

MA Thesis:
CAFTA, Cotton, and Celluloid
The Influence of the Costs and Benefits of a Free Trade Agreement in
U.S. Politics



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Sonny: “The big companies get everything they want, you know.
Everything goes to the rich man.”

Reuben: “You gettin’ tired of it?”

Sonny: “Oh, when I do, I just wash it down with a beer, you see.”

Norma Rae; 20th Century Fox (1979)

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¹ “Free Trade at Last.” *BendibStudios*. October, 2004. July 2, 2006. <<http://www.bendib.com>>

Introduction

Free trade has been an important subject in U.S. foreign policy since World War II. In fact, ever since David Ricardo's 1817 book *The Principles of Political Economy and Taxation*, most international trade theories tell us that free trade benefits all. The theory of comparative advantages – attributed to Ricardo – explains that it is profitable for two countries to trade with each other even when one of the countries can produce all products at the lowest costs. It is not the absolute advantage of one of these countries that counts but the difference in relative costs of production in both countries that explains the advantage of free trade. When the countries specialize in different commodities and engage in free trade, both countries will reach the greatest efficiency and more prosperity. From this perspective, protectionism is detrimental to both countries' welfare.

This model is highly theoretical and cannot represent the reality of international trade because the trade between countries is not solely based on economic principles but also on a diversity of political, social and cultural factors. However, most traditional and modern trade theories still acknowledge the core of the comparative advantage theory and therefore conclude that protectionism always leads to decreasing prosperity.

The world witnessed the reality of this reasoning in the first half of the 20th century. When the economic bubble of the Roaring Twenties burst with the Wall Street crash of 1929, the start of the Great Depression. Many governments adopted strict protectionist policies in order to save their own economies. U.S. Congress for instance, passed the Smoot-Hawley law in 1930 which raised the average import tariffs “to 59 percent by 1933.”² These policies had the opposite effect and intensified the massive economic decline of the 1930s. Together with the devastating Second World War that followed the depression era, these destructive periods in world history made it clear to many nations that isolationism was not the way to prosperity. After WWII a number of agreements were concluded to open up international trade. The creation of the General Agreement on Tariffs and Trade (GATT) in 1947, the European Economic Community (EEC) in 1958, and the North American Free Trade Agreement (NAFTA) in 1994 are three watersheds in the history of free trade agreements (FTAs).

In the creation of free trade agreements the U.S. has always played an important role because the basic American ideology emphasises the importance of economic liberalization

² Gary Clyde Hufbauer, Kimberly Ann Elliott. *Measuring the Costs of Protection in the United States*. (Washington D.C.: Institute For International Economics, 1994). p. 1

and because the U.S. has a great demand for export markets due to its role as the economic world leader of the twentieth century.³ In the current Bush administration, this emphasis can clearly be seen. Since 2002 a number of bilateral FTAs have been successfully negotiated with Chile, Singapore, Australia, and Morocco.

The ratification of the DR-CAFTA Implementation Act by U.S. Congress in the summer of 2005 is a recent multilateral example of this tendency to create open markets. DR-CAFTA is the Dominican Republic-Central America Free Trade Agreement between the United States, Guatemala, El Salvador, Honduras, Costa Rica, Nicaragua, and the Dominican Republic that was negotiated and signed by the Bush administration in 2004. The ratification by Congress in 2005 however, was a narrow approval. The Senate passed the act with a result of 55 to 45 and in the House of Representatives the margins were even smaller with 217 for and 215 against (2 Representatives did not cast a vote).

These narrow margins illustrate how protectionist tendencies still remain strong. Import competing industries fear an influx of cheaper foreign substitute products and labour organizations increasingly fear offshore outsourcing due to FTAs. Protectionism often occurs because of socio-economic reasons, to protect a nation's own industries and/or workforce. That is why free trade agreements are always a political battle between free traders and protectionists. In U.S. Congress this battle is very much characterized by the fact that politicians are more sensitive to the short term effects than the long-term consequences of their actions.

This is also the main logic behind the politics of protectionism. Theories of protectionism argue that there is a general tendency that the benefits of free trade are diffused and long-term, whereas the costs are more concentrated and short-term. As will be shown in chapter 2, protectionist forces thus often can bear leverage on Congress during the ratification process. Applied to DR-CAFTA this would mean that the short term costs of the agreement are concentrated in constituencies, which would lead to a more organized opposition and therefore to a more effective lobby to convince members of Congress that are dependent on these constituencies in the elections. On the other hand, the long term benefits of the agreement would be much more diffused. Attempts to influence members of Congress to vote for the act would therefore be less effective, because there is no significant electoral threat.

This theorem can be translated to two typically American industries that both intensively tried to influence members of Congress in relation to DR-CAFTA. One of the

³ The U.S. liberal trade attitude is not unlimited. Since free trade also decreases economic control, too liberal plans were often blocked. An example is the U.S. Senate's rejection of the establishment of an International Trade Organisation (ITO) in 1946 that would be much more liberal than the finalized GATT agreement.

main anti-CAFTA industries is the U.S. textile industry. This import competing industry fears that the agreement will create a loophole for Chinese textile to enter the U.S. market through the Central American countries and therefore destroy U.S. textile manufacturing jobs, and increase the U.S. trade deficit.⁴ An important pro-CAFTA industry however, is the movie industry. The agreement is beneficial to the industry in the sense that it will increase exports and will provide better ways to counter intellectual property (IP) theft in the Central American markets through standardization of IP laws.

According to the abovementioned trade theory, the beneficiaries in the form of the movie industry should be more diffused, whereas the opposition in the form of the textile industry should be more concentrated and therefore more effective in convincing their Congressional representatives. The narrow margins with which DR-CAFTA was approved in Congress illustrate the fierce struggle that was fought over the issue. However, as the abovementioned conclusion suggests, the protectionists (textile industry) should have been more successful in their lobby activities than the free traders (movie industry).

This leads to the following research question. Based on the efforts of the movie industry on the one hand and the textile industry on the other to influence Congress's voting behaviour, to what extent can the passage of the DR-CAFTA Implementation Act be explained with the general theorem that those who benefit from trade are diffused, whereas those losing from trade tend to be concentrated?

The time focus will narrow the research down to the period 2002-2005, for January 2002 was the moment President Bush received authority from Congress to start international negotiations with the other DR-CAFTA members. A second restriction is the regional focus. The members of Congress from North Carolina, Georgia, South Carolina, Alabama, and Virginia will receive considerable attention because these are the states where the textile industry is concentrated. On the other hand, the movie industry is mainly located in California with some of its headquarters in New York.⁵

In order to research the domestic politics concerning DR-CAFTA, it is important to know what the main features, interests, and controversies of the agreement are and how the negotiation and ratification process in the executive and legislative branches of the U.S.

⁴ Lloyd Wood. "CAFTA Bad for U.S. Textile Industry and Workers." *American Manufacturing Trade Action Coalition*. May 28, 2004. March 7, 2006.
<http://www.amcham.org.do/Reacciones_Gobierno/AMTAC.reaction.pdf>

⁵ In this last case the regional focus will be less important, because the emphasis of the lobby efforts of the movie industry will be on members of Congress that do not have a clear standpoint in the DR-CAFTA debate and therefore have a crucial vote.

government were carried out. Chapter 1 will deal with these general characteristics of DR-CAFTA and the domestic ratification process

Furthermore, the main research question can be broken down into three sub-questions that provide the basis for chapters 2, 3 and 4 respectively. First, what explains the general theorem that the benefits of free trade are diffused and long-term, while the costs are concentrated and short-term, and, on the basis of these theories, what are the predictions concerning the lobby activities of the textile and movie industry and its outcome in Congress's voting behaviour? Secondly, what are the characteristics of the lobby efforts of the textile industry and do they correspond with the hypothesis of a concentrated and successful protectionist lobby? Lastly, what are the characteristics of the lobby efforts of the movie industry and do they correspond with the hypothesis of a diffused and less successful free trade lobby? A final chapter will provide a solid conclusion and answer to the defined main research question and hypotheses.

Chapter 1: DR-CAFTA

Together with NAFTA, DR-CAFTA is seen as a precursor to a Free Trade Agreement of the Americas (FTAA). This would mean that the whole American continent becomes a free trade region. However, NAFTA is seen as a failure by a number of labour and trade NGOs because positive aspects like an increase of job opportunities and positive prosperity effects in Mexico and the poorer regions of the U.S. and Canada stay out. Fomented by the growing opposition to the foreign (and domestic) policy of the Bush administration, DR-CAFTA has become a controversial agreement. This chapter will provide the main details and pros and cons of the agreement.

1. The Political Process

In August of 2002, U.S. Congress passed the Trade Promotion Authority Act (TPA). This so-called 'fast-track' act gives the president more authority in negotiating trade agreements.⁶ After signing an agreement, Congress cannot amend the relevant act or bill but can only vote up or down. The fast-track authority has given president Bush a tool to speed up international bilateral and multilateral free trade agreements and keep opposition in Congress at bay. In fact, after just six months the TPA "has already provided impetus to a flurry of concluded bilateral trade agreements with Chile and Singapore."⁷ In 2004 and 2005 bilateral agreements with Morocco and Australia followed.

After the TPA passed Congress, official multilateral negotiations with Guatemala, El Salvador, Honduras, Costa Rica, Nicaragua, and the Dominican Republic started in January 2003 to come to the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA). This led to an agreement on which Bush informed Congress in February 2004. In May and August of that year, U.S. Trade Representative Peter F. Allgeier and his foreign colleagues officially signed the DR-CAFTA agreement after which it was endorsed by a number of governmental organizations such as the U.S. High Tech Trade Coalition and the U.S. Chamber of Commerce. On June 23, 2005 the DR-CAFTA Implementation Act was introduced in the U.S. Senate and House of Representatives. Because of the fast track authority, the bills were not referred to committees but directly voted upon by Congress.⁸

⁶ Sacha Wunsch-Vincent. "The Digital Trade Agenda of the U.S.: Parallel Tracks of Bilateral, Regional and Multilateral Liberalization." *Aussenwirtschaft*, 58. Jahrgang, Heft I. (Zurich: Rüegger, 2003). P. 7.

⁷ Sacha Wunsch-Vincent. P. 8

⁸ In U.S. law terms, DR-CAFTA is a 'congressional-executive agreement', while it is classified as a 'treaty' under international law. Unlike a 'treaty' and 'executive agreement', it means that the agreement needs a double

Before the vote however, hearings were held in several House and Senate committees, in which representatives of a number of organizations could voice their opinions about the agreement, in order to influence the members of Congress. On July 28, 2005 Congress finally passed the bill with the a narrow margin of 55 to 45 in the Senate and a result of 217 for and 215 against in the House (2 Representatives did not cast a vote).⁹

2. Support

According to the Office of the U.S. Trade Representative – that has a leading role in the negotiation phase of the FTA – DR-CAFTA has a number of advantages. Out of all U.S. exports to Central America and the Dominican Republic 80% will become duty-free, which in effect will boost the sales of a number of key U.S. economic sectors including information technology, agriculture and construction equipment, and pharmaceuticals. In the agricultural sector most tariffs on U.S. products, such as corn, beef, pork, and poultry, will be gradually eliminated in 20 years.¹⁰

Two other important subjects in the agreement are related to the two cases that will be discussed in this thesis. Apparel that is manufactured in Central America or the Dominican Republic but made from U.S. yarn and fabric will be duty-free in the U.S. in order to be united in the competition against Asian textiles.¹¹ However, a large part of the textiles sector does not believe that these provisions will be enough to counter cheap imports of Chinese textile through Central American countries. The other important aspect is the inclusion of modern standards for the protection of intellectual property that are based on frameworks from the United Nations and WTO. Intellectual property theft such as illegal downloading and copying of software, music, text, and movies has become one of the main vices of the technological advancements in the digital age. In contemporary free trade discussions, protection of intellectual property is therefore an important subject, especially for the U.S. economy that has a dominant role in the copyrights industries, for instance with the movie industry.

majority vote in Congress, before it is officially ratified by the president (just like any ordinary law), A treaty demands a 2/3 majority in the Senate and an executive agreement does not need approval of Congress at all. "Researching Executive Agreements." *The Library of Congress – Law Library Reading Room*. July 17, 2005. April 20, 2006. <http://www.loc.gov/rr/law/treaty_making.htm>

⁹ "House Passes DR-CAFTA." *U.S. Chamber of Commerce*. 2005. January 23, 2006.

<<http://capwiz.com/chamber/issues/votes/?votenum=443&chamber=H&congress=1091>>

¹⁰ "Free Trade With Central America and the Dominican Republic." *Office of the United States Trade Representative*. February 2005. March 21, 2006.

<http://www.ustr.gov/assets/Trade_Agreements/Bilateral/CAFTA/Briefing_Book/asset_upload_file152_7179.pdf>

¹¹ Ibid.

Lastly, the Office of the U.S. Trade Representative emphasises the “Strong Protections for Worker Rights” and an Innovative Environment Chapter” that are included in DR-CAFTA.¹² The economic and political differences between the U.S. and the other trading partners is great, especially since the combined GDP of Central America is 0.5% of the U.S. GDP.¹³ This difference in prosperity is an important reason for the disproportional attention for workers’ rights and environmental protection in Central America. With a significant economic influence in this region, the U.S. therefore also has a responsibility in labour and environmental subjects in Central America. DR-CAFTA members for instance, are obligated to integrate labour rights of the Declaration on Fundamental Principles and Rights at Work from the International Labor Organization (ILO).¹⁴

3. Opposition

The great socio-economic differences between the U.S. and the other trading partners touches upon one of the main reasons for the opposition to DR-CAFTA. Opponents in the U.S. and Central America fear the increasing influence of U.S. multinationals that crowd out local businesses, create U.S. product dependency, and lead to more unemployment due to the economies of scale advantages of the multinationals. Public Citizen, political activist Ralph Nader’s NGO, is one of these opponents.

CAFTA is a piece in the FTAA jigsaw puzzle, and is based on the same failed neoliberal NAFTA model, which has caused the "race to the bottom" in labor and environmental standards and promotes privatization and deregulation of key public services.¹⁵

While NAFTA was marketed as an agreement that would create more jobs in Mexico, the U.S., and Canada, according to Public Citizen it “has indisputably led to widespread job loss, with over 412,177 U.S. workers certified as NAFTA casualties.”¹⁶ With DR-CAFTA being a copy of NAFTA in many ways, Public Citizen and other similar organizations fear that it is not a ‘fair’ free trade agreement, but just another way of creating investment opportunities for large U.S. business corporations.

¹² Ibid.

¹³ “What is CAFTA?” *Washington Office on Latin America*. July 12, 2005. January 4, 2006.
<<http://www.wola.org/economic/cafta.htm>>

¹⁴ “DR-CAFTA and Labor.” *Business Roundtable – Trade Resource Center*. April 20, 2006.
<http://trade.businessroundtable.org/trade_2005/cafta_dr/labor.html>

¹⁵ “CAFTA: Part of the FTAA Puzzle.” *Public Citizen – Global Trade Watch*. April 20, 2006.
<<http://citizen.org/trade/cafta/>>

¹⁶ “NAFTA and Workers’ Rights and Jobs.” *Public Citizen – Global Trade Watch*. April 20, 2006.
<<http://www.citizen.org/trade/nafta/jobs/>>

Senator Hillary Clinton (D-NY) is one of the members of Congress that voted against DR-CAFTA on the account of it being “a missed opportunity.”¹⁷ Instead of creating a fair agreement and framework for future FTAs, CAFTA contains “flawed labor provisions,” it “undermine[s] environmental protection, by including a lack of parity between enforcement of commercial and environmental provisions,” and it “will significantly impede the ability of developing countries to obtain access to inexpensive, life-saving medications.”¹⁸ This last aspect is especially controversial since it would be in defiance of the Doha Declaration, an international agreement that was concluded to protect public health in any trade agreement.

A final opposition party against DR-CAFTA that will be mentioned is the U.S. sugar industry. This sector opposes DR-CAFTA “because it would lead to sugar imports greatly in excess of U.S. needs, make the no-cost U.S. sugar policy inoperable, and ultimately lead to the destruction of the U.S. sugar industry.”¹⁹ Instead of maintaining a strict sugar policy in which the U.S. Department of Agriculture balances the market in favor of U.S. producers by restricting imports and controlling U.S. sales, the cheap sugar imports would decrease the U.S. price and lead to bankruptcy and unemployment. That is why a strong sugar lobby tried to block the free trade aspects in DR-CAFTA concerning sugar.

All in all, DR-CAFTA is an agreement that had a polarising effect in U.S. Congress and led to a difficult debate that included the interests of many constituencies. As we will see in the following chapter, the influence of these constituencies can be crucial in debates on protectionism versus free trade.

¹⁷ Hillary Clinton. “Statement of Senator Clinton for the Congressional Record on Central American-Dominican Republic Free Trade Agreement.” *New York Senator Hillary Rodham Clinton – Statements & Releases*. June 30, 2005. April 20, 2006. <<http://www.senate.gov/~clinton/news/statements/details.cfm?id=240183&&>>

¹⁸ Ibid.

¹⁹ “Why the United States Sugar Industry Opposes CAFTA.” *Southern Minnesota Beet Sugar Cooperative*. January 15, 2004. April 20, 2006. <http://www.smbc.com/why_the_united_states_sugar_indu.htm>

Chapter 2: The Political Economic Framework of Free Trade and Protectionism

Through the years, the WTO has tried to accomplish trade liberalisation and fair trade relationships on an international level. At the same time however, the WTO-members also adopt protectionist measures in their political system. This illustrates the discrepancy that exists between free trade and protectionist policies. Choices for free trade involve a constant negotiation between the benefactors and the aggrieved that can be explained with political economic theories. This chapter tries to set up the theoretic framework concerning the partitioning and concentration of the interests, costs, and benefits of free trade in the U.S. political system. This makes it possible to formulate two hypotheses that form the basis for the research of the lobby activities of the textile and movie industry and the eventual voting behaviour in U.S. Congress concerning DR-CAFTA.

1. The Economics of Protectionism

Protectionism mostly occurs because of socio-economic reasons, to protect a nation's own industries and/or workforce. Brakman and Jepma, who summarized the most important economic and political theories of protectionism in *Protectionisme: Politieke en Economische Aspecten*, mention the most important rational arguments that governments can have to explain their protectionist measures.²⁰ One of the main reasons is the infant industry argument. A new industry faces considerable costs in its starting period and will therefore not be competitive in relation to foreign competition. A government can decide to subsidize the industry in its initial phase, after which it is able to be competitive on its own. The autarky argument can be another reason for protection. Because international trade leads to more specialization, a country can become too dependent on other countries for certain essential or strategic products like food (agricultural products), or financial infrastructure. Therefore a government can decide to protect the domestic production of these products. A last reason for protectionism that will be mentioned is the effort to balance a trade deficit. When there are long-term shortages on the balance of payments, a government can try to decrease imports by raising tariffs or subsidise exports.

There are two types of protectionism a government can deploy to protect its own economy. First of all, a country can levy tariffs on certain imported goods. These import

²⁰ S. Brakman, C.J. Jepma. *Protectionisme: Politieke en Economische Aspecten*. (Groningen: Wolters Noordhoff. 14^e jaargang Nr. 2 1995-1996), p. 14-16.

tariffs or duties artificially increase the product price and make domestic products more lucrative. They can also be used to counter dumping, which is the export of a good to a country with a product price that is considered to be unreasonably low. Import tariffs as an antidumping tool therefore increase the price of the imported goods to a reasonable market level. A second type of protectionism a country can use are non-tariff barriers. Because GATT regulated tariff setting among its members since 1947, governments gradually started to use alternative ways to protect certain domestic economic sectors. Subsidizing one's own production for instance, is a popular protectionist measure. In Europe (and many other industrialized countries) for instance, agriculture is especially one of these strategic sectors that have been subsidized. Other non-tariff barriers are restrictive quotas that control the amount of imports from a specific good, and "voluntary" export restrictions (VERs). The latter are the counterpart of import tariffs and quotas. Instead of raising a tariff on imports, the exporting country "voluntarily" raises tariffs on their exports. The protectionist effect is the same, yet "VERs enable the exporters to charge higher prices and thus collect for themselves the higher prices caused by protection."²¹

The actual implementation of protectionist measures is not always necessary, since only the threat of protectionism can also have the desired effect and can even be a tool "to pry open foreign markets."²² A strong nation, like the U.S. for instance, can force other (weaker) countries to accept certain trade obligations by "threatening tariff retaliation if they do not."²³ In other words, the use or intention of using protectionist measures is a highly strategic tool in making foreign policy and can have serious effects for other countries.

While David Ricardo already explained the benefits of free trade in the 19th century, traditional economic theories about protectionism can explain in more detail why protectionism is harmful. When a relatively large country (A) sets an import tariff on a product from another country (B) it can lead to a decrease of the international price of that product because the demand of import goods decreases. Initially, this is beneficial to A's terms of trade but it harms the economic position of B because the lower product price decreases B's exports and revenues.²⁴ In reaction, B will try to protect its own economy with other (protectionist) measures which can eventually be harmful for A. Hence, distorted trade will be the effect and lead to so-called prosperity costs, which is the total loss of prosperity in A and B.

²¹ Jagdish Bhagwati. "Protectionism." *The Library of Economics and Liberty – The Concise Encyclopedia of Economics*. 1988. April 21, 2006. <<http://www.econlib.org/library/Enc/Protectionism.html>>

²² Ibid.

²³ Ibid.

²⁴ Brakman & Jepma. p. 23.

However, these costs are hard to measure and are actually quite marginal in relation to other negative effects. First of all, protection leads to rent seeking or Directly Unproductive Profit-Seeking, which are the investments (or costs) necessary to establish or break down protectionist measures through politics or the judiciary, for instance lobbying, and funding election campaigns. Secondly, while free trade can break national monopolies, lead to more competition, and a better allocation of production resources, protectionism distorts this process and therefore results in less efficient production, and therefore decreasing prosperity.²⁵ A continuation of this reasoning and third effect of protectionism is not being able to benefit from economies of scale. Through trade liberalisation companies or branches of industry can benefit because a greater demand in international markets leads to more production and therefore to a decrease of the average costs per product. This cannot be reached in isolation.²⁶

Despite the fact that general international trade theories tell us that free trade benefits all, the narrow margins in Congress's voting behaviour concerning DR-CAFTA illustrate the protectionist standpoints that form the opposition to free trade. Ironically, the voicing of anti-free trade opinions has increased in the last thirty years due to more economic liberalization. In the last decades we have seen an increasing internationalisation of trade and finance due to technological advancements in communication and transport. Developments like containerisation and the Internet have decreased the cost of transportation and therefore made it more lucrative to produce and sell products and services internationally. Thus, the price of competition has changed. Since foreign producers can now ship products more easily to the U.S. and the other way around, these developments have different effects for different products and sectors. The liberalization of trade and finance has led to the expansion of business corporations, especially in developed countries like the U.S., which has also increased the political influence and power of these corporations at home and abroad.²⁷ In turn, this has triggered more and more resistance. Economic sectors that increasingly have to face import competition and labourers who fear unemployment through offshore outsourcing have tried to block further liberalization of trade. The opposition is also supported by a large

²⁵ Brakman & Jepma. p. 28-29

²⁶ Brakman & Jepma. p. 33

²⁷ The term 'globalisation' and 'Americanisation' are often used in this context. However, these are ambiguous concepts that include more than just (regional) liberalization of trade and finance. Especially globalisation has become a term that is used to explain every contemporary social-economic trend in the world. Some sceptics even say that "claims about a new globalising economy rest on nothing but hype and myth." However, for a better understanding of the "intricate interplay of changes and continuities" that characterise economic globalisation, read: Jan Aart Scholte. "Global Trade and Finance." *The Globalization of World Politics*. ed. Baylis and Smith. (Oxford: Oxford University Press, 2001). p. 519-539.

amount of organizations who argue that liberalization and the increasing power of large business corporations are at the expense of developing countries and the environment. Although this last aspect is an important subject in the discussion of free trade, this thesis will be mainly focused on the national socio-economic interests of the U.S. embodied by the movie and textile industry, which means that the so-called fair-trade organizations will be left out of the picture.

2. The Political Economy of Protectionism

While most scholars agree that protectionism is harmful and free trade is the way to prosperity, it does not seem to match with the genuine arguments that are voiced by the relatively large opposition. This contradiction between the two standpoints can be explained by the fact that the choice between free trade and protectionism is equally a political game. Despite the politicians' knowledge of the economic principles, political decision-making is much more complicated than pure economics. Robert E. Baldwin, who is a researcher in this policy-making process, describes it in *The Political Economy of Trade Policy*.²⁸ The dominant logic can be described as the economic self-interest approach. "[A]n individual favors or opposes a particular trade policy depending on whether the policy increases or decreases the person's real income."²⁹ In many cases, the possible loss of an individual's income will be a trigger to actively support or oppose certain policies, preferably in powerful interest groups that try to influence the political decision makers. In a democracy with a majority vote rule, the choice between free trade and protectionism would therefore be ideally based on the amount of voters that are for or against.

However, although a majority of the voters would be for free trade, protectionism can nevertheless become the policy, because the protectionist interest groups are more effective in influencing politicians. The effectiveness of lobbying is dependent on two main variables, the costs and benefits of protectionism and free trade, and the amount and characteristics of the interest groups involved.

2.1 The Costs of Voting

Since economic self-interest is the main drive, the eventual political decision is dependent on the costs of protection on the one hand, and the benefits of free trade on the other. In Baldwin's example, where capitalists are the free traders and the workers form the

²⁸ Robert E. Baldwin. "The Political Economy of Trade Policy." *Journal of Economic Perspectives*. Vol. 3, No. 4. (Autumn, 1989). p. 119-135.

²⁹ Baldwin. p. 120.

opposition, the eventual policy depends on the costs of income redistribution and voting costs.³⁰ If the capitalists can “compensate those who lose under [a free trade] policy” and are able to secure (= finance) a majority vote, free trade will be the eventual policy. If, however, the costs exceed the gains of free trade, “a compensation scheme tied to voting behavior will no longer be undertaken by capitalists and popular vote will select the protection option.”³¹

Voting costs in relation to the costs and benefits of protectionism however, are much more essential in this variable. In this context, voting costs can be described as the costs of lobbying and the investments in campaign funds of politicians by individuals and interest groups in order to get a certain policy passed or rejected (= rent seeking). Suppose all individuals in one economic sector face serious income losses or even bankruptcy and unemployment due to increasing import competition. These losses will very likely “exceed [the] individual costs of voting for protection.”³² On the other hand, everyone who works outside this sector can benefit from the import competition because of lower product prices, but will have to pay a higher price when the products are protected. However, this price per individual will most likely be lower or more obscure than the “costs of voting against protection or acquiring detailed information about its effects.”³³ This means that a majority is unaware of their own costs of protection and is therefore not likely to vote at all, while the involved economic sector is very much engaged in the debate and will actively try to win protection. In short, the described case shows that the costs of free trade are concentrated while the benefits are more diffused.

Within the political economics of free trade, this is an important reasoning. Brakman and Jepma acknowledge it as a rule of thumb.

³⁰ Baldwin describes the economic self-interest approach on the basis of the Heckscher-Ohlin trade model that approaches the trade versus protectionism dilemma based on the fact that easier trade benefits a country’s abundant factors (e.g. capital) and harms its scarce factors (e.g. labour). This entails that if free trade harms the factor labour yet is beneficial to the factor capital, labourers will lobby for protection and capitalists for free trade. However, empirical research proves that interest groups are usually organised within economic sectors instead of along factor lines, which means that subgroups of employers, employees, and capitalists work together for the greater interest (S. Brakman, C.J. Jepma. p. 58.) This so-called Ricardo-Viner trade model, that looks more at sector-specific effects of trade liberalization is also more applicable to this research, since the two cases in the following chapters describe the lobby efforts of two different economic sectors. Nevertheless, the economic self-interest approach as described in Baldwin’s article can still be applied in this research to show which variables are crucial in the effectiveness of lobbying for protection and free trade.

For a more complete explanation of the Heckscher-Ohlin and Ricardo-Viner trade models, read: Jeffrey A. Frieden & Ronald Rogowski. “The Impact of the International Economy on National Policies: An Analytical Overview.” *Internationalization and Domestic Politics*. ed. R.O. Keohane & H.V. Milner. (Cambridge: Cambridge University Press, 1996) p. 25-47.

³¹ Baldwin. p. 120-1

³² Baldwin. p. 121

³³ *ibid.*

“[T]he potential benefits of a protectionist measure [or costs of free trade] can often be attributed to a relatively small group of well organized (import competing) producers and the potential costs of protection [or benefits of free trade] affect the large group of less well organized consumers. [author’s translation from Dutch]”³⁴

Important in this rule is the fact that the costs of free trade are more concrete and have a swifter impact than its more abstract long-term benefits. The prospect of unemployment for workers in an affected industry due to import competition within a few years, is much easier to picture than a country’s gradual increase of prosperity.

2.1.1 Permanent Campaign

It is exactly this disproportionality between the short term costs and the long term benefits of free trade that is reinforced by the structural characteristics of the decision-making process of the U.S. political system. That is to say, U.S. governing is characterized by short-term actions due to a constant emphasis on election campaigns.

The phrase “all politics is local” is often mentioned to explain how political processes on the highest federal level can still be influenced by state and local politics.³⁵ Even a subject like the ratification of an international free trade agreement is still dependent on the congressional representatives of the individual states and districts. These legislators are extremely concerned with the opinions of their constituencies, because they decide about their potential re-election. Since elections in Congress take place every two years (the full House and one third of the Senate are elected), members of Congress are in a continual race to keep or gain voters, which can be defined as a “permanent campaign.”³⁶

In the last twenty-five years the line between governing and campaigning has disappeared. Because there are strict limits on the amount of money individuals and corporations can donate to a candidate’s campaign, candidates are forced to gain a greater number of gifts and start earlier with campaigning.³⁷ The spending limits have also increased the number of political action committees (PACs) that are specifically set up by corporations and labour organizations to influence politicians. Also, these PACs and other interest groups have become much more professional in their work because of better communication, polling, and media technologies which enables them to “put the actions of public officials under a

³⁴ Brakman & Jepma. p. 12

³⁵ “All politics is local” is a quote attributed to Thomas Phillip (Tip) O’Neill (1912-1994) who was a long-time Democratic Representative for Massachusetts and the writer of a book called *All Politics Is Local, and Other Rules of the Game*. (Biographical Directory of the United States Congress. <<http://bioguide.congress.gov>>)

³⁶ Morris P. Fiorina, Paul E. Peterson, Stephen D Voss. *America’s New Democracy*. (New York: Longman Publishers, 2002). p. 14

³⁷ Anthony Corrado. “Running Backward: The Congressional Money Chase.” *The Permanent Campaign and its Future*. ed. Norman J. Ornstein, Thomas E. Mann. Washington D.C.: AEI Press. 2000, p. 75-107

microscope.”³⁸ In turn, candidates have a greater incentive to campaign and have professionalized campaign organisations, which means that it has become more expensive and therefore demands more campaign funding. Nowadays, although an incumbent Senator has a six-year term and therefore a smaller incentive to campaign permanently than an incumbent Representative with a two-year term, (s)he still has to raise an average of \$50,000.- a week in his or her term to cover a re-election campaign.³⁹

The existence of the permanent campaign has influenced the governing style of Congress. The tactics of campaigning have been incorporated in the legislators’ daily work. Competition between the individual members of Congress has increased and there is a greater emphasis on the publicity a legislator will receive when (s)he supports a policy. More important however, is the fact that legislators are so concerned with their possible re-election and the opinion of their constituencies (who fund their election campaign) that they fall prey to short-term thinking instead of looking at the long-term consequences of their actions.⁴⁰

Returning to the political economy of protectionism, this is an essential element in American politics that can trigger a protectionist stance despite the possible greater benefits of free trade. Since the supporters of protectionism are generally a smaller but often better organized group who have the advantage of playing the card of tangible short term costs, they have a better chance of success than the larger dispersed supporters of free trade who have to convince politicians with abstract long term benefits.

In order to counter the overemphasis on these negative short-term effects and the potential inability to successfully conclude free trade agreements, the executive branch can try to take part of the authority out of Congress’s hands to speed up decision making. This is exactly what happened in 2002 with the passage of the Trade Promotion Authority Act (TPA).⁴¹ Because Congress cannot amend an already concluded trade agreement but only vote up or down, the president has much more authority to execute a free trade agenda. This does not mean that the president can leave the opinion of members of Congress completely out of the picture. During the actual negotiations with the other trading partners, the president still has to keep the interests of the largest and most powerful constituencies in mind. If for instance a free trade agreement is extremely harmful for the larger part of the U.S. agricultural sector, it would be very likely for a large number of Congressmen (probably a majority) to vote against the agreement. However, since the president only has to take a relatively small

³⁸ Fiorina, Peterson & Voss. p. 19

³⁹ Fiorina, Peterson & Voss. p. 20

⁴⁰ Fiorina, Peterson & Voss. p. 14

⁴¹ See Chapter 1; 1. The Political Process

amount of large constituents into account in the case of a TPA, it is much easier to conclude an agreement instead of facing the possibility of numerous amendment proposals from a diversity of small and larger constituents. In short, a fast-track authority has a mitigating effect on the overemphasis of the negative short-term effects of free trade.

2.2 The Characteristics of Interest Groups

Next to voting costs, the second variable in the economic self-interest approach of protectionism is the actual voting or lobbying strength of the involved interest groups. As we have seen, in many cases the beneficiaries of free trade (often consumers) are unable to see the costs of protectionism. Closely bound up with this aspect is the existence of the free-rider problem.⁴² Not only the active supporters of a policy will benefit when the policy is enacted, but in the case of free trade, there are many more who can benefit without having contributed at all. If the total group of the beneficiaries is very large, each individual may think that his or her vote or contribution to a campaign fund is too small to make a difference. The individuals in this collective will therefore not contribute at all which leads to diffused or no support for free trade.

The free-rider problem illustrates how the characteristics of the grass roots of interest groups influences the effectiveness of lobbying. In the ideal situation, lobbying by an interest group will be most effective when the amount of beneficiaries is relatively small, and when “the benefits from a particular policy are unevenly distributed.”⁴³ This means that when there is a small percentage of beneficiaries for which the stakes are much higher than the rest, there will always be a trigger to initiate lobbying, regardless of the other beneficiaries.

3. Industry Lobbying

Until now, we have seen that the benefits of free trade are mostly situated within a large and diffused group of consumers. This is an important group, because all citizens within a country are by definition consumers and therefore all voters that can potentially support the politicians’ economic policy. However, since this group is diffuse and not as organized in trade issues as separate economic sectors, the lobbying battle over free trade usually takes place between different industries, labour-, and fair-trade organizations.

Just focusing on industries, the market structures of the economic sectors are a crucial component of the lobby effectiveness. An industry that is characterized as a market with open

⁴² ‘free-rider problem’: mentioned in Baldwin. p. 121. Based on: Mancur Olson. *The Logic of Collective Action*. (Cambridge: Harvard University Press, 1965)

⁴³ Baldwin. p. 121

competition and has a large amount of (small) firms and employees concentrated in a region that preferably includes more than one state, can use this potential voting pressure directly on the individual Congressional representatives.⁴⁴ The U.S. textile and apparel industry for instance, has gained many successes in the past decades on the protection front because of their voting strength. An example is Congress's approval of the 1985 Textile Bill which strengthened import quotas. Also empirical research "found that the proportion of textile and apparel workers in the total work force of a congressional district or state was the most significant variable explaining the pattern of voting."⁴⁵

An industry that operates in an oligopolistic market is dependent on a different lobbying strategy, especially when promoting a free trade agreement. An oligopolistic market is characterized by a high level of competition between a relatively small amount of (large) firms. The movie industry is an example of this market structure. The industry is dominated by the seven large firms Warner Bros., Paramount, Walt Disney, Sony, 20th Century Fox, Universal, and Metro Goldwyn Mayer, who compete especially by means of box office receipts based on the movies they bring to theatres. When lobbying for a free trade agreement, this industry cannot solely rely on its voting strength embodied in the workforce, because in paragraph 2.1 we have seen that it is much harder to promote the abstract and long-term benefits of free trade instead of actions based on tangible short-term costs. Because this industry has more centralized profits, in a smaller amount of firms, it will use its financial strength "lobbying the general public as well as public officials."⁴⁶ Instead of relying on voting strength, lobbying will especially include (financial) efforts to inform the public but above all persuade "legislators not dependent directly on their votes."⁴⁷

As can be concluded from the previous reasoning about the short term costs and long term benefits of free trade, this last strategy will most likely be more difficult and therefore less successful than directly depending on voting strength. Since the policy-makers are more sensitive to the short term costs of free trade, especially when being faced with a possible loss of votes in a re-election, the open competition industry will be more successful in its lobbying for protectionism than the oligopolistic industry in its free trade lobby.

⁴⁴ 'open competition' is a market form that is characterized by a transparent market with homogeneous products, many suppliers and buyers, and where entering and withdrawing from the market is free from restrictions.

⁴⁵ Baldwin. p. 122. Based on: Raymond A. Bauer, Ithiel De Sola Pool, and Lewis Anthony Dexter. *American Business and Public Policy: The Policy of Foreign Trade*. (Chicago: Aldine-Atherton, 1972)

⁴⁶ Baldwin. p. 123

⁴⁷ Ibid.

4. DR-CAFTA

We can translate this prediction to the actual subject of this thesis, the Dominican Republic-Central American Free Trade Agreement. This would mean that the short term costs of DR-CAFTA are concentrated in a number of constituencies and would lead to a more organized opposition and therefore to a more effective lobby, using voting strength to convince the members of Congress that are dependent on these constituencies in the elections. On the other hand, the long term benefits of the agreement would be much more diffused. Attempts to influence members of Congress to vote for the act would therefore be less effective, because there is no significant electoral threat. The already mentioned examples of the textile and movie industry function herein as the cases that are to verify the reality of this political economic theorem about protectionism.⁴⁸

One of the main anti-CAFTA industries is the U.S. textile industry. This import competing industry fears that the agreement will create a loophole for Chinese textile to enter the U.S. market through the Central American countries and therefore destroy U.S. textile manufacturing jobs, and increase the U.S. trade deficit.⁴⁹ The industry already has a history of successfully fighting or evading trade liberalizing policies, as can be seen in the 1985 Textile Bill.

The movie industry on the other hand, is a strong supporter for DR-CAFTA because it will lead to greater market areas yet more importantly it provides strong intellectual property protection laws in the countries concerned. The movie industry as a branch of the copyrights industries (software, publishers, etc.) has become subject to illegal downloading and copying of its products due to the new technologies that have increased trade liberalization. This irony has nowadays become one of the main issues in trade negotiations. International IP protection standards have been incorporated in DR-CAFTA in order to create a fairer trade in copyrights products and is therefore one of the main incentives for the movie industry to support the ratification of the agreement.

⁴⁸ DR-CAFTA is a multilateral trade agreement that covers many trade issues and is therefore influential for many businesses and interest groups. The choice to only focus on the movie and textile industry however is a deliberate one, for these are two of the most important industries (both in size and interest) that actively lobbied for and against DR-CAFTA respectively.

Despite the fact that the majority of U.S. businesses is in favour of the deal, the movie industry has an extra incentive to favour the agreement because of the emphasis on intellectual property protection, which is one of the main issues in recent trade agreement negotiations. On the other hand, the main business opponents of DR-CAFTA are concentrated in the sugar industry, the textile and apparel industry, and in labour unions. The choice for the textile industry as the main free trade opponent in this thesis is based on the fact that the industry fears an increase of Chinese textile imports through Central American countries. The growing economic role of China in world trade is an important challenge to the U.S. economy and therefore receives an increasing amount of attention.

⁴⁹ Lloyd Wood.

5. Hypotheses

We have seen that the economic principle of free trade being beneficial to all is often countered in reality because of political economic reasons. Protectionist lobbies tend to be more successful than free trade lobbies because of smaller and therefore better organised and more effective interest groups who can convince policy-makers with the tangible short-term costs of free trade. The narrow passage of the DR-CAFTA implementation act in U.S. Congress (a free trade victory, yet with great protectionist opposition) does not seem to match with the theoretic assumptions.

A reason for this contrast can of course be found in the fast-track authority that gave the executive branch more power to negotiate and conclude this agreement, without having to deal with the pressure of many constituencies. However, since both the textile and the movie industry are influential sectors in the U.S. economy, even the executive branch cannot fully ignore their influence.

Therefore, the next chapters will provide the research of to what extent the passage of DR-CAFTA can be explained with the general theorem that those who benefit from trade are diffused, whereas those losing from trade tend to be concentrated. This will be executed on the basis of the following hypotheses.

H1: The U.S. textile industry is involved in a concentrated and successful Congressional lobby to counter the passage of the DR-CAFTA Implementation Act, mainly relying on voting strength, which means that the lobby efforts are mostly aimed at members of Congress from the states and regions where the textile industry is concentrated.

H2: The U.S. movie industry is involved in a diffused and unsuccessful Congressional lobby to support the passage of the DR-CAFTA Implementation Act, especially relying on financial strength, which means that the lobby efforts are mostly characterized by financial support for influential members of Congress and the creation of public awareness.

Chapter 3: The Textile Industry Case

The first case in this research covers the hypothesis about the U.S. textile industry, which is considered to be an important opponent of DR-CAFTA. The main question here is how the industry is involved in a lobby against the agreement and if it is in line with the supposition that it is a successful lobby that mainly relies on voting strength in order to influence Congressional members from the states in which the textile industry is concentrated. This chapter first includes an overview of the history of the U.S. textile industry in order to understand its current geographic and economic position. Secondly, the actual textile provisions in the DR-CAFTA agreement will be mentioned in order to explain the opinions within the industry. As we will see, these are not as unanimous as one would think. Furthermore, the organizations that represent companies within the industry receive considerable attention, since these organizations are the main players in the lobby efforts. The actual instruments that the organizations (and separate companies) use will then be examined, after which it is possible to research the voting behaviour of the members of Congress from the five relevant textile states North Carolina, Georgia, South Carolina, Alabama, and Virginia.

1. Overview of the U.S. Textile Industry

In New England in the early colonial times, textile was primarily homemade with flax and wool as the main raw materials. However, with a growing importance of cotton plantations in the southern American states in the 17th and 18th century and the industrialization of the 19th century, textile production professionalized considerably. The twentieth century saw the rise of synthesized fibres such as polyester and a further automation and computerization of the industry. Also due to this history including an increasing dependence on cotton, the geographic distribution of textile establishments moved from New England to the South. While states like Maine, Massachusetts, New York and Rhode Island are still important today, “the five major states for employment in the textile industry are North Carolina, Georgia, South Carolina, Alabama, and Virginia.”⁵⁰

After a mechanization process that started with the invention of the cotton mill during the industrialization, the textile industry has become characterized by a high degree of product specialization. This means that a mill is usually specialized in only one type of raw material.

⁵⁰ U.S. Environmental Protection Agency. *Sector Notebook Project – Textile Industry*. September 1997. April 2005. <<http://www.epa.gov/compliance/resources/publications/assistance/sectors/notebooks/textiles.html>>

Nowadays, the complete textile and apparel industry consists of a number of specializations that include a diversity of mills that produce yarn, thread, broadwoven fabric, nonwoven fabric, carpets and rugs, and a number of finishing and dyeing establishments.⁵¹

Next to steel and arms production, textiles is crucial in the establishment of a military force. The war production machine of World War II and the post-war boom that followed the first half of the 1940s was therefore a period of massive production for U.S. textiles. However, in the second half of the twentieth century, the industry increasingly faced the threat of cheap handmade imports from Far Eastern countries like Taiwan, Japan, South Korea, and currently above all China. Especially the 1980s was a decade in which the textile industry continuously struggled against imports and was characterized by recession, soaring textile trade deficits with Far Eastern countries, mergers, take-overs, bankruptcies, and layoffs. In 1981 for instance, “the textile trade deficit was \$5.7 billion, up 40 percent over 1980, while in June 1982 “South Carolina reported 40 textile/apparel plants had closed since September, 1979.”⁵² Nowadays, layoffs are still a common threat. Although the U.S. textile and apparel industry reports a workforce of more than 650,000 workers nationwide in 2005, since 2000 the industry has lost more than 434,000 jobs.⁵³

Historically, the textile industry has always been influential in the American federal government in countering foreign threats. First of all, because it has been one of the main economic sectors in a number of states and therefore an important means of employment for the population on which the members of Congress are dependent. A second reason for this lobby strength is the strategic character of textile for the U.S. As already noted, like steel, textile is an important asset to maintain a strong military apparatus and can therefore not be outsourced completely. As a result the U.S. textile industry has a history of strong import protection. The already mentioned 1985 textile bill and a similar bill from 1987 are examples of the restrictions in the form of import quotas that the federal government has imposed to protect the domestic textile and apparel industry.⁵⁴

⁵¹ “Economic Fact Sheet – Selected Statistics from the 2002 Economic Census.” *U.S. Census Bureau*. 2002. May 1, 2006. <<http://factfinder.census.gov>>

⁵² Yancey S. Gilkerson. “History of Textiles – The 1980s; Consolidations, Bankruptcies, Mergers, Buyouts, Imports, Imports, and (Surprise!) Rejuvenation.” *Textile World*. 2006. April 2006. <<http://www.textileworld.com/News.htm?CD=2959&ID=9049>>

⁵³ Cass Johnson, NCTO. Letter to Bill Thomas, Chairman of the U.S. House Committee on Ways and Means. *Committee on Ways and Means – Hearing Archives*. September 29, 2005 May 16, 2006. <<http://waysandmeans.house.gov/hearings.asp?formmode=view&id=4521>>

⁵⁴ Bryan T. Johnson. “The Textile Import Restriction Bill Deserves a Bush Veto.” *The Heritage Foundation – Policy Research & Analysis*. September 28, 1990. May 1, 2006. <<http://www.heritage.org/Research/LegalIssues/EM284.cfm>>

2. Textile Provisions in DR-CAFTA

Being highly sensitive to any trade liberalizing effort, free trade agreements generally receive strong opposition from the textile industry. With the current Bush administration that emphasises an open market policy, the textile industry is especially concerned with developments like disappearing quotas, an increase of Chinese imports of 140 percent between 2002 and 2003, and the lost of 33 percent of the U.S. apparel industry's workforce between 2001 and 2003.⁵⁵ In a time when China has become one of the fastest growing economies with which the U.S. has to compete, the domestic textile industry is one of the main industries that is continually faced with cheaper import competition.

Being aware of these problems, the DR-CAFTA negotiations of the U.S. government with the foreign negotiating partners were, among others, characterized by provisions that would protect and therefore appease the U.S. textile industry, which in effect would lead to support amongst the textile industry constituents. The office of the U.S. Trade Representative therefore summarizes the most important textile related elements of DR-CAFTA in a policy brief entitled *United to Compete with Asia*.⁵⁶ The details of the policy include a "yarn-forward Rule of Origin," which means that only apparel using yarn and fabric from DR-CAFTA countries is qualified to be duty-free. A second provision is "cumulation with Mexico and Canada for woven apparel." This is a provision that allows a limited amount of inputs from Mexico and Canada to be used in Central American/Dominican apparel that will still qualify for duty-free benefits in the U.S. At the same time, Mexico and Canada have to provide comparable benefits to the U.S. The U.S. Trade Representative explains that cumulation "benefits American companies with investments in Mexico and Canada and helps to integrate production in the region as a counterbalance to Asian producers."⁵⁷

3. A Divided Industry

When looking at the general media coverage on the domestic political process of DR-CAFTA, one can conclude that the efforts to appease the textile industry were futile, because next to the sugar industry, and labour, health care, and environmental organizations, the textile industry is usually mentioned when describing the opposing forces to DR-CAFTA. While covering the outcome of the DR-CAFTA vote in Congress on July 29, 2005, *The New*

⁵⁵ "New Manufacturing Trade Group Forms In Washington; Textile Industry Coalesces Behind Common Threat of Chinese Imports." *Manufacturing & Technology News*. June 17, 2003. Volume 10, No. 12. May, 2006. <<http://www.manufacturingnews.com/news/03/0617/art1.html>>

⁵⁶ "CAFTA Facts – Textiles: United to Compete with Asia." *Office of the United States Trade Representative*. April 2005. May 3, 2006. <http://www.ustr.gov/assets/Trade_Agreements/Bilateral/CAFTA/Briefing_Book>

⁵⁷ Ibid.

York Times explains that “the biggest opposition among Republicans came from textile producing states in the south, sugar-producing states like Louisiana and Idaho and old-line manufacturing states like Ohio and Pennsylvania.”⁵⁸ *The Washington Post* mentions the same sentiments.

[Next to labour and health care organizations] perhaps more important to [DR-CAFTA’s] political fate was the reaction from U.S. textile makers and sugar growers -- and their congressional allies. The American Manufacturing Trade Action Council, which represents textile firms, and the American Sugar Alliance swiftly came out against the deal.⁵⁹

Even when reading a politically specialized newspaper, *The Hill*, one gets the impression that among the U.S. economic sectors, the sugar and textile industry solidly oppose DR-CAFTA.

Sugar and textile interests, meanwhile, have been working hard to convince individual members that CAFTA isn’t a good deal for U.S. producers.⁶⁰

However, when reading the textile industry’s specialized media, it becomes clear that the large and powerful textile lobby is not as unanimous as one would think. While the complete industry is rigidly against any easing of Chinese import restraints, when it comes to DR-CAFTA, textile firms and organizations are quite divided. *TextileWorld.com* for instance, an internet site that claims to be a leading resource for textile news and information, presents an article in June 2005 in which it becomes clear that there is a great divide between DR-CAFTA proponents and opponents. Table 1 shows a juxtaposition of the two contrasting coalitions of textile organizations that are mentioned in the article, *Textile Groups Come Down On Both Sides of DR-CAFTA*.⁶¹

Proponents	Headquarters
National Council of Textile Organizations (NCTO)	Gastonia, NC
National Cotton Council (NCC)	Memphis, TN
American Fiber Manufacturers Association (AFMA)	Arlington, VA
American Textile Machinery Association (ATMA)	Falls Church VA
Carpet and Rug Institute (CRI)	Dalton, GA
Association of Nonwoven Fabrics Industry (INDA)	Cary, NC
Opponents	
American Manufacturers Trade Action Coalition (AMTAC)	Washington, D.C.
National Textile Association (NTA)	Boston, MA
UNITE HERE!	New York City, NY
Domestic Manufacturers Committee of the Hosiery Association (DMC-THA)	Charlotte, NC

Table 1: U.S. Textile Coalitions on DR-CAFTA⁶²

⁵⁸ Edmund L. Andrews. “How CAFTA Passed House by 2 Votes.” *New York Times*. July 29, 2005. My 3, 2006. <<http://www.nytimes.com/2005/07/29/politics/29cafta.html?ex=1280289600&en=f98741c496bcf493&ei=5090&partner=rssuserland&emc=rss>>

⁵⁹ Jonathan Weisman. “Accord Reached on Free Trade; Hill Fight Likely over U.S. Pact With Central Americans.” *Washington Post*. December 18, 2003. May 3, 2006. <<http://www.washingtonpost.com/ac2/wp-dyn?pagename=article&contentId=A9850-2003Dec17>>

⁶⁰ Geoff Earle. “Showdown Looms As Hearings On CAFTA Begin In the House.” *The Hill*. April 21, 2005. May 3, 2006. <<http://www.hillnews.com/thehill/export/TheHill/News/Frontpage/042105/cafta.html>>

⁶¹ “Textile Groups Come Down On Both Sides of DR-CAFTA.” *Textile World*. June 2005. May 3, 2006. <<http://www.textileworld.com/News.htm?CD=3015&ID=9371>>

⁶² Based on: “Textile Groups Come Down On Both Sides of DR-CAFTA.”

The coalition of proponents consists of “textile manufacturers, fiber producers and suppliers to the US textile industry [who claim] to represent more than \$100 billion in annual production and sales within the US textile sector.”⁶³ They endorse DR-CAFTA because it will lead to new exports and because they believe that the textile-provisions and Bush’s commitment to protect textile interests in the agreement are effective enough to guard off Asian imports. The other coalition however, claims to include “the nation’s two largest textile trade groups (AMTAC and NTA), as well as the largest textile and apparel labor union (UNITE HERE!), among other organizations,” and have the opinion that textile provisions like cumulation offer a backdoor to Chinese imports.⁶⁴ Also the fact that DR-CAFTA resembles NAFTA in many ways is a reason to oppose the agreement. According to AMTAC executive director Auggie Tantillo, “since the passage of NAFTA, the size of the U.S. textile and apparel manufacturing sector has shrunk from 1,548,800 to 666,500 – a loss of 882,300 jobs (57 percent of the industry).”⁶⁵

Both coalitions of organizations have a large membership size including a diversity of textile corporations. When it comes to DR-CAFTA, the largest and most influential corporations are as divided as the organizations that represent them. Based on information from the *Center for Responsive Politics*, which publishes data on contributions from corporations and interest groups to federal political candidates and parties, this division becomes clear.⁶⁶ Among the top contributors from the textile industry since the 2004 election cycle, there are various members of the organizations mentioned in table 1. Table 2 gives a selection of these influential textile companies including their memberships of the relevant industry organizations.

Corporation	State of Headquarters	Proponent Membership	Opponent Membership
Alice Manufacturing	South Carolina	NCTO	
Cheraw Yarn Mills	South Carolina	NCTO	
Foam Fabricators	Arizona	INDA	
Gibbs	South Carolina	NCTO	
Guildford Mills	North Carolina		NTA
Milliken Co.	South Carolina	CRI, INDA	NTA
Patrick Yarns	North Carolina	NCTO	
RL Stowe Mills	North Carolina	NCTO	
Shaw Industries	Georgia	CRI, INDA	
Springs Industries	South Carolina	NCTO, NCC	NTA
Unifi Inc.	North Carolina	NCTO, AFMA	
Weave Corp.	New Jersey, New York		NTA
WestPoint Stevens	Georgia		NTA

Table 2: Influential Textile Companies and Their Coalition Memberships⁶⁷

⁶³ “Textile Groups Come Down On Both Sides of DR-CAFTA.”

⁶⁴ Ibid.

⁶⁵ Auggie Tantillo qtd. in “AMTAC Reaffirms Opposition to CAFTA; Agreement a Job Killer.” *AMTAC*. May 9, 2005. May 10, 2006. <<http://www.amtadc.org/media/2005/050509.asp>>

⁶⁶ “Textiles: Top Contributors to Federal Candidates and Parties.” *Center for Responsive Politics*. March 13, 2006. May 4, 2006. <www.opensecrets.org>

⁶⁷ Based on: “Textiles: Top Contributors to Federal Candidates and Parties.” & the Internet sites of the relevant organizations and companies.

Although table 2 seems to reflect that proponent members outnumber opponent members, this selection is certainly not intended to picture the ratio of proponents and opponents, but merely illustrates a selection of the most important corporations in the U.S. textile industry and their diverse memberships. As can be seen, Milliken Co. and Springs Industries are members of organizations on both sides of the DR-CAFTA divide. This can be explained by the fact that these are two market leaders in the industry, and therefore have multiple interests in a number of organizations.

While both coalitions are important actors in the DR-CAFTA lobby, the opponent coalition receives our full attention, since the main interest in this textile case is the lobby efforts to block DR-CAFTA in Congress. The proponents in the textile industry however, will be an important factor in determining the successfulness of the opponent lobby.

4. The Opposition

The opponent coalition mainly consists of four organizations, the American Manufacturers Trade Action Coalition (AMTAC), the National Textile Association, UNITE HERE and the Domestic Manufacturers Committee of the Hosiery Association (DMC-THA). Until 2003, AMTAC was called the American Textile Trade Action Coalition, but changed its name in order to represent other manufacturing industries hit by imports like metals, plastics, tools, furniture, and wood products.⁶⁸ This is a clear sign of the coordinating efforts between separate industries in order to create a stronger opposition to trade liberalization. Roger Milliken, the CEO of Milliken Co., one of the leaders in the textile industry, is board member of AMTAC, which means that the organization is still dominated by textile industry interests. Also, despite its headquarters in Washington D.C., South Carolina is an important home base of AMTAC, because Milliken is a South Carolina-based company with many employees in this state.

The NTA is, according to its website, “the nation’s oldest and largest association of fabric-forming companies” and represents a diversity of weavers, knitters, and companies that dye, print, and finish fabrics.⁶⁹ It has a strong link with the U.S. government because a special Government Textiles Committee works together with the Department of Defense “to assure the supply of vital military textiles and clothing.” Here the strategic aspect of textiles becomes

⁶⁸ “New Manufacturing Trade Group Forms In Washington; Textile Industry Coalesces Behind Common Threat of Chinese Imports.”

⁶⁹ “About NTA.” *National Textile Organization*. May 8, 2006. <<http://www.nationaltextile.org/index.htm>>

clear again, since a special U.S. code requires the Department of Defence to purchase only U.S.-made textiles for the military forces.⁷⁰

UNITE HERE is a merger of two unions, the Union of Needle Traders, Industrial and Textile Employees (UNITE), and the Hotel Employees and Restaurant Employees International Union (HERE). It is a diverse union, yet with a long history in the textile industry. UNITE HERE represents more than 450,000 active members and has a top priority in “organizing the unorganized.”⁷¹

Finally, The Hosiery Association is an organization that tries “to maintain the competitive advantage and economic well-being of the nation's 430 hosiery plants and their 70,000 workers which comprise the U.S. hosiery industry” (production and sales of stockings, socks and underwear).⁷² Next to manufacturers, THA also represents suppliers and retailers, yet when it comes to DR-CAFTA, only the Domestic Manufacturers Committee is mentioned as an opponent of the agreement.

5. Lobby Instruments

Organizations like AMTAC, the NTA, UNITE HERE, and the THA-DMC, and the individual textile companies have a number of ways in which they can influence members of Congress. Congressional hearings are events in which Senators and/or Representatives gather information directly from the relevant industries or interest groups. This can therefore be of great importance to the textile industry to create awareness within Congressional committees of the disadvantages of the agreement. As we will see, textile organizations also try to create awareness on a more regional scale, within states that are dependent on the textile industry. Furthermore, political campaign financing is a crucial aspect in convincing politicians and therefore an important lobby instrument.

5.1 Congressional Hearings

The DR-CAFTA Implementation Act in Congress was not referred to separate Senate and House committees, because the fast-track authority only requires a vote in the full House and Senate. Nevertheless, hearings were held in several relevant committees in which a diversity of organisations could give their opinion on the free trade agreement in order to possibly influence the members of Congress that have to make a decision.

⁷⁰ “Clothing and Textiles: Vital Military Resources.” *National Textile Organization*. May 8, 2006.

<http://www.nationaltextile.org/nta/government_textile.htm>

⁷¹ “What Is UNITE HERE?” *UNITE HERE!* 2006. May 8, 2006. <<http://www.unitehere.org/about/>>

⁷² “About Us.” *The Hosiery Association*. 2006. May 8, 2006.

<<http://www.hosieryassociation.com/General/about.htm>>

On April 13, 2005, two hearings were held in Congress. The first one was organized in the U.S. Senate committee on Finance. Out of eight panel members from several businesses and NGOs, only two opposed DR-CAFTA in their testimony. The first was from the sugar industry and the other, Mark Levinson, testified as chief economist and director of policy from UNITE HERE. Levinson explains how DR-CAFTA is based on NAFTA, “a failed model,” that only protects “foreign investment by large multinational corporations” and fails to protect workers rights in DR-CAFTA countries and will lead to increasing unemployment in the U.S.⁷³

Interestingly, one of the proponents in this Senate hearing was J. Keith Crisco, the president of Asheboro Elastics, a manufacturer of knitted and woven fabrics for the apparel industry among others. In other words, while UNITE HERE testified against DR-CAFTA on behalf of many employees from the textile and apparel industry, Asheboro Elastics testified on behalf of a large multinational from the same industry. Since Asheboro Elastics (and other apparel manufacturers) moved large parts of their production to Mexico and the Caribbean, Crisco explains how a stronger alliance with DR-CAFTA countries can lead to more growth and a strong unity against Chinese competition. In fact his motto is “a vote against CAFTA is a vote for China.”⁷⁴ Here one can see the divide within the industry along traditional factor lines. Labourers oppose the agreement, while capitalists support it.

The second hearing on April 13, 2005 took place in the Subcommittee on the Western Hemisphere of the House Committee on International Relations. Here, the proponents from the textile industry even have a greater role. Jerry Cook, the vice president of international trade from Sara Lee Corporation testified in the hearing and supported DR-CAFTA. Sara Lee is one of the largest U.S. apparel companies and has numerous investments in the Central American region. In short, Cook uses the same arguments as Crisco from Asheboro Elastics in explaining the benefits of a stronger alliance with Central America and the Dominican Republic to increase investments and form a stronger block against Chinese imports. The only domestic organisation that opposes DR-CAFTA in this hearing is the American Federation of Labor – Congress of Industrial Organizations (AFL-CIO) that uses the same arguments as UNITE HERE in the Senate hearing. The AFL is a large federation of labour unions and

⁷³ “Statement of Mark Levinson, Chief Economist, UNITE HERE, Before the Senate Finance Committee on the Dominican Republic – Central America Free Trade Agreement.” *U.S. Senate Finance Committee – Hearing: The U.S. – Central America – Dominican Republic Free Trade Agreement*. April 13, 2005. May 10, 2006. <<http://finance.senate.gov/hearings/testimony/2005test/mltest041305.pdf>>

⁷⁴ “Statement for U.S. Senate Finance Committee by J. Keith Crisco, President of Asheboro Elastics on the Benefits of the Proposed DR-CAFTA Free Trade Agreement.” *U.S. Senate Finance Committee – Hearing: The U.S. – Central America – Dominican Republic Free Trade Agreement*. April 13, 2005. May 10, 2006. <<http://finance.senate.gov/hearings/testimony/2005test/kctest041305.pdf>>

unlike UNITE HERE therefore does not have the textile workers' interests as their main issue.⁷⁵ When it comes to the input from the textile and apparel industry itself, this hearing only includes supporters for DR-CAFTA.

In the House Committee on Ways and Means a hearing was held on April 21, 2005. Again DR-CAFTA-opponents from the textile industry were hard to find. Besides the AFL-CIO and the sugar industry, all testimonies were from DR-CAFTA proponents. Among them, the American Textile Company and American Apparel & Footwear Association. Again a textile-related organization supporting DR-CAFTA.⁷⁶

On April 28, 2005, another hearing was held in the House Committee on Energy and Commerce. This hearing however, did not include any testimonies directly linked to the textile industry.⁷⁷

The last hearing on DR-CAFTA in Congress was in the Senate Agriculture Committee on June 7, 2005. Since this committee is directly linked to cotton, one of the main raw materials of textile, the industry was well represented in the hearing. AMTAC's Executive Director Augustine Tantillo testified against the agreement and called it "a continuation of flawed U.S. trade policy" that will "exacerbate the already astronomical \$617 billion U.S. trade deficit."⁷⁸ He also emphasized how a drop in cotton consumption in the U.S. since the implementation of NAFTA is linked to "a corresponding fall in U.S. textile and apparel output." At the same time, a representative of the National Cotton Council (NCC) was present and described how "over a year of evaluation and discussion within the industry and with the Administration, the National Cotton Council voted to support this agreement and urges its adoption."⁷⁹ The NCC does so because "[i]t is a part of an important effort to enhance the competitiveness of cotton fiber and cotton textiles and apparel produced in the Western Hemisphere." In this hearing, the two opposite opinions within the textile industry are more present than ever, which obviously does not improve their effectiveness.

⁷⁵ "U.S. Trade Agreements with Latin America – Hearing Before the Subcommittee on the Western Hemisphere." *U.S. House of Representatives – Committee on International Relations – Hearings/Meetings*. April. April 13, 2005. May 10, 2006. <http://wwwc.house.gov/international_relations/109/20648.pdf>

⁷⁶ "Full Committee Hearing on Implementation of the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA)." *U.S. House of Representatives – Committee on Ways and Means*. April 21, 2005. May 10, 2006. <<http://waysandmeans.house.gov/hearings.asp?formmode=detail&hearing=397>>

⁷⁷ "Hearing – Dominican Republic-Central America Free Trade Agreement." *U.S. House of Representatives – Committee on Energy and Commerce*. April 28, 2005. May 10, 2006. <<http://energycommerce.house.gov/108/Hearings/04282005hearing1489/hearing.htm>>

⁷⁸ Auggie Tantillo. "CAFTA-DR: Potential Impacts on Agriculture and Food Sectors." *U.S. Senate Agriculture, Nutrition and Forestry Committee*. <<http://agriculture.senate.gov/Hearings/05jun07tant.pdf>>

⁷⁹ Robert E. McLendon. "CAFTA-DR: Potential Impacts on Agriculture and Food Sectors." *U.S. Senate Agriculture, Nutrition and Forestry Committee*. <<http://agriculture.senate.gov/Hearings/hearings.cfm?hearingid=1522&witnessId=4314>>

5.2 Grassroots Lobbying

Save from the hearing in the Senate Agriculture committee, the textile industry opponents are hardly represented in the Congressional hearings. However, organizations like AMTAC and the NTA use different methods to bring their message across. These are both aimed at members of Congress and at the grassroots of the companies they represent. AMTAC for instance is especially since 2003 actively opposing DR-CAFTA with a diversity of statements in specialized media and with organizing coalitions of manufacturing trade associations to increase its opposing force. An interesting effort to increase active opposition among labourers is AMTAC's billboard campaign in South Carolina. Since South Carolina is an important textile state and the home state of Milliken Co. (AMTAC's most prominent member), this state fears a considerable amount of free trade costs in the form of unemployment. According to AMTAC, South Carolina "has [already] lost 19 percent (63,600) of all manufacturing jobs" between 2000 and 2003.⁸⁰ To increase awareness among

Fig. 1 Billboard in South Carolina (source: www.amtacdc.org)



the potential victims of DR-CAFTA and other trade liberalizing agreements, AMTAC placed billboards along streets and interstates

to highlight the threats of free trade (see figure 1). In trying to increase the voting strength, these billboards conform to the theoretical principle described in chapter 2 that explains how the textile industry, faced with concentrated free trade costs in a number of constituencies, tries to rely on voting strength to convince members of Congress. With the actual DR-CAFTA negotiations almost concluded, AMTAC launches this campaign in January 2004 and even double sizes it in May of that year, after the details of the agreement are known.⁸¹ With Congressional and Presidential elections in November of 2004, these billboards are therefore explicitly meant to influence the voting behaviour of the people of South Carolina.

5.3 Press Conference

A problem for the opposition within the textile industry is of course the fact that there is no unity within the sector. A press conference in which a great number of opponents gathered was therefore good publicity. The Washington press conference was held on April

⁸⁰ "AMTAC Launches South Carolina Billboard Campaign to Highlight Job Losses Caused by Free Trade." AMTAC. January 9, 2004. May 10, 2006. <<http://www.amtacdc.org/media/040109.asp>>

⁸¹ "AMTAC Doubles Size of South Carolina Billboard Campaign to Highlight Job Losses Caused by Free Trade." AMTAC. May 4, 2004. May 10, 2006. <<http://www.amtacdc.org/media/040506.asp>>

20, 2005, in which “[a] bipartisan coalition of Members of Congress, trade associations and activist groups reiterated their strong opposition to the proposed Central American Free Trade Agreement.”⁸² Among the organizations that participated in the media event were AMTAC and UNITE HERE. The Hosiery Association did not participate, since this organisation is officially neutral on trade issues although its Domestic Manufacturers Committee “is aggressively fighting open door trade agreements.”⁸³ Non-textile organizations that took part in the event were AFL-CIO, Oxfam America, the League of United Latin American Citizens and Global Trade Watch among others. Interestingly, twenty-one members of Congress also participated and pledged to vote against the DR-CAFTA implementation act. Table 3 shows these members of Congress including their current committee assignments. The last two Representatives are italicized because they were not present at the press conference, but nevertheless pledged to oppose DR-CAFTA.

Most of these members of Congress are assigned to important free trade related committees like commerce, agriculture, international relations, and workforce. Being part of a commerce or international relations committee includes a special interest in free trade agreements. Especially agriculture and the workforce are subjects in which one would assume a more protectionist stance.

MEMBER OF CONGRESS	COMMITTEE ASSIGNMENTS
Senator Byron Dorgan (D-ND)	Appropriations; Commerce, science and transportation; Energy and natural resources; Indian affairs
Senator Larry Craig (R-ID)	Appropriations; Energy and natural resources; Special aging; Veterans' affairs
Senator Mark Dayton (D-MN)	Agriculture, nutrition and forestry; Armed services; Governmental affairs; Rules and administration
Rep. Sherrrod Brown (D-OH)	Energy and commerce; International Relations
Rep. Virgil Goode (R-VA)	Appropriations
Rep. Walter B. Jones (R-NC)	Armed services; Financial services, Resources
Rep. Hilda Solis (D-CA)	Energy and commerce
Rep. Charles Melancon (D-LA)	Agriculture; Resources; Science
Rep. Ted Strickland (D-OH)	Energy and commerce, Veterans' affairs
Rep. Marcy Kaptur (D-OH)	Appropriations
Rep. Tim Ryan (D-OH)	Armed services; Education and workforce
Rep. Mike Michaud (D-ME)	Small business; Transportation and Infrastructure; Veterans' affairs
Rep. Jan Schakowsky (D-IL)	Energy and commerce
Rep. Peter DeFazio (D-OR)	Resources; Transportation and Infrastructure
Rep. Raul Grijalva (D-AZ)	Education and workforce; Resources; Small business
Rep. Joe Crowley (D-NY)	Financial services; International relations
Rep. Dale Kildee (D-MI)	Education and workforce; Resources
Rep. Barbara Lee (D-CA)	Financial services; International relations
Rep. Gene Green (D-TX)	Energy and Commerce; Standards of official conduct
Rep. Bart Stupak (D-MI)	Energy and commerce
Rep. Charlie Norwood (R-GA)	<i>Education and workforce; Energy and commerce</i>
<i>Rep. Dennis Rehberg (R-MT)</i>	<i>Appropriations</i>

Table 3: Members of Congress Included in the Bipartisan anti-DR-CAFTA Coalition ⁸⁴

⁸² “Bipartisan Coalition Opposes CAFTA.” *CAFTA*. April 20, 2005. May 10, 2006. <<http://www.amtacdc.org/media/2005/050420.asp>>

⁸³ “CAFTA: Shifting Positions Followed By Hosiery Leaders.” *Legwear Trends and Fashion*. July 2005. May 11, 2006. <<http://www.legsource.com/ltf-july2005/cafta-shifting-position.pdf>> p. 16

⁸⁴ “Bipartisan Coalition Opposes CAFTA.” & “The 109th Congress.” *Center for Responsive Politics*. <www.opensecrets.org>

Striking is the majority of Democrats in this list. As a matter of fact, it is a common tendency within the Democratic party to have a more protectionist stance when it comes to free trade agreements. This trend can be partly explained by a greater interest in the federal protection of domestic industries and workers.

When focusing on textile interests, only three representatives from important textile states join in the coalition. The names Goode, Jones, and Norwood are printed in bold since they represent Virginia, North Carolina, and Georgia respectively. Together with Rehberg from Montana they also form the minority of Republicans in the coalition, which makes their inclusion in this list even more striking.

5.4 Textile Caucus Meeting

Since the textile industry is quite divided when it comes to DR-CAFTA, two Representatives who form the leaders of the House Congressional Textile Caucus, organized a meeting “to present all sides of the CAFTA debate in a fair and balanced manner for members of the Textile Caucus and any other interested members and their staffs.”⁸⁵ During this meeting three opponent and three proponent parties could deliver five-minute presentations after which a question-and-answer session followed. The support consisted of the U.S. Trade Representative Office, the American Apparel & Footwear Association (AAFA), and the National Council of Textile Organizations (NCTO). On the other side were the main opponents AMTAC, UNITE HERE, and the NTA.

This is a crucial meeting since it involves the Representatives from the most important textile states who are especially concerned with textile interests. The two co-chairmen of the caucus, for instance, are Howard Coble (R-NC) and John Spratt (D-SC) who both represent districts in North and South Carolina. Perhaps more than in the Congressional hearings, this meeting is important for the lobby organizations to inform and influence the Representatives from states like North Carolina, Georgia, South Carolina, Alabama, and Virginia, because here the link between the federal politics of DR-CAFTA and the grassroots of the decision makers is the strongest.

⁸⁵ “Coble, Spratt To Conduct Meeting on CAFTA.” *U.S. Congressman Howard Coble*. May 23, 2005. May 15, 2006. <<http://coble.house.gov/News/DocumentSingle.aspx?DocumentID=27797>>

5.5 Campaign Financing

The last but most important lobby instrument that will be discussed is campaign financing. As we have seen in Chapter 2, the influence of campaign financing in American politics is crucial since the Congressional two-year election cycle creates a permanent campaign, in which campaigning and governing intertwine.

Like any other industry or interest group, financial donations are given by the textile

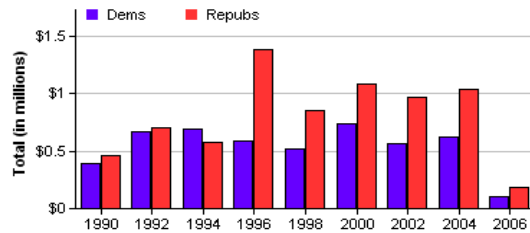


Fig 2: Total Textile Industry Contributions to federal political candidates since 1990
(Source: www.opensecrets.org)

industry to political candidates and parties to finance election campaigns in the hope of benefiting from the politician's decision making when in office. Although campaign financing is subject to strict rules, it is a good indicator of the way politicians are influenced by industries and political

action committees (PACs). Based on data from *The Center for Responsive Politics*, a profile can be made of the contribution characteristics of the textile industry.⁸⁶ With a total spending of \$1.7 million in the 2004 election cycle, the textile industry ranks seventy-fourth when it comes to total contribution amounts from industries.⁸⁷ With law firms ranking number one with almost \$86 million, this means that the textile industry does not belong to the main contributors in the federal political scene.⁸⁸ Figure 2 shows the general trend of the total contributions from the textile industry. Next to the fact that the amounts donated have increased over the years (especially in presidential election cycles), it also becomes clear that Republican candidates are given preference over Democrats.

Rank	Candidate	Office	Amount
1	Bush, George W (R)	Pres	\$163,900
2	Bowles, Erskine B (D-NC)	Senate	\$124,325
3	Beasley, David M (R-SC)	Senate	\$98,550
4	Kerry, John (D)	Pres	\$46,550
5	Portman, Rob (R-OH)	House	\$31,200
6	Tenenbaum, Inez (D-SC)	Senate	\$22,584
7	Moretz, George A (R-NC)	House	\$21,600
8	Lieberman, Joe (D-CT)	Senate	\$18,500
8	Condon, Charlie (R-SC)	Senate	\$18,500
10	Graham, Lindsey (R-SC)	Senate	\$18,300
11	Isakson, Johnny (R-GA)	Senate	\$17,050
12	Burr, Richard (R-NC)	Senate	\$16,750
13	DeMint, James W (R-SC)	Senate	\$14,750
14	Spratt, John M Jr (D-SC)	House	\$14,500
15	Schumer, Charles E (D-NY)	Senate	\$14,000
16	Specter, Arlen (R-PA)	Senate	\$12,500
17	Myrick, Sue (R-NC)	House	\$11,256
18	Voinovich, George V (R-OH)	Senate	\$10,000
18	Romero, Craig F (R-LA)	House	\$10,000
20	Thune, John (R-SD)	Senate	\$9,800

Table 4: Top 20 Textile Industry Recipients in 2004 Election Cycle
(Source: www.opensecrets.org)

⁸⁶ "Textiles: Long-term Contribution Trends." *The Center for Responsive Politics*. March 13, 2006. May 15, 2006. <<http://www.opensecrets.org/industries/indus.asp?Ind=N16&cycle=2006>>

⁸⁷ *Ibid*. An election cycle is a two-year period leading up to the mentioned year (e.g. "2004" = Jan 1 2003 – Dec 31 2002)

⁸⁸ "Top Industries Giving to Members of Congress; 2004 Cycle." *The Center for Responsive Politics*. May 16, 2006. May 15, 2006. <<http://www.opensecrets.org/industries/mems.asp?party=A&cycle=2004>>

When looking at the top recipients of the 2004 election cycle in table 4, this emphasis on Republican candidates can be explained. Not only did George W. Bush receive more funding than John Kerry, but there is also a great emphasis on (Republican) candidates from important textile states like North Carolina, South Carolina, and Georgia. Since these Southern states are traditionally more Republican oriented, the textile industry also has a greater emphasis on Republican candidates from their home states.

The fact that especially candidates from textile states receive donations proves the theoretic supposition from hypothesis 1 that the lobby from the textile industry is mainly concentrated in a few states. Textile companies support regional candidates in the hope of benefiting from his or her Congressional decision-making. These companies place their faith (and money) in them since they also have the voting strength of their employees as a pressure instrument. This also explains the fact that the textile industry is not one of the main financial contributors in federal politics, since the power of a large workforce in a relatively concentrated area can be just as effective.

When looking at statistics within the industry, the industry market leaders Springs Industries and Milliken Co. that are affiliated to both opposing and supporting interest groups, are obviously also important financial contributors. Table 5 shows the top 5 from the 2004 election cycle. Springs Industries is the main contributor, yet 97 percent of the contributions went to Democrats, which deviates from the general trend within the industry. Although contributions are definitely not just related to DR-CAFTA, free trade issues are one of the main concerns in the textile industry. An emphasis on Democratic candidates can therefore be seen as a more protectionist stance. In fact, when looking at which members of Congress Springs Industries contributed to, John M. Spratt (D), Representative for South Carolina's 5th district is one of main recipients.⁸⁹ Since this Democratic member of Congress voted against DR-CAFTA, one can assume that Springs Industries is generally on the more protectionist side. However, the fact that Springs Industries is also a member of the NCTO and NCC (supporters of DR-CAFTA), the contrast within the industry is still present.

Rank	Organization	Amount	Dems	Repubs
1	Springs Industries	\$198,275	97%	3%
2	Standard Textile Co	\$125,137	2%	98%
3	Milliken & Co	\$98,990	3%	97%
4	Weave Corp	\$85,000	100%	0%
5	Levy Group	\$68,421	8%	92%

Table 5: Top 5 Textile Industry Contributors in 2004 Election Cycle (Source: www.opensecrets.org)

⁸⁹ Based on: "Donor Lookup: Find Individual and Soft Money Contributors." *Center for Responsive Politics*. 2006. May 17, 2006. <<http://www.opensecrets.org/indivs/index.asp>> & "Final Vote Results for Roll Call 443." *Office of the Clerk – U.S. House of Representatives*. July 28, 2005. May 17, 2006. <<http://clerk.house.gov/evs/2005/roll443.xml>>

Milliken Co. is as leading member of AMTAC an opponent of DR-CAFTA. When it comes to sponsoring members of Congress, Milliken favours Republican candidates, which is in line with the contribution trend in the industry (see table 5). However, the actual voting behaviour of some of these sponsored Representatives does not correspond. Gresham Barret, Bob Inglis, and Joe Wilson are three Republican Representatives for South Carolina, Milliken's home state, yet all voted in favour of DR-CAFTA.⁹⁰ Since this does not stroke with Milliken's interests, one can assume that these Representatives were not triggered by protectionist forces in their home state.

6. Outcome

Five important lobby instruments have been examined in the way the U.S. textile industry tries to influence Congressional decision making concerning DR-CAFTA: congressional hearings, grassroots lobbying, creating media attention, a caucus meeting, and election campaign financing. The most important aspect in all these efforts is the fact that although the industry has been a strong protectionist bloc since the mid-twentieth century, on DR-CAFTA there is a great divide. This has its impact on every lobby effort because members of Congress are constantly faced with proponents and opponents from the same industry. This obviously weakens the lobby strength on both sides and has therefore its impact on the outcome in the Congressional vote.

This conclusion can be made when focusing on the voting behaviour of the Congressional members from the five textile states North Carolina, Georgia, South Carolina, Alabama, and Virginia in Appendix I. In all these states, except North Carolina, did the majority of Congress vote in favour of DR-CAFTA. This means that the opposition coalition was not effective enough in persuading their federal representatives to vote against the agreement. When a Congressional member faces both support and opposition from one and the same industry in his home state, it reduces the dependency on the voting pressure of the protectionists in this industry when making the choice between free trade and protectionism. This can be illustrated by an inside report of the actual House vote by an *Associated Press* writer.⁹¹ The vote itself took an hour, which is "four times as long as usual." This means that many Representatives had trouble deciding, as turned out to be the fact for one of the Representatives from North Carolina.

⁹⁰ Ibid.

⁹¹ Mary Dalrymple. "GOP Holdouts Made CAFTA Vote Dramatic." *San Fransisco Chronicle (SFGate.com)*. July 28, 2005. May 17, 2006. <<http://www.sfgate.com/cgi-bin/article.cgi?f=/n/a/2005/07/28/national/w140218D93.DTL#sections>>

Republican Rep. Robin Hayes of North Carolina changed his "no" vote to a "yes" after getting renewed assurances from the administration on specific textile provisions and trade relations with China, and reassuring calls from textile employers in his district.⁹²

Being a Representative for a state in which many workers fear trade liberalization, Hayes has initial reservations on DR-CAFTA. However, the fact that he does not vote against means that there are important arguments for him to vote in favour of the act.

An important argument here is party politics. While Democrats are generally reserved when it comes to free trade agreements, Republican ideology promotes trade liberalizing developments like DR-CAFTA, especially when it is a proposal from a Republican administration. If a majority of the Republican caucus is against this agreement that has been made after years of negotiations, it would be a disgrace for the Bush administration and a victory for the Democrats. Party discipline was therefore an important issue in the actual vote in Congress. This can be illustrated by the already mentioned inside report of the House vote.

Republican leaders circulated the floor while all eyes tracked the green and red lights on an electronic voting board, keeping track of the close tally. The leaders could be seen circling around Republicans like Rep. Shelley Moore Capito of West Virginia and Rep. Duncan Hunter of California, who voted against the pact.⁹³

Also *The Hill* reported on the efforts to get all Republicans on one line.

House Majority Whip Roy Blunt (R-Mo.) and his team had been aggressively selling CAFTA to Republican members for almost two months when it came to the floor that last Wednesday in July.⁹⁴

In appendix I, party politics becomes clear when examining the total numbers. Thirty-one Republicans voted for the act, while only eight Democrats did the same. A combination of a too divided textile industry, together with party pressure led to the fact that the majority of Republicans from the five textile states voted along party lines in favour of DR-CAFTA.

A curious aspect in this subject is the missing votes of Repr. Charles Taylor (R-NC) and Repr. Jo Ann Davis (R-VA). Davis returned to Washington D.C. too late from a cancelled Boy Scout Jamboree in Bowling Green, VA, because she was stuck in traffic.⁹⁵ Taylor however, was present but gave a statement in which he explained that "due to an error, my 'no' vote did not record on the voting machine."⁹⁶ If both Davis and Taylor had voted against

⁹² Ibid.

⁹³ Ibid.

⁹⁴ Patrick O'Connor. "CAFTA: Part 3 The Night of the Vote." *The Hill*. September 8, 2005. May 18, 2006. <<http://www.hillnews.com/thehill/export/TheHill/News/Frontpage/090805/cafta.html>>

⁹⁵ Ibid.

⁹⁶ Jo Ann Davis. qtd. In Bryan Sarzynski. "Taylor's Cafta Problem; The Strange Case of the Congressman's Missing Vote." *Mountain XPress* (Asheville, NC). August 10, 2005. vol. 12 iss. 2. May 18, 2006. <<http://www.mountainx.com/news/2005/0810cafta.php>>

DR-CAFTA the outcome would have been completely different, considering the fact that there was a difference of only two votes in the House (217-215).

7. Assessment of Hypothesis 1 (H1)

After having examined both the lobby practices of the textile industry and the outcome in Congress, it is possible to evaluate the correctness of the first hypothesis that was formulated in Chapter 2.

Focusing on the lobby strategy of the textile industry, it can be concluded that it is in line with the hypothesis in the sense that the lobby is concentrated in a region where the reliance on the voting strength of labourers is the main instrument. First of all, the influence of textile industry opponents in Congressional hearings was minimal. In most hearings only UNITE HERE was present as a representative of the workers in the industry. The only hearing where the industry had a greater voice was in the Senate Agriculture Committee, which has an important link with the industry since cotton is one of its main raw materials.

The South Carolina billboards and the textile caucus meeting are two other arguments for the regional and concentrated character of the textile lobby. The billboards are a typical example of grassroots lobbying that is directly aimed at (textile) industry workers in the region that are possibly affected by trade liberalization. The caucus meeting proves the long-time influence of the textile industry in the political economy of the U.S. Instead of trying to influence national Congressional members in committee hearings, in the caucus the lobby efforts are aimed at a traditional group of Representatives and Senators that are directly dependent on the textile industry.

Lastly, the campaign contributions are in line with the hypothesis, since mainly textile state politicians are sponsored and the total contribution amounts are relatively small in relation to other industries. This indicates that although sponsoring is highly important, the industry can use the voting strength of their workers as a lobby instrument without having to rely solely on campaign financing.

The only described instrument that is not in line with the hypothesis is the press conference with other business organizations and NGOs. This can be explained with the fact that a larger coalition of interest groups leads to more pressure on politicians, a logic that the textile industry opponents could use very well, considering the fact that the contrasting opinions within the industry are a crucial component in this case.

The effectiveness of lobbying is very much dependent on the unequivocal opinion within an industry or coalition of interest groups because this leads to the greatest amount of

pressure on politicians. The total division within the textile industry has destroyed this effectiveness and is one of the main reasons for the unsuccessfulness of the anti-DR-CAFTA lobby. Although the theoretic rule of thumb tells us that in the American political system free trade opponents are generally more successful because of their concentration and tangible short term costs, without a single voice within the industry this rule does not correspond with reality.

The second important component in this case that influences the assessment of the first hypothesis is party discipline. The clear divide in votes between Republicans and Democrats in Appendix I illustrates how the Congressional vote on DR-CAFTA contained a high degree of political competition between the two major parties. As it turns out, not only the lobby efforts of the textile industry are decisive in the Congressional voting behaviour, but the effectiveness of creating two fronts within the separate parties is crucial. Being an important and controversial proposal in Congress, DR-CAFTA is a symbol for the success of the Bush administration and the GOP in general, when adopted. On the other hand, a majority against the act, led by a large Democratic coalition, would be a symbol of regaining strength within the Democratic Party and a victory over the current Republican majority in American federal politics.

Based on the discord within the textile industry and the influence of party discipline, it can therefore be concluded that the first hypothesis is only partly correct. The U.S textile industry is involved in a concentrated yet divided and therefore unsuccessful lobby to counter the passage of the DR-CAFTA Implementation Act, mainly relying on voting strength, which means that the lobby efforts are mostly aimed at members of Congress from the states and regions where the textile industry is concentrated.

Chapter 4: The Movie Industry Case

After a look at the textile industry, the second case in this research covers the lobby practices of the U.S. movie industry, another typically American but fundamentally different sector. Like in the previous case, the characteristics of the movie industry's lobby practices and its eventual outcome will be analysed. After an overview of the industry itself, its emphasis on intellectual property protection is explained. Furthermore, the actual analysis consists of an overview of the coalitions that were built inside and outside the industry, the lobby instruments that were used, and Congress's voting behaviour. Finally this analysis leads to the assessment of the second hypothesis in which it is predicted that the U.S. movie industry is involved in a diffused and unsuccessful Congressional lobby that is above all characterized by financial support for influential members of Congress and for the creation of public awareness.

1. Overview of the U.S. Movie Industry

Ever since the invention of celluloid for photographic film, the U.S. has played a major role in the development of movies and cinema. During the end of the nineteenth and beginning of the twentieth century, small companies travelled through the country to exhibit their movies for large audiences, often in combination with vaudeville shows.⁹⁷ Although the first production companies were initially located in New York and New Jersey, in the 1910s many moved to California because it offered reliable weather and longer days with more light for filming. Artificial light was still in its infancy, and the West Coast was a more efficient location. Ironically, another important reason had to do with the evasion of intellectual property law. The great distance between New Jersey and California made it difficult to enforce motion picture patents, mostly owned by Thomas Edison.⁹⁸

In the 1920s, Hollywood became the magical centre where cinema really became a serious business and movies were released continuously, leading to numerous classics in the following years such as *King Kong* (1933), *Gone With the Wind* (1939), *Citizen Kane* (1941), and *Rebel Without a Cause* (1955).

⁹⁷ "Cinema of the United States." *Wikipedia*. 2006. May 24, 2006.

<http://en.wikipedia.org/wiki/Cinema_of_the_United_States> "Berne Convention for the Protection of Literary and Artistic Works." *Wikipedia*. January 13, 2005. <<http://en.wikipedia.org>>

I decided to use Wikipedia as a genuine source, after a research in the British journal *Nature* showed that it is as accurate as the Encyclopedia Britannica ("Wikipedia Survives Research Test." *BBC News*. December 15, 2005. January 13, 2006. <<http://news.bbc.co.uk/2/hi/technology/4530930.stm>>).

⁹⁸ "Film Industry." *Wikipedia*. 2006. May 24, 2006. <http://en.wikipedia.org/wiki/Film_industry#United_States>

In more recent decades, the drive to create large cinematic productions, or blockbusters such as *Jaws* (1975), *Star Wars* (1977), and *Titanic* (1997), has increased investments in movie productions gigantically. At the same time, the production companies have grown in order to face strong competition and to meet increasing (international) demands. As a result, a relatively small amount of large corporations evolved through mergers and acquisitions. Nowadays, Warner Bros. (WB), Paramount, Walt Disney, Sony, 20th Century Fox, Universal, and Metro Goldwyn Mayer (MGM) are the dominant players in the movie industry. According to the 2002 Economic Census of the *U.S. Census Bureau*, the ‘motion picture & video industry,’ including production, distribution, and exhibition of movies, videos, television programs, and commercials, grossed almost \$63 billion in receipts and employed 271,225 people.⁹⁹ Although this is a large amount of employees, when compared to the textile industry, which employs more than 650,000 people and lost 434,000 since 2000, one can see that the textile industry is much more labour intensive than the movie industry. In contrast, the movie industry generates its high turnover rate with more capital intensive production.

WB is the market leader in the movie industry and exemplifies how the sector changed from a Hollywood based production industry into a diversified international market. Since the 1950s WB ventured in related markets such as television, comic books, animation, and games.¹⁰⁰ In 1990, the parent company of all the WB divisions, Warner Communications, merged with Time Inc. into Time Warner Inc., which is now the world’s largest media company. In 2001, Time Warner even strengthened its position by merging with the Internet service provider AOL. With a total of \$3.41 billion in worldwide box office in 2004, including \$2.19 billion in overseas receipts, the WB division had its most successful year to date, especially because it was “the first time that a studio crossed the \$2 billion mark internationally in a single year.”¹⁰¹

The introduction of the Video Home System (VHS) in 1976 and the DVD in 1997 created a new market in the entertainment industry in which WB’s division Warner Home Video (WHV) also became a global leader. “With distribution to 90 international territories,” WHV has the largest home video and DVD distribution network in the world. Also, with a

⁹⁹ “Sector 51: Information: Geographic Area Series: Summary Statistics: 2002.” *U.S. Census Bureau – Economic Fact Sheet for an Industry*. June 15, 2005. May 24, 2006. <www.census.gov>

¹⁰⁰ “Company Info: A Brief History of Warner Bros.” *Warner Bros.Studios*. January 2, 2006. <http://www2.warnerbros.com/main/company_info/company_info.html?frompage=wb_homepage>

¹⁰¹ “Warner Bros. Entertainment.” *TimeWarner Businesses*. March 11, 2005. January 2, 2006. <http://www.timewarner.com/corp/businesses/detail/warner_bros/index.html>

U.S. market share of 19.7% in sales and rental of VHS and DVD combined in 2004, WHV is domestically the market leader.¹⁰²

As one can see WB and the other movie businesses benefit from increased economic internationalization. However, the penetration and growth in new foreign markets also has its downside for an industry that is as dependent on information technology as the movie industry. Ever since the introduction of VHS, illegal copying or intellectual property theft has been a serious problem in the movie industry. Due to the innovations in information technology, in which worldwide information exchange has become a crucial component of the world economy, the protection of intellectual property receives more and more attention. Illegal copying and downloading of movies is currently one of the main threats in the movie industry. According to the Motion Picture Association of America (MPAA), the U.S. motion picture industry loses in excess of \$3 billion annually in potential worldwide revenue due to piracy.¹⁰³

The MPAA recognizes a number of forms of piracy. Nowadays, the main threats come from internet piracy, which is the illegal downloading of movies through peer-to-peer services such as Kazaa and LimeWire. However, optical disc piracy, the illegal manufacture, sale, and distribution of DVD copies, also remains a serious problem.¹⁰⁴

2. Intellectual Property Protection Provisions in DR-CAFTA

Intellectual property (IP) theft is an issue that affects many industries, but is above all linked to information technology and media. The emergence of the information age in the last decade has made these sectors crucial components for the U.S. economy and for its efforts to maintain a global economic leader. That is why IP protection has a high priority in U.S. economic and foreign policy. The size and power of multinational media corporations like Time Warner also increases their potential political influence and therefore the willingness within the political establishment to take action.

It is therefore not very strange that a free trade agreement like DR-CAFTA “contains strong rules for the protection of intellectual property that are critical to promote innovation and new research in numerous sectors, from information technology to scientific industries, and to stimulate a rich and diverse marketplace for the development and publishing of

¹⁰² “Company Info: Home Video.” *Warner Bros .Studios*. January 2, 2006.

<http://www2.warnerbros.com/main/company_info/company_info.html?frompage=wb_homepage>

¹⁰³ “Anti-Piracy.” *Motion Picture Association of America*. January 2, 2006. <<http://www.mpa.org/anti-piracy/>>

¹⁰⁴ “Who Are Movie Thieves?” *Motion Picture Association of America*. January 13, 2006. <http://www.mpa.org/piracy_whoAre.asp>

business information and creative works.”¹⁰⁵ The agreement is beneficial to the movie industry in the sense that it will increase exports and will provide better ways to counter intellectual property theft in those markets.

Although the internet has made piracy of copyrighted materials a truly global problem, protection of intellectual property has been an issue for more than a century. Already in 1886, the Berne Convention for the Protection of Literary and Artistic Works recognized the existence of copyrights between sovereign states.¹⁰⁶ The U.S. Copyright Act of 1976 is one of the main national bases for protection, yet more importantly, on an international level, important standards have been developed to counter piracy in all its forms. The United Nations’ World Intellectual Property Organization (WIPO) administers a number of international treaties and agreements. The TRIPs¹⁰⁷ Agreement that became part of WTO in the Uruguay round in 1994 is another important framework that protects copyrights globally. Both WIPO and TRIPs are influential in the intellectual property provisions of the DR-CAFTA agreement.

In Central America, video and optical disc piracy still remains the biggest problem while internet piracy is still a relatively small threat due to a lack of bandwidth in the region. Also, in many of these countries piracy is linked to organized crime units.¹⁰⁸ Because many Central American countries lack stringent anti-piracy laws, the growth potential for the movie industry in this market remains problematic.

DR-CAFTA provides these legal tools and much more. According to Sheldon Presser, senior vice president of WB, “all of the Central American countries and the Dominican Republic have committed to strengthened IP protection, and elimination of tariffs and other market access barriers” with the signing of the free trade agreement.¹⁰⁹ The aspects in DR-CAFTA concerning intellectual property include TRIPs provisions, WIPO internet treaties, “strong anti-circumvention provisions to prohibit tampering with technologies (like embedded codes on discs) that are designed to prevent piracy and unauthorized distribution over the

¹⁰⁵ “The U.S.-Dominican Republic-Central America FTA - Strong Rules to Protect and Promote Creative and Scientific Industries.” *Business Coalition for U.S.-Central America Trade*. January 11, 2005. January 3, 2006. <http://www.uscafta.org/policy/view.asp?POLICY_ID=77?>

¹⁰⁶ “Berne Convention for the Protection of Literary and Artistic Works.” *Wikipedia*. January 13, 2005. <<http://en.wikipedia.org>>

¹⁰⁷ Trade Related aspects of International Property rights

¹⁰⁸ “Anti-piracy.”

¹⁰⁹ Sheldon Presser. “Testimony Before the Full Committee of the House Committee on Ways and Means.” *Committee on Ways and Means*. April 21, 2005. January 3, 2006. <<http://waysandmeans.house.gov/hearings.asp?formmode=view&id=2610>>

Internet”, and “authorization of seizure, forfeiture and destruction of pirated products and the equipment to produce them.”¹¹⁰

Not only are the anti-piracy provisions beneficial to the movie industry, but also the elimination of tariffs is an important advantage. U.S. exports often face high tariffs in Central America, while U.S. tariffs are much lower. DR-CAFTA eliminates all tariffs on 80% of U.S. manufactured goods, which means that it becomes more lucrative to increase the movie industry’s distribution networks in the region.¹¹¹

3. Coalition Building

In order to increase lobby strength, coalitions were formed within and without the movie industry. Table 6 shows the main companies in the movie industry and the main coalitions they take part in.

An important organisation within the movie industry is the already mentioned Motion Picture Association of America (MPAA) and its international counterpart the MPA. The leading seven movie corporations WB, Paramount, Walt Disney, Sony, 20th Century Fox, Universal, and MGM form the membership list of the MPAA. It started out in 1922 as the trade association of the American film industry and nowadays is at the forefront of fighting copyright theft. It informs and educates the public under the name *Respect Copyrights*, as can be seen in commercials that are often included on home videos and DVDs.

Main Movie Industry Corporations	Important Coalitions
Warner Bros. (WB)	Motion Picture Association of America (MPAA)
Paramount	Recording Industry Association of America (RIAA)
Walt Disney	Entertainment Industry Coalition for Free Trade (EIC)
Sony	Business Coalition for U.S. - Central America Trade
20th Century Fox	
Universal	
Metro Goldwyn Mayer (MGM)	

Table 6: Main Movie Industry Players in relation to DR-CAFTA

The Recording Industry Association of America (RIAA) is the music counterpart of the MPAA and represents the music and recording industry which faces exactly the same problems as the movie industry. Since most of MPAA members also have record labels, the RIAA is an equally important organisation in the fight against IP theft.

¹¹⁰ “Free Trade with Central America: Summary of the U.S.-Central America Free Trade Agreement.” *Office of the United States Trade Representative*. December 17, 2003. January 16, 2005. <http://www.ustr.gov/Document_Library/Fact_Sheets/2003/Free_Trade_with_Central_America_Summary_of_the_US-Central_America_Free_Trade_Agreement.html>

¹¹¹ “U.S.-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA).” *U.S. Chamber of Commerce*. January 3, 2006. <<http://www.uschamber.com/issues/index/international/drcafta.htm>>

In a slightly broader context, the Entertainment Industry Coalition for Free Trade (EIC) is an organization that tries to inform and “educate policymakers about the importance of free trade for the US economy, the positive economic impact of international trade on the entertainment community, and the role of international trade negotiations in ensuring strong intellectual property protections and improved market access.”¹¹² The EIC consists of many corporations such as Time Warner, EMI, and Sony Pictures Entertainment, but also comprehends interest groups such as the Directors Guild of America and the MPAA. Next to movie studios, the coalition includes companies and divisions that produce and/or distribute television broadcasting, recorded music and video games.

Since IP protection and the free trade agreement in general are beneficial to many American businesses, broader business interest groups were formed or used to get the agreement passed. The Business Coalition for U.S. – Central America Trade is a coalition solely formed “to promote the negotiation, approval and implementation of a comprehensive, high standard, and commercially meaningful free trade agreement” with the CAFTA countries.¹¹³ It is a broad coalition of 646 companies from economic sectors such as agriculture, manufacturing, publishing, and services, including Time Warner and Sony. It also comprises other large business coalitions such as the Emergency Committee for American Trade (ECAT) and Business Roundtable.

4. Lobby Instruments

The lobby instruments that are used by the movie industry are less diverse than those of the textile industry. However, congressional hearings remain a direct way of informing the political decision makers. Next to that, the power of money is a crucial factor in order to support influential politicians and to create public awareness on a national scale.

4.1 Congressional Hearings

The Congressional hearings in several committees that were analysed in the textile case, are equally important in the movie industry case, since these are the formal occasions where members of Congress can be informed directly by industry representatives.

The first two hearings on April 13, 2005 in the Senate Finance Committee and the House Subcommittee on the Western Hemisphere were devoid of movie industry related

¹¹² David Johnson. “U.S. – Chile and U.S. Singapore Free Trade Agreements: Benefits to America’s Entertainment Industries.” U.S. *Senate Finance Committee – Hearings*. June 17, 2003. June 8, 2006. <<http://finance.senate.gov/hearings/testimony/2003test/061703djtest.pdf>>

¹¹³ “About the Coalition.” *Business Coalition for U.S. – Central America Trade*. June 8, 2006. <<http://www.usafta.org/about/business.asp>>

organizations. Nevertheless in both hearings the IP protection provisions in the DR-CAFTA agreement were emphasized by other organizations. In the Senate Finance Committee John J. Castellani of Business Roundtable, a broad coalition that is also part of the Business Coalition for U.S. – Central America Trade explains how “[o]ne of the critical protections achieved in the DR-CAFTA are the provisions relating to patents, trademarks and copyrights.”¹¹⁴ John G. Murphy of the U.S. Chamber of Commerce mentions the same arguments for the agreement in the House Subcommittee on the Western Hemisphere of the International Relations Committee. The support from an organisation like the Chamber of Commerce can be explained by the fact that the majority of U.S. businesses is in favour of DR-CAFTA and is therefore also a great advantage for the movie industry.

In contrast to the first two hearings, the movie industry’s influence in the hearing of the House Committee on Ways and Means on April 21, 2005 is extensive. Especially the industry leader, WB has a dominant role in the form of its parent company Time Warner. Since it is a company large enough to be directly involved, it therefore voiced its support individually through a letter. CEO Richard Parsons, explains that the FTA “provides important opportunities to [...] expand [...] trade with more markets around the world” and “includes important provisions that meet” the goal of IP protection.¹¹⁵ Also the business interest groups ECAT and the Business Coalition for US-Central American Trade express their support through letters in which WB is mentioned as member. Lastly, the list of support letters includes the MPAA, the RIAA, and the EIC who are also directly linked to WB and the other large movie companies.

In the actual hearing, most panel members were in favour of DR-CAFTA and arguments against the agreement were hard to find. In the hearing panels two movie industry related persons were present. First of all, Harold McGraw III who acted as the representative of a number of business interest groups, including ECAT and the Business Coalition for U.S.-Central American Trade. More important however, was the presence of Sheldon Presser, the Senior Vice President of WB who also acted as the representative of Time Warner and the EIC. In his statement he explains the importance of the entertainment industry for the U.S. economy and the damages that are done by IP theft.

¹¹⁴ “Statement of John J. Castellani; President Business Roundtable.” *United States Senate Committee on Finance - Hearings*. April 13, 2005. June 12, 2006.

<<http://finance.senate.gov/hearings/testimony/2005test/jctest041305.pdf>>

¹¹⁵ Richard, Parsons. Letter to Congress. *House Committee on Ways and Means*. April 12, 2005. December 29, 2005. <<http://waysandmeans.house.gov/media/pdf/trade/cafta/timewarner.pdf>>

Unfortunately, America's creative industries are under attack. As the Congress knows well, piracy of copyrighted materials has had a devastating impact, and the impact has grown in recent years with the advance of digital technology. [...] Without strong protections, our ability and the rest of the entertainment industry's ability to continue to expand U.S. jobs, revenue and exports will be jeopardized.¹¹⁶

In the hearing of the House Committee on Energy and Commerce on April 28, 2005 the movie industry is only indirectly present. Calman J. Cohen gave a testimony as president of ECAT and on behalf of the Business Coalition for U.S. – Central America Trade, in which he only briefly touched upon the “strong rules for the protection of intellectual property that are critical [...] for U.S. creative and scientific industries.”¹¹⁷

The last hearing was on June 7, 2005 in the Senate Agriculture Committee in which no movie industry related organisation was present, which is logical in a committee solely committed to agriculture, nutrition and forestry.

Recapitulating, the movie industry only had an important role in the House Ways and Means Committee, while being only indirectly involved in the other hearings. However, the support for DR-CAFTA and the importance of the IP protection provisions were also voiced by other organizations that hope to benefit from the agreement.

4.2 Public Awareness

The IP protection provisions in DR-CAFTA are not subjects that are suited to be communicated to the industry's employees in an attempt to increase voting strength. IP theft is a technological problem that initially hits the factor capital in the industry, it does not directly lead to massive layoffs, like in a labour intensive industry such as textiles (which more than doubles the movie industry's workforce). The factor labour in the movie industry is relatively less important, and therefore less powerful as a political tool in putting pressure on members of Congress. Creating resistance among employees is therefore not the most effective option for the movie industry. This corresponds with the theoretic assumption in Chapter 2 that in relation to the short-term costs of trade liberalization, it is more difficult to promote the long term benefits (IP protection) to rally voters or employees.

One of the alternative lobby options mentioned in Robert Baldwin's article *The Political Economy of Trade Policy* is “lobbying the general public,” which is exactly what the

¹¹⁶ Sheldon Presser.

¹¹⁷ “Testimony of Calman J. Cohen; President of the Emergency Committee for American Trade.” *The Committee on Energy and Commerce – U.S. House of Representatives – Hearings and Markups*. April 28, 2005. June 12, 2006. <<http://energycommerce.house.gov/108/Hearings/04282005hearing1489/Cohen.pdf>>

movie industry does with their slogan “Respect Copyrights.”¹¹⁸ However, IP protection has the peculiar characteristic that it does not have an initial positive connotation for many people. Since the free yet illegal downloading of movies and music is a popular and widespread occupation in our contemporary society, new restrictions are often not well received by the general public. Organizations like the MPAA therefore try to create awareness among the public that illegal copying and downloading are serious threats to the entertainment industry and eventually harms exactly those products the public wants to consume.

With the website *respectcopyrights.org* and numerous commercials and advertisements on DVDs, videos, national television, and magazines, the MPAA tries to reach as many people as possible to create the awareness that digital piracy is illegal and therefore open to law enforcement. In July 2003 for instance, the MPAA launched a “series of public service announcements produced by 20th Century Fox on behalf of the motion picture industry, [beginning] with an unprecedented television “roadblock” on more than 25 network and cable outlets on the evening of July 24, with each network donating 30 seconds in the first prime time break.”¹¹⁹

Although this public fight against IP theft is not directly linked to the Congressional lobby efforts concerning the DR-CAFTA agreement, it is nevertheless important to mention, since it illustrates how only an overall treatment of this subject is effective in the general media. Efforts to bring only the IP provisions of DR-CAFTA in the media would be of no effect, since this is a subject in public policy that is too detailed and technical and therefore unfit to communicate to the general public in order to create awareness.

4.3 Campaign Financing

Next to “lobbying the general public,” Baldwin also mentions the lobbying of “public officials” as an important instrument for an oligopolistic market, in this case the movie industry.¹²⁰ This mostly entails large financial donations to politicians that are not necessarily dependent on votes from the industry but are influential because of their political position or because they are directly involved in the political process concerned.

¹¹⁸ Baldwin, p. 123 & www.respectcopyrights.org

¹¹⁹ “Film/TV Industry Launches Public Service Announcements As Part of Nationwide Awareness Campaign on the Impact of Digital Piracy.” *Time Warner – Newsroom*. July 22, 2003. June 12, 2006.
<<http://www.timewarner.com/corp/newsroom/pr/0,20812,669953,00.html>>

¹²⁰ Baldwin, p. 123

When analysing the spending characteristics of the movie industry, it is immediately clear that financial donations are an extremely important lobby instrument.¹²¹ With a total of \$32.4 million in donations in the 2004 election cycle, the industry ranks eleventh in a list of top industries giving to federal candidates.¹²² This dwarfs the \$1.7 million of the textile industry (rank 74) and immediately shows the difference in industry size and lobby characteristics. In figure 3, the general trend in contributions since 1990 is illustrated. Like in the textile industry the amounts have increased significantly, however, the political preference of the movie industry is clearly Democratic. The combination of the fairly Democratic home bases of the industry, California and New York, and the fact that the industry can be considered to be a creative and therefore more liberal sector are probably the reasons for this political partisanship.

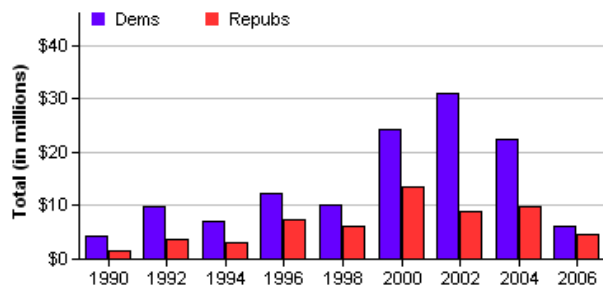


Fig. 3: Total TV/Movies/Music Industry Contributions to federal political candidates since 1990. (source: www.opensecrets.org)

A further analysis of the movie industry’s contribution characteristics in table 7 confirms the leading role of WB in the movie industry and its parent company Time Warner in the entertainment industry as a whole. It is the main contributor to federal candidates and parties in the 2004 election cycle, followed by Viacom, which is the parent company of Paramount Pictures and the MTV Network among others. Other movie studios are present in this top ten in the form of Walt Disney, and News Corp., which is the parent company of 20th Century Fox. Comcast and Cablevision are both large broadband cable and internet providers,

Rank	Organization	Amount
1	Time Warner	\$2,762,439
2	Viacom Inc	\$1,387,371
3	Comcast Corp	\$1,343,735
4	National Cable & Telecommunications Assn	\$1,314,742
5	Walt Disney Co	\$980,957
6	Clear Channel Communications	\$884,046
7	National Assn of Broadcasters	\$697,778
8	News Corp	\$603,056
9	Cablevision Systems	\$577,400
10	General Electric	\$566,986

Table 7: Top 10 TV/Movies/Music Industry Contributors in 2004 Election Cycle (source: www.opensecrets.org)

while the National Cable & Telecommunications Association and the National Association of Broadcasters are trade associations in the communications business. Clear Channel is a Texas based media and entertainment corporation that includes a number

of radio and TV networks. Lastly, General Electric ranks tenth, because this diverse corporation owns the NBC television network among others.

¹²¹ In the data of *The Center for Responsive Politics*, the spending characteristics of the movie industry are combined with those of TV and music, since these generally concern the same companies.

¹²² “TV/Movies/Music: Long-Term Contribution Trends.” *Center for Responsive Politics*. April 24, 2006. June 13, 2006. <<http://www.opensecrets.org/industries/indus.asp?Ind=B02>>

When looking at the main recipients from the movie industry in the 2004 election

Rank	Candidate	Office	Amount
1	Kerry, John (D)	Pres	\$3,409,79
2	Bush, George W (R)	Pres	\$1,388,64
3	Dean, Howard (D)	Pres	\$728,249
4	Boxer, Barbara (D-CA)	Senate	\$568,240
5	Daschle, Tom (D-SD)	Senate	\$558,057
6	Clark, Wesley (D)	Pres	\$546,700
7	Gephardt, Richard A (D)	Pres	\$439,031
8	Specter, Arlen (R-PA)	Senate	\$309,250
9	Edwards, John (D)	Pres	\$298,975
10	Clinton, Hillary Rodham (D-NY)	Senate	\$291,210
11	Obama, Barack (D-IL)	Senate	\$286,433
12	Schumer, Charles E (D-NY)	Senate	\$248,300
13	Leahy, Patrick (D-VT)	Senate	\$221,400
14	Markey, Edward J (D-MA)	House	\$195,698
15	Dodd, Chris (D-CT)	Senate	\$178,050
16	Lieberman, Joe (D-CT)	Senate	\$161,400
17	Salazar, Ken (D-CO)	Senate	\$156,293
18	Clooney, Nick (D-KY)	House	\$150,650
19	Berman, Howard L (D-CA)	House	\$144,500
20	Reid, Harry (D-NV)	Senate	\$124,000

Table 8: Top 20 TV/Movies/Music Recipients in 2004 Election Cycle (source: www.opensecrets.org)

cycle in table 8, clearly the contributions are dominated by the support for the Democratic presidential candidates in the primaries and John Kerry in the actual presidential race. This also illustrates the emphasis on (potentially) influential politicians in leading positions. They are not necessarily dependent on the movie industry in terms of votes, but can be of great influence when being sponsored with a substantial amount of money.

The emphasis on Democrats is a returning characteristic in the movie industry's

lobby practices and shows a clear partisanship. The only non-presidential Republican candidate that is included in table 8 is Arlen Specter [8] who did not receive large contributions from the movie studios but from broadband cable and internet provider Comcast and industrial conglomerate General Electric.¹²³

A second aspect that can be derived from table 8 is the diversity of states the recipients represent. While the list of recipients from the textile industry was dominated with ten Senators and Representatives from South Carolina and North Carolina, the home states of a few of the largest textile companies, the list of the movie industry only contains three Senators and one Representative from the home states of the movie industry. Both Senators from New York (Clinton [10] & Schumer [12]) and one from California (Boxer [4]) are sponsored substantially.¹²⁴ Howard Berman [19] also receives considerable donations since he represents California's 28th district, which includes Studio City and the Hollywood Hills, and because he is senior member of the International Relations Committee and Judiciary Committee and ranking member of the House Judiciary Subcommittee on Courts, the Internet and Intellectual Property.¹²⁵ In other words, Berman is specifically concerned with IP protection on a federal and international level and therefore a crucial Representative for the

¹²³ "Arlen Specter (R-PA); Top Contributors." *Center for Responsive Politics*. June 14, 2006. <www.opensecrets.org>

¹²⁴ The second California Senator, Dianne Feinstein, is not among the top recipients, but nevertheless had the TV/Movie/Music industry as the fourth supporting industry with a total of \$294,816. ("Dianne Feinstein (D-CA) – Top Industries." *Center for Responsive Politics*. June 14, 2006. <www.opensecrets.org>

¹²⁵ "28th District Facts & Links." & "About Howard." *Congressman Howard L. Berman*. June 14, 2006. <<http://www.house.gov/berman/>>

movie industry. There are certainly many other candidates from California and New York that receive contributions from the movie industry, however, the fact that they are not included in the top twenty list illustrates that the industry has a special interest in other politicians.

Many other top donations are diffused over members of Congress from different U.S. regions but nevertheless have a link to the movie industry or have an influential position in Congress. Tom Daschle [5] for instance, was Senator for South Dakota, a Midwestern state without significant high-tech industries. Nevertheless, Daschle was important for the movie industry because he had been the Senate's Democratic minority/majority leader since 1995, which is a powerful position.¹²⁶ In the 2004 election however, Daschle was beaten by the Republican candidate for South Dakota, John Thune. Harry Reid [20], the last person in the list of top recipients, became the new Senate minority leader for the Democrats and is linked to the entertainment industry as a whole since he represents Nevada, including Las Vegas as one of the main entertainment places in the U.S.

Senator Patrick Leahy [13] from Vermont and Representative Edward J. Markey [14] are also important Congressmen for the movie industry although their home states do not show it. The fact that Leahy is “[s]ometimes referred to as the ‘cyber senator’” and Markey is “the highest Ranking Democrat on the House Subcommittee on Telecommunications and the Internet” reveal a link to IP protection and therefore to the movie industry's interests.¹²⁷ Leahy is co-founder and co-chair of the Congressional Internet Caucus and has copyrights protection as one of his main issues. Markey is a member of the caucus and “has shaped more than 20 years of telecommunications policy.”¹²⁸

All in all, the financial support for many members of Congress is linked to the movie industry's interests, especially IP protection, yet is not necessarily related to the grassroots or electoral dependency of these politicians. The power of large financial donations is considered to be effective enough and in a way replaces the voting strength an industry like the textile industry relies upon. This is fully in line with the prediction in the second hypothesis that the movie industry's lobby mainly relies on financial strength and is diffused, which means that it does not specifically emphasise its geographical grassroots.

¹²⁶ “Daschle, Thomas Andrew, (1947 -).” *Biographical Directory of the United States Congress*. June 14, 2006. <<http://bioguide.congress.gov/scripts/biodisplay.pl?index=D000064>>

¹²⁷ “Major Issues; Protecting the Internet.” *Patrick Leahy United States Senator*. June 14, 2006. <<http://leahy.senate.gov/issues/internet/index.html>> & “Biography of Representative Edward J. Markey.” *Congressman Ed Markey*. June 14, 2006.

<http://markey.house.gov/index.php?option=com_content&task=view&id=1&Itemid=2>

¹²⁸ “Biography of Representative Edward J. Markey.”

5. Outcome

The magnitude of entertainment corporations like Time Warner, Viacom, and Walt Disney leads to a significant political influence as can be seen in their campaign contributions. Especially IP protection is an issue that deserves much attention as can be derived from the political candidates that are supported and the ‘Respect Copyrights’-campaign by the seven largest movie companies. Support for the DR-CAFTA agreement itself by the movie industry has the advantage that the majority of U.S. business corporations is in favour of the FTA. The large Business Coalition for U.S. – Central America Trade is a good example of the broad support across many economic sectors. The relatively minor influence in the Congressional hearings, save from the House Ways and Means Committee hearing, is therefore not a missed opportunity because there were enough other organizations that explained the export opportunities in the DR-CAFTA agreement, including the IP protection provisions.

Considering the fact that the DR-CAFTA Implementation Act passed Congress, one would assume that a successful lobby was carried out. However, when analysing Congress’s voting behaviour it looks like the movie industry won the war but lost the battle. Appendix II shows the voting behaviour of only the members of Congress from California and New York in which it can be seen that the majority of the federal politicians from both states voted against the implementation act (56 against 30). The analysis in this chapter proves that definitely not all lobby efforts were aimed at these members, which could be part of an explanation for this voting behaviour. However, since the entertainment industry forms a large part of the economies of these states and the majority of U.S. business corporations support DR-CAFTA, one would assume a much wider support for the FTA. Especially in states like New York and California which are economic centres of the U.S.

Also, when we look at members of Congress from other regions, the same trend appears in the list. Out of this list of top recipients from the movie industry (table 8), the only sitting member of Congress who voted for DR-CAFTA is Joe Lieberman [16], who is more of a conservative Democrat. This means that also Senators Boxer, Schumer and Clinton, who are all Democrats and received large donations by the movie industry voted against. Even ‘cyber senator’ Leahy and Representative Markey, who have the internet and copyrights as a top priority, voted against.

The fact that these members of Congress are all Democrats leads to the explanation for this voting behaviour. A remarkable feature in the lobby characteristics of the movie industry is its partisanship. Almost every lobby effort is focused on Democratic politicians save from

two Republican candidates, including the president who initiated the DR-CAFTA negotiations. Returning to Appendix II, party discipline like in the textile states (Appendix I) explains this voting behaviour. Only two Democrats in New York (Representatives Meeks and Towns) and one in California (Senator Feinstein) voted for DR-CAFTA. Out of all Republicans only one Representative (McHugh) voted against.

Washington Post staff writer Jonathan Weisman affirms the influence of partisan politics in the Democratic behaviour.¹²⁹ In the House, it is the first time in almost twenty years that the Democrats voted en masse against a free trade agreement. Representative Ellen Tauscher (CA) for instance, who voted for “the most contentious trade bills of the past half dozen years,” now voted against DR-CAFTA. Most Democrats explain their votes with the fact that the agreement would be a retreat from earlier “commitments to stronger environmental and labour standards,” and for fear of harming the domestic textile and sugar industry. However, with even 50 pro-trade Democrats voting against, Weissman argues that their behaviour is based on partisan strategies.

They want to see Bush lose a major legislative initiative or, at the very least, make Republicans from districts hit hard by international trade take a dangerous vote in favour of a deal their constituents oppose. Dozens of Republicans in districts dependent on the textile industry, the sugar growers or small manufacturers have already said they will vote against the bill. House Minority Leader Nancy Pelosi (Calif.) privately warned Democrats last month that a vote for CAFTA is a vote to stay in the minority.¹³⁰

With a strong party discipline among Democrats and the knowledge that a number of Republicans would cast a negative vote, the Democratic Party hoped to gain a majority against the bill and by doing so, increase their power in Congress. The vote was narrow and the party discipline in both parties was strong as we can see in table 9. In total, only 26 Democrats voted for and 39 Republicans voted against DR-CAFTA.¹³¹ As the results show, the

House of Representatives				
	AYES	NOES	NV*	Total
Republican	202	27	2	231
Democratic	15	187		202
Independent		1		1
Totals	217	215	2	434

Senate				
	AYES	NOES	NV	Total
Republican	43	12		55
Democratic	11	33		44
Independent	1			1
Totals	55	45		100

Total Democratic 'AYES'	26
Total Republican 'NOES'	39

*Not voting : Jo Ann Davis (R-VA)
: Charles H. Taylor (R-NC)

Table 9: Congressional Vote Concerning the DR-CAFTA Implementation Act on July 28, 2005. (source: <http://clerk.house.gov>)

¹²⁹ Jonathan Weisman. “CAFTA Reflects Democrats’ Shift From Trade Bills.” *Washington Post*. July 6, 2005. January 22, 2006. <<http://www.washingtonpost.com/wp-dyn/content/article/2005/07/05/AR2005070501345.html>>

¹³⁰ Ibid.

¹³¹ The total amount of votes in the House of Representatives is usually 435 (in contrast to the 434 in table 9). This is due to the fact that at the time of the vote there was a vacancy. Repr. Rob Portman (R-OH) resigned his seat to become U.S. Trade Representative on April 29, 2005. The special election to fill this vacancy was held

Democratic plan did not succeed, because there were not enough Republicans retreating from party discipline and too many Democrats doing exactly that. Especially the fifteen House Democrats who voted for the act have become a notorious group among anti-CAFTA NGOs and are referred to as the “CAFTA 15.”¹³² *Working Life* for instance, which is a critical and activist Internet site on labour and the economy, holds the CAFTA 15 responsible for the fact that they “chose corporate interests over the future of working people here and in Central America and the Dominican Republic.”¹³³ On the other hand, according to Josephine Hearn from *The Hill* a number of business groups and individual companies are rewarding the CAFTA 15 for helping to pass the FTA.

In the three months since CAFTA passed the House by two votes, business groups and individual companies have held more than a dozen fundraisers for members of the so-called “CAFTA 15” and have provided help selling the trade pact to skeptical constituents.¹³⁴

Table 10 shows a list of these 15 House Representatives, including the financial influence of the movie industry in their campaign before the DR-CAFTA vote (2003-2004), and during and after the vote (2005-2006), which is the current cycle in the period of this research. Although these numbers are definitely not all conclusive, it is striking to see that four of these Representatives have the movie industry in their top twenty list of contributors in the 2006 cycle, while this was not the case before the DR-CAFTA vote. This could either mean that these politicians received donations right before the vote as a means of influence or after the passage of DR-CAFTA as a reward, like *The Hill* reports. This remains unclear however.

House Representatives	State	Committee Assignment	Ranking of 'TV/Movies/Music' in Contributions	
			2004 cycle	2006 cycle*
Snyder, Vic	Arkansas	Armed services; Veterans' affairs		
Bean, Melissa	Illinois	Financial services; Small business	-	19
Moore, Dennis	Kansas	Budget; Financial services		17
Jefferson, William	Louisiana	Budget; Ways and means		
Skelton, Ike	Mississippi	Armed services		
Towns, Edolphus	New York	Energy and commerce; Government reform	5	6
Meeks, Gregory	New York	Financial services; International relations	17	10
Cooper, Jim	Tennessee	Armed services; Budget		12
Tanner, John	Tennessee	Ways and means		
Hinojosa, Ruben	Texas	Education and the workforce; Financial services		
Ortiz, Solomon	Texas	Armed services; Resources		
Cuellar, Henry	Texas	Agriculture; Budget	-	
Matheson, Jim	Utah	Financial services; Science; Transportation and infrastructure		19
Moran, Jim	Virginia	Appropriations		
Dicks, Norm	Washington	Appropriations		

*: The numbers of the 2006 cycle are still changing in the period of this research. These rankings were published by the Center for Responsive Politics on April 24, 2006.

Table 10: The 'CAFTA 15' and the Ranking of the TV/Movies/Music Industry in their Contributions (source: www.opensecrets.org)

after the DR-CAFTA vote on August 2, 2005 and was won by Jean Schmidt (R-OH). (source: www.opensecrets.org)

¹³² Elana Schor. “Business Shows Gratitude to 'CAFTA 15' Democrats Who Voted For Trade Deal.” *The Hill – The Newspaper For and About the U.S. Congress*. September 7, 2005. January 23, 2006.

<http://www.hillnews.com/thehill/export/TheHill/Business/090705_cafta.html>

¹³³ Jonathan Tasini. “The CAFTA 15.” *Working Life*. 2005. June 15, 2006. <<http://workinglife.org/cafta15.html>>

¹³⁴ Josephine Hearn. “Business Rewards CAFTA 15.” *The Hill*. November 9, 2005. June 15, 2006.

<<http://www.hillnews.com/thehill/export/TheHill/News/Frontpage/110905/news3.html>>

6. Assessment of Hypothesis 2 (H2)

After the analysis of the lobby practices of the movie industry and of the actual voting behaviour in Congress, it is possible to assess the second hypothesis that was formulated in Chapter 2.

The lobby practices of the movie industry are completely in line with the prediction that it would be diffused and mostly characterized by an emphasis on financial support for influential members of Congress and the creation of public awareness. First of all, the diffuseness can be found in the fact that the movie industry places its faith in a diversity of politicians that are influential because of their (possible) hierarchic position or because of the fact that they have the movie industry's interests (IP protection) high on the agenda, as can be seen in the support for Senator Leahy and Representative Markey. Unlike the textile industry where the focus of lobbying mainly lies on members of Congress from textile states, the movie industry spreads its money more over the country since it cannot rely on the voting strength of its employees in a few geographic regions. IP theft first of all hits the industry's capital, its main production factor. Layoffs can be an eventual consequence, but this is uncertain and on a long-term basis. Rallying the workforce with the advantages of the IP protection clauses in the DR-CAFTA agreement would therefore not be very effective. As predicted, the advantages of trade liberalization are diffused and therefore more difficult to communicate.

Creating an awareness of the vices of intellectual piracy among the general public without explicitly mentioning specific agreements like DR-CAFTA, is therefore one of the few public efforts the movie industry does undertake. This can be seen most prominently in the "Respect Copyrights"-campaign in national and international media.

The emphasis on financial support is also obvious, considering the fact that the main movie and entertainment companies are large multinationals who have influence because of their sheer size and financial power. It is therefore not strange that Time Warner, Viacom, and Walt Disney rank amongst the top contributors in U.S. politics.

Finally, the prediction that the movie industry lobby would be unsuccessful is somewhat ambiguous. On the whole, DR-CAFTA passed Congress and it was therefore a victory for the movie industry. However, while the lobby was almost completely focused on Democratic politicians, it turned out to be to no avail because a strong Democratic bloc against DR-CAFTA meant that the majority of the politicians that were supported by the movie industry did not comply with its wishes, which resulted in only twenty-six Democratic

members of Congress supporting the agreement. Therefore the hypothesized unsuccessfulness of the movie industry's lobby can be affirmed when looking at the link between the individual recipients and their voting behaviour. However, although the theoretic assumption was based on the difficulty of convincing decision makers with the long term benefits of free trade, the influence of party discipline seems to be the crucial factor. In short, although hypothesis 2 can be affirmed it needs to be done because of an alternative reason.

Conclusion

With the analysis of the political efforts of the textile and movie industry concerning DR-CAFTA, this research tried to interpret part of the complex political economic games that are inextricably linked to trade liberalization in the American political system. The thesis set up a theoretic problem with the general research question in trying to find an explanation for the fact that the DR-CAFTA Implementation Act passed U.S. Congress while general trade theories tell us that those who benefit from free trade are diffused and are therefore politically weaker, whereas those losing from free trade tend to be concentrated and more influential. In order to investigate this contradiction, the thesis was divided into three sub-questions. First of all, what explains the general theorem that the disadvantaged in free trade matters are more concentrated and powerful than the beneficiaries and to which hypotheses does this lead in this research? Secondly, what are the characteristics of the textile industry lobby and does it correspond with the hypothesis of a concentrated and successful lobby? Lastly, what are the characteristics of the movie industry lobby and does it correspond with the hypothesis of a diffused and unsuccessful lobby? After answering these sub-questions by means of a brief summary of the research, a full answer to the general research question can be given including two important theoretic amendments. Lastly, a methodological reflection and a conclusion with some final thoughts follow.

1. Summarized

Despite the fact that most trade theories tell us that free trade benefits all, the ever present protectionist tendencies can be explained with the fact that the struggle between free trade and protectionism is a constant political game, influenced by the logic of economic self-interest. While free trade can lead to more prosperity in a country, for some concentrated groups in society it can mean serious income losses on a short-term basis (e.g. bankruptcy, unemployment). This is the basis for the rule of thumb that the costs of free trade are generally short-term and concentrated in “a relatively small group of well organized (import competing) producers,” while the long-term benefits of free trade are situated in “the large group of less well organized consumers.”¹³⁵

Fuelled by a permanent campaign, or the disappearance of the line between governing and campaigning in American politics, the actions of members of Congress are often characterized by short-term thinking. In terms of trade policy, this means that the short-term

¹³⁵ Brakman & Jepma. p. 12

costs of free trade can be a much stronger trigger for politicians than the long-term benefits. Supporters of protectionism therefore have a better chance of success than the larger dispersed supporters of free trade.

Before translating this reasoning to two hypotheses about the predicted lobby efforts concerning the DR-CAFTA Implementation Act, the market structures of the two different economic sectors are crucial. The textile industry, as the opponent of DR-CAFTA, is characterized by a large amount of relatively small firms and many employees, concentrated in one region. This and the tangible short-term costs of the agreement make the potential voting strength of the workforce an important lobby instrument. The movie industry however, as a proponent of DR-CAFTA, is an oligopolistic market with a relatively small amount of large corporations, a high level of competition, and large amounts of centralized profits which makes financial strength the main lobby instrument.

In short, the two formulated hypotheses predict that the textile industry is involved in a concentrated and successful lobby, mainly relying on voting strength to counter the passage of DR-CAFTA (H1), while the movie industry is involved in a diffused and unsuccessful lobby to support the passage of DR-CAFTA, mainly relying on financial strength (H2).

In the textile case, five lobby instruments of the textile industry are analysed: congressional hearings, grassroots lobbying, creating media attention, a caucus meeting, and election campaign financing. Generally, all these instruments conform to the first hypothesis, because the lobby efforts are mostly concentrated in typical textile states where reliance on the voting strength of the workforce is the main instrument.

However, the hypothesis cannot be fully acknowledged because of two important aspects. The total division between proponents and opponents within the textile industry destroyed the potential effectiveness of a concentrated lobby and is therefore also an important reason for a relatively small opposition to DR-CAFTA from the members of Congress from the (Southern) textile states. Another crucial aspect turns out to be the influence of party discipline. In a highly polarized Congress, an influential proposal from the Bush administration like the DR-CAFTA Implementation Act becomes a symbol of political power and prestige and created a voting behaviour along party lines, with most Democrats voting against and most Republicans voting in favour of the agreement.

Considering the large amounts of money the movie industry spends on the campaigns of different potentially influential political candidates and on general media campaigns, the second hypothesis appears to be fully in line with reality. The movie industry's lobby strategy is diffused in the sense that it is not especially aimed at candidates from particular regions that

can be backed up by voting strength of the workforce. Striking however, is the clear partisanship in the lobby strategy. The emphasis on Democratic candidates in combination with the strong party discipline in the Congressional voting behaviour therefore leads to an ironic outcome that although DR-CAFTA passed congress, the lobby efforts of the movie industry seem to be to no avail since almost every top recipient in campaign contributions voted against.

2. Theoretic Amendments

Since the research of the two separate cases does not lead to a complete acknowledgement of the two hypotheses, the causes for the contradiction that was set up in the general research question can now be interpreted. The passage of the DR-CAFTA Implementation Act can be explained with the general theorem that those who benefit from trade are diffused, whereas those losing from trade tend to be concentrated to the extent that the lobby tactics of the two investigated industries are in line with the theoretic assumptions. The textile industry's lobby is focused on members of Congress from the textile states and relies considerably on the voting strength of the workforce. The movie industry however, relies on financial instead of voting strength and supports politicians who are potentially powerful.

The eventual outcome in the Congressional vote however, deviates from the theoretic assumptions because of two reasons that therefore also form the theoretic amendments to the economic self-interest approach, applied in this research. First of all, the degree of unanimity within an industry is crucial. Union is strength and a divided industry therefore loses its political power as can be seen in the case of the textile industry. Important to notice here, is the fact that this is also a result of the initial negotiation phase of the administration with the foreign governments. Despite the fact that the president has more authority in negotiating the trade agreement due to the 'fast-track' act (see page 5), he still has to be aware of a number of domestic interests. During the negotiations, the opinion of politically influential constituencies, like the textile industry, are taken into account as a means to give the agreement the possibility of survival in Congress. The Bush administration was successful in creating partial acceptance within the textile industry and therefore significantly decreased the industry's potential power to bloc the agreement as a whole. The unanimity within an industry concerning free trade agreements can therefore become a complex issue and illustrates how negotiations on the highest political level have an influence on a regional scale.

The second theoretical amendment concerns the influence of party discipline. The actual Congressional vote was clearly a battle between Republicans and Democrats and the opinion of the constituencies (or grassroots) of the Congressional representatives was therefore less important. Although the issue of lobbying, the influence of the permanent campaign, and the individuality of politicians always receive a significant amount of attention when discussing the American political system, this research shows that party discipline is also a powerful influence in the Congressional decision-making process.

3. Reflection

After these conclusions it is essential to reflect on the method of research to put the findings in the right perspective. The focus of the research was primarily on the lobby efforts of two industries in relation to the congressional vote on the DR-CAFTA Implementation Act. While the textile industry was compared one on one with the movie industry, it should be noted that these are two completely different industries. Not just in terms of products, size, market structure, and financial power, but also the actual difference in concern for the new agreement deserves some attention. Although the free trade agreement is important for the movie industry in the sense that is another big step in globalising IP protection it will probably not directly affect the industry's size and position. The actual effects on the textile industry however, can be devastating. For a number of years now, the U.S. textile industry is actually decreasing due to import competition. If DR-CAFTA actually turns out to be harmful for the sector it is possible that it will lead to an even greater decrease and more layoffs. The stakes in the DR-CAFTA debate can therefore be much higher for the textile industry, than for the movie industry

Also important is the fact that DR-CAFTA is a multilateral free trade agreement, which means that next to textile and movie industry interests, it includes many more issues. The anti-CAFTA lobby of the sugar industry, and the influence of the pharmaceutical industry on the IP protection provisions for instance, were left out of the picture. The actual negotiation phase between the administration and the foreign governments is also an aspect that cannot be fully separated from the domestic political process. In order to get a better picture of the multiple interests and issues that surround DR-CAFTA, these subjects therefore also deserve attention and can be starting points for further research.

4. The Real Picture?

With *Norma Rae*, 20th Century Fox depicted the harsh life of a textile worker (played by Sally Field), employed in a cotton mill with terrible working conditions in a small town in the South.¹³⁶ Based on the true story of textile worker Crystal Lee Sutton, the movie gives a good impression of the poor circumstances of the

workers and the difficulties of unionizing the textile industry in the 1970s. With the help of a union man from the Textile Workers Union of America (nowadays UNITE HERE!) she fights a difficult fight to get the employees unionized so they will no longer be exploited and will have better working conditions. Eventually, after a heroic action, in which Norma Rae rallies the workforce by standing in the middle of the factory with a ‘union’-sign held up high (see figure4), the cotton mill is unionized through a voting process with an outcome of 427 to 373.

Although the vote in this dramatized story is a close call, the voting outcome in the House of Representatives concerning DR-CAFTA is equally dramatic and exemplifies how free trade nowadays is a controversial theme, just like the unionization of the textile industry of the South in the 1970s. In the movie, many employees see the textile firms as large powerful organizations that can do whatever they want, at the expense of the workers. When Sonny (Beau Bridges), the friend and later husband of Norma Rae, is asked if he never gets tired of it, he replies with the words, “I just wash it down with a beer, you see.”

Nowadays, the issue of trade liberalization, and globalization as a whole, is often perceived similarly. Many organisations and opinion makers look at free trade agreements as instruments of large multinational corporations to increase their power and investments, without anyone having the ability or will to stop them. There is of course some truth in the sense that in recent times, large business corporations have gained in magnitude due to an increase in international trade and finance, which also has its social implications. Corporate responsibility for instance, has become an important issue due to the increasing social and political influence of these large businesses.

This research however, shows that the political power of business corporations still remains the outcome of a rather intricate game of building strategic coalitions, finding support among the right politicians, and being faced with the power of political party discipline. This makes trade liberalization a subject perhaps too complex for the movies, but nevertheless important enough to analyse.

Fig 4: Movie still from *Norma Rae*
(source: <http://home.millsaps.edu>)



¹³⁶ *Norma Rae*. Dir. Martin Ritt. Perf. Sally Field, Ron Leibman, and Beau Bridges. 20th Century Fox, 1979.

Appendix I: Voting Behaviour of the Members of Congress from North Carolina, Georgia, South Carolina, Alabama, and Virginia, concerning the DR- CAFTA Implementation Act¹³⁷

State	Chamber	AYES	NOES	NOT VOTING
North Carolina	Senate	Richard Burr (R-NC) Elizabeth Dole (R-NC)		
	House	Robin Hayes (R-NC) Sue Myrick (R-NC)	G.K. Butterfield (D-NC) Howard Coble (R-NC) Bob Etheridge (D-NC) Virginia Foxx (R-NC) Walter Jones (R-NC) Patrick McHenry (R-NC) Mike McIntyre (D-NC) Brad Miller (D-NC) David Price (D-NC) Melvin Watt (D-NC)	Charles Taylor (R-NC)
Georgia	Senate	Saxby Chambliss (R-GA) Johnny Isakson (R-GA)		
	House	Nathan Deal (R-GA) Phil Gingrey (R-GA) Jack Kingston (R-GA) John Linder (R-GA) Tom Price (R-GA) Lynn Westmoreland (R-GA)	John Barrow (D-GA) Sanford Bishop (D-GA) John Lewis (D-GA) Jim Marshall (D-GA) Cynthia McKinney (D-GA) Charles Norwood (R-GA) David Scott (D-GA)	
South Carolina	Senate	Jim DeMint (R-SC)	Lindsey Graham (R-SC)	
	House	J. Gresham Barrett (R-SC) Henry Brown (R-SC) Bob Inglis (R-SC) Joe Wilson (R-SC)	James Clyburn (D-SC) John Spratt (D-SC)	
Alabama	Senate	Jeff Sessions (R-AL)	Richard Shelby (R-AL)	
	House	Robert Aderholt (R-AL) Spencer Bachus (R-AL) Jo Bonner (R-AL) Terry Everett (R-AL) Michael Rogers (R-AL)	Robert Cramer (D-AL) Artur Davis (D-AL)	
Virginia	Senate	George Allen (R-VA) John Warner (R-VA)		
	House	Eric Cantor (R-VA) Thomas Davis (R-VA) Thelma Drake (R-VA) Randy Forbes (R-VA) Bob Goodlatte (R-VA) James Moran (D-VA) Frank Wolf (R-VA)	Rick Boucher (D-VA) Virgil Goode (R-VA) Bobby Scott (D-VA)	Jo Ann Davis (R-VA)
Total		32	26	2
Republican		31	8	2
Democrat		1	18	0

¹³⁷ Based on: "Final Vote Results for Roll Call 443." *Office of the Clerk – U.S. House of Representatives*. July 28, 2005. May 17, 2006. <<http://clerk.house.gov/evs/2005/roll443.xml>> & "Roll Call Vote No. 443 Tally" & "Roll Call Vote No. 209 Tally." *U.S. Chamber of Commerce*. July 28, 2005. June 14, 2006. <www.uschamber.com>

Appendix II: Voting Behaviour of the Members of Congress from California and New York, concerning the DR-CAFTA Implementation Act¹³⁸

State	Chamber	AYES	NOES	NOT VOTING
California	Senate	Dianne Feinstein (D-CA)	Barbara Boxer (D-CA)	
	House	Mary Bono (R-CA) Ken Calvert (R-CA) Christopher Cox (R-CA) Randy Cunningham (R-CA) John Doolittle (R-CA) David Dreier (R-CA) Elton Gallegly (R-CA) Wally Hergler (R-CA) Darrell Issa (R-CA) Jerry Lewis (R-CA) Dan Lungren (R-CA) Howard McKeon (R-CA) Gary Miller (R-CA) Devin Nunes (R-CA) Richard Pombo (R-CA) George Radanovich (R-CA) Dana Rohrabacher (R-CA) Ed Royce (R-CA) William Thomas (R-CA)	Joe Baca (D-CA) Xavier Becerra (D-CA) Howard Berman (D-CA) Lois Capps (D-CA) Dennis Cardoza (D-CA) Jim Costa (D-CA) Susan Davis (D-CA) Anna Eshoo (D-CA) Sam Farr (D-CA) Bob Filner (D-CA) Jane Harman (D-CA) Michael Honda (D-CA) Duncan Hunter (R-CA) Tom Lantos (D-CA) Barbara Lee (D-CA) Zoe Lofgren (D-CA) Doris Matsui (D-CA) Juanita Millender-McDonald (D-CA) George Miller (D-CA) Grace Napolitano (D-CA) Nancy Pelosi (D-CA) Lucille Roybal-Allard (D-CA) Linda Sanchez (D-CA) Loretta Sanchez (D-CA) Adam Schiff (D-CA) Brad Sherman (D-CA) Hilda Solis (D-CA) Fortney Stark (D-CA) Ellen Tauscher (D-CA) Mike Thompson (D-CA) Maxine Waters (D-CA) Diane Watson (D-CA) Henry Waxman (D-CA) Lynn Woolsey (D-CA)	
New York	Senate		Hillary Clinton (D-NY) Charles Schumer (D-NY)	
	House	Sherwood Boehlert (R-NY) Vito Fossella (R-NY) Sue Kelly (R-NY) Peter King (R-NY) Randy Kuhl (R-NY) Gregory Meeks (D-NY) Thomas Reynolds (R-NY) John Sweeney (R-NY) Edolphus Towns (D-NY) James Walsh (R-NY)	Gary Ackerman (D-NY) Tim Bishop (D-NY) Joseph Crowley (D-NY) Eliot Engel (D-NY) Brian Higgins (D-NY) Maurice Hinchey (D-NY) Steve Israel (D-NY) Nita Lowey (D-NY) Carolyn Maloney (D-NY) Carolyn McCarthy (D-NY) John McHugh (R-NY) Michael McNulty (D-NY) Jerrold Nadler (D-NY) Major Owens (D-NY) Charles Rangel (D-NY) Jose Serrano (D-NY) Louise McIntosh Slaughter (D-NY) Nydia Velazquez (D-NY) Anthony Weiner (D-NY)	
Total		30	56	0
Republican		27	1	0
Democrat		3	55	0

¹³⁸ Based on: "Final Vote Results for Roll Call 443." *Office of the Clerk – U.S. House of Representatives*. July 28, 2005. May 17, 2006. <<http://clerk.house.gov/evs/2005/roll443.xml>> & "Roll Call Vote No. 443 Tally" & "Roll Call Vote No. 209 Tally." *U.S. Chamber of Commerce*. July 28, 2005. June 14, 2006. <www.uschamber.com>

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