

A U.S. organization, the Ranchers-Cattlemen Action Legal Foundation (R-CALF) filed suits in late 1998 before the Department of Commerce and the U.S. International Trade Commission (ITC) related to alleged subsidized cattle in Canada and dumping into the United States. R-CALF is comprised of a group of producers, mainly, in the Northern Plains states of Montana and the Dakotas. Since 1994, the cattle market has had large beef production with low prices. The members of R-CALF were looking for someone to blame for low prices and the easiest scapegoat was Canada and free trade. The issues of Mexico and Mexican cattle entering the United States was an afterthought, but attracted the attention of and appealed to producers in the Southwest.

This dispute wrecked two years of hard work and credibility that had been built up between the National Cattlemen's Beef Association (NCBA), CNG in Mexico, and the Canadian Cattlemen's Association. These organizations had been working towards forestalling and heading off even more heated disputes, such as U.S. beef exports to Mexico.

R-CALF is made up of cattle producers who are members of National Cattlemens Beef Association (NCBA) and other producer organizations, such as Farm Bureau. As a producer organization, NCBA has many producers who see free and more open trade as the answer to finding more markets and expanding beef consumption and demand. These producers see expanded trade as an avenue toward increased profitability for the industry. There are also members who are in difficult financial straits and have been hurt by low calf and cattle prices and see

foreign competition as the culprit. The R-CALF members have been able to raise the Canadian imports of live cattle issue to the level of a trade investigation (and a preliminary finding of dumping). NCBA found themselves in a situation where members of their group were initiating an action, but the board took the decision to ignore the R-CALF action and to provide no support for it. This position risked losing credibility as the producer organization representing the beef cattle industry in the United States. Ultimately, the vocal minority forced the organization (NCBA) to move in the direction of some partial support for the ITC suits.

It is important to remember that the producers involved in the R-CALF ITC suits have been impacted by difficult times and low prices in agriculture. They have actively looked for reasons for low cattle prices and believe live cattle and beef from Canada are the cause. However, they do not believe many of the economic reasons for trade between the U.S. and Canada. They also do not believe much of USDA's data, especially the parts that do not support their position, that we as economists use in analyzing trade issues. As a result, it has been very difficult to communicate and educate effectively on these economic issues.

THE NEED FOR CONTINUING EDUCATION

I believe that we have done a reasonably good job of educating producers and the general public about the benefits of free trade. There has probably not been a good enough education job and transition programs developed for those who will lose from free trade. We in university and industry are all convinced that free trade is a positive overall goal and are working toward a more free trade environment. There are, however, many people who do not appear to share this view and represent a large enough group to be able to affect what happens in trade disputes and in government policy. I would suggest that producer groups, extension educators, university people and government people need to continue those educational efforts with people that continue to oppose freer trade. I think that the difficulty of passing additional Fast Track legislation to continue to negotiate free trade has been a victory to those groups of people. In R-CALF, there is a minority group which is big and vocal enough to force that change. Also, the opportunity is available for groups to try to discourage or limit trade by the imposition of tariffs through the ITC. This process, even if not successful, requires considerable time and expense on the part of producers in other countries to defend themselves.

Regardless, NCBA and other producer groups must still continue to work toward fostering a dialogue among the national organizations in the hemisphere. To that end, there was a five-nation meeting of cattle producers held in Calgary Alberta in July 1999. There have also been several meetings between states and provincial representatives, including producers, throughout the last half of 1999. The hard work of maintaining the dialogue must still go on.

EPILOGUE

The ITC suits were made up of three parts: a dumping suit, request for countervailing duty vs. Canada to offset beef industry subsidies, and a dumping suit against Mexico. The dumping suit against Mexico was not deemed sufficient to pursue by the ITC. Canadian subsidies were ruled *de minimis* by the ITC and therefore no offsetting action was taken or deemed necessary. The ITC ruled that there was reasonable indication that imports of live cattle had materially injured the U.S. industry and that duties would be imposed.

CANADIAN PORK COUNCIL

Martin Rice

Pursuing a trade dispute offers industry associations a potentially high-return, low-risk means of demonstrating their own worth to their membership. If the action is successful, the association can point to this as evidence of its usefulness to members. If unsuccessful, it can point to the inadequacy of the country's trade legislation or the ineptitude of domestic bureaucrats or foreign review bodies. In fact, there is a much greater risk for the industry association to not pursue a trade dispute action. Rank-and-file members often are not responsive to leaders' suggestions that they need to respect trade rules, or to explanations of why imports are actually being fairly traded. Lack of action by associations can be interpreted as weakness, and elected leaders can be voted out when they come up for re-election.

Canadian Experience

The Canadian pork industry has been involved in many different trade disputes. The first major one was a U.S. countervailing duty investigation in 1985, against Canadian hogs and pork. Within the past ten years we have experienced another U.S. pork investigation as well as countervail proceedings initiated by New Zealand and Australia. The latter case also included dumping charges. We were among the first to have utilized the binational panel review provisions introduced in the Canada-United States Trade Agreement, later NAFTA, and have been party to several panels since. When one adds in a safeguard investigation recently completed by Australia, plus a variety of disputes over such technical issues as disease, labelling and veterinary products, it can be said with some authority that the Canadian hog and pork sectors have experienced trade tensions and actions.

Trade disputes almost always occur during periods of low prices, when the mood of industry in both the importing and exporting countries is best described as irritated and intolerant. This generally is the worst time to try to deal with a trade dispute through dialogue. Under these conditions associations are least able to