

Senator Charles Grassley
Secretary of Commerce Carlos Gutierrez
Secretary of Agriculture Mike Johanns
Ambassador Susan Schwab
FTA Rally
September 10, 2007

Senator Grassley: -- First of all, this is a tremendous turnout. If half this number had turned out I would have said it would have been a successful meeting, so it's twice as successful. [Laughter]. Of course we're interested in outcome, so we're here asking you as missionaries to help us along the issue of [inaudible] and more free trade and getting some work in the free trade agreements before Congress done. So I thank all of you for being here.

During the August recess I spent some time thinking about how to jumpstart the congressional movement along a legislative priority, that is a trade agreement. As you know, this year began with the Democrats demanding additional provisions in our trade agreements before they would agree to implement them. After lengthy negotiations the administration agreed to a compromise that the House Democratic leadership announced with much fanfare on May the 10th. Since then our trade agreements with Peru, Colombia, Panama, South Korea -- have been renegotiated to reflect that compromise.

Here we are, four months to that very day, and the 110th Congress still hasn't implemented a single trade agreement.

So I decided to invite those of you from the business and agriculture communities as well as the people from the administration together here today for three reasons. First, I want to make it clear that the implementation of our trade agreements with Peru, Colombia and Panama remain at the top of the agenda as far as I'm concerned. Our agreement with South Korea is important as well, but implementation [inaudible] until the Korean government fully conforms its regulations of trade in beef products to internationally recognized standards. The focus for the foreseeable future then is on our trade agreements with Latin America.

Second, I want to walk through the many reasons why we should implement each of these trade agreements.

Third, I want to invite the administration representatives to express the extent to which implementation of these trade agreements is a priority with the President of the United States. I'll also take this opportunity to comment briefly on the renewal of trade promotion authority and our trade adjustment assistance programs.

Whether you focus on the benefits of these agreements for our trading partners or the benefits for our own country, the fact is implementation advances our mutual interests. The story is pretty much the same each time that the International Trade Commission studies the effects of implementing any one of our trade agreements. Our exports increase, the exports of our trading partners increase, and overall there is a net reduction in the U.S. trade deficit.

For those critics in Congress of our mounting trade deficits, here's one way that you can make a difference, vote for implementation of the trade agreements and get those good results.

We have an open economy and often provide duty-free access to imports under our unilateral trade preference programs. Our trade agreements turn one-way access into a two-way street so our exporters have equal opportunities, and our trading partners benefit in significant ways as well. Countries with export-led economic growth grow faster than an economy with more stagnant exports. Increased access to imports offer lower prices and increased choices for our consumers.

A trade agreement with the United States is also an important signal that increases the competence of foreign investors. It fosters enhanced respect for the rule of law and it strengthens our relationships with an important ally. This is particularly important when it comes to Latin America, which for some of those countries is now at a very important political crossroads.

Some governments in the region such as Venezuela, Bolivia and Ecuador, are consolidating political power. [Inaudible] industries are otherwise disregarding investor rights and in the mean time distancing themselves from otherwise close relationships with our own country.

In the case of Peru, Colombia and Panama, it is quite the opposite. These governments are demonstrating a commitment to market liberalization and to strengthening their economic and political relations with the United States.

So now, it's up to us here in the Congress and it's up to those of you who help things move along in this Congress. We need to demonstrate that the United States stands by its friends and we cannot fail in this effort towards Latin America. To signal otherwise by not implementing our Latin American trade agreements would be extremely detrimental to the national interests in this region. It would empower leader like Chavez, [inaudible] towards the United States, and it would disillusion the people in Peru, Colombia and Panama who view the United States with friendship.

Instead we must act to strengthen our relationships and support our allies. We must act to expand economic opportunity and increase prosperity. And we must act to foster increased political as well as economic stability in Latin America.

The most immediate way to accomplish these objectives is to implement these three pending agreements.

I accepted the May 10th compromise because even with those changes I believe it remains in our national interest to implement these trade agreements. I thank Senator Baucus for working so hard in this effort as well. And I appreciate the fact that Chairman Baucus scheduled a committee hearing on the Peru trade agreement for tomorrow morning. I hope we can quickly follow up with informal committee considerations of draft implementation legislation.

I want to complete the implementation process during this work period so that we can turn to our agreements with Panama and Colombia between now and the end of the year. Unfortunately I suspect that there are some who are not yet persuaded of the need to conclude the implementation process this year. I will do my best to make that case, and I hope that the administration will lend its voice in this effort as well. I'm grateful that we have Ambassador Schwab, Secretary Gutierrez and Secretary Johanns joining us today and I'll turn shortly to them.

Before we do that, let me briefly touch on the inspiration of the trade promotion authority and the reason for renewing trade adjustment assistance.

During the coming weeks our trade negotiators are going to work hard to sell the Doha Round negotiations in the World Trade Organization. I hope that they succeed, bringing back an ambitious agreement that will provide meaningful market access opportunities for our farmers, manufacturers, and service industries, but I remain skeptical that we can get a final deal without ensuring that it will be put to an up or down vote in the United States Congress.

To that end we need to expand trade promotion authority, otherwise we'll cede international leadership on trade to other countries that were pounded out between 1993 and 2002, we're not going to stand around and wait for the United States to continue the leadership that we have for the [50] years prior to that. They went ahead on their own and we saw 130 bilateral trade agreements negotiated while we negotiated two. We don't want to be in that boat again.

We also need to reauthorize trade adjustment assistance in working on legislation to do that, and I know other members are interested in that as well.

We'll probably need to extend the current programs for a few months in order to give Congress a more realistic timeframe for moving new authorizing legislation. I'm committed to this effort. I'm asking you to be more committed to it as you are in your daily life anyway, to help us meet these gains so that we can meet the needs of trade impacted workers and help create more jobs in America.

To sum up, let me say this. When you hear so much about what's wrong with Chinese currency, when you hear so much that's wrong with the trade deficit, you hear about the outsourcing of jobs. Sometimes you see the very same people that are complaining about those things are the very same ones holding up these trade agreements. If we've got an opportunity in America, we've got an opportunity in the world, but for our workers to give access to world markets, to the very same countries that have had access to our markets under our preference agreements for the last three or four decades, it seems to me everything these members have been complaining about will be taken care of by passing these trade agreements and other trade agreements and creating an environment through trade promotion authority so that Ambassador Schwab can negotiate agreements and get more jobs, so this exporting nation can export more and create good paying jobs that pay 15 percent above the national average because they're export related. That's what's at stake and we've got to get to work to get the job done.

It's now my pleasure to invite in this order, Ambassador Schwab, followed by Secretary Gutierrez, followed by Secretary Johanns. Will you each come in that order please? Thank you.

[Applause].

Ambassador Schwab: Senator Grassley, thank you very very much. Iowa is very lucky to have you as a Senator, and free trade supporters across the country are fortunate to have you as a [leader].

Under your leadership, looking around the room I think this rally may become the Iowa State Fair. Thank you for everything that you do.

[Applause].

While August was quiet here in the halls of Congress the administration was hard at work promoting the benefits of the four pending free trade agreements. Editorial boards, events, speeches and meetings across the country. A full-out coordinated effort was underway by the administration to highlight the benefits of trade and of these agreements in particular.

I'm just back, and I mean three hours ago just back, from a very productive meeting in Sydney, Australia with 21 leaders of the Asian Pacific Economic Cooperation Forum. The vibrant economies of this region give testament to the remarkable benefits of free and fair trade.

In the months ahead Members of Congress -- Republicans and Democrats -- will cast votes on trade policy that will reverberate for decades to come.

The four trade agreements we celebrate today promise to create commercial opportunities for American farmers, ranchers, manufacturers, and service providers, no matter who is President of the United States. And in the years to come, the four free trade agreements will symbolize the continuity of American leadership in the international marketplace, no matter what party controls Congress.

Lawmakers have a choice. Do they want to open these markets for American exports just like our markets are open to their imports? Most products from Peru, Colombia and Panama enter the United States duty free. Korean electronic goods and other products can be found in nearly every household in the country. Or will U.S. lawmakers penalize our own exporters?

The three Latin American free trade agreements represent a combined market of 75 million consumers. The U.S.-Korea free trade agreement, KORUS FTA, is our chance to reach another 49 million consumers whose per capita incomes have grown to almost \$20,000 a year.

Members of Congress need to understand that a "no" vote on any one of these FTAs will not create a single job in the United States or sell a single pound of meat or a single piece of medical equipment or software. Moreover, a "no" vote will not help a single citizen of anyone's country. Members who know better that America will benefit and Americans will benefit from trade when it is a two-way street will vote "yes".

Lawmakers also have a choice about the position of the United States on the world stage. Our allies in Latin America and Korea have adopted market-oriented economic policies and built democratic institutions. They want the United States to be their partner in continued progress. Will we reward their progress or play into the hands of those in the region who seek to move their nations backwards? The death squads, economic despair and political turmoil, that seemed like a permanent part of life in Peru and Colombia and Panama only a generation ago have been replaced by greater stability, economic growth, and free elections. By cementing our trade and commercial relationships with these countries we can help sustain these positive trends.

Congress must decide whether the United States grasps the extended hand of countries who seek closer economic and strategic ties. What kind of signal do we want to send to other countries in Latin America, in Asia, or any other part of the world of our willingness and ability to lead, to compete?

For nearly ten months the Bush administration has worked with House and Senate leaders from both parties on a path forward for these four free trade agreements. The bipartisan view we reached in May will pull into these FTAs unprecedented protections for labor rights and environmental standards. Our trading partners are ready to honor that agreement. Are we?

It would seem Members of Congress have an obvious choice -- to open new markets for their states' products and services and to reaffirm U.S. strategic commitments to our neighbors and allies. Of course we know that trade votes always take a lot of work. We need to get the facts out with passion and with energy. We know we can count on every one of you today for an exhilarating and historic effort on behalf of this monumental [inaudible]. Thank you.

[Applause].

Secretary Gutierrez: Thank you Ambassador Schwab, and I'd like to recognize and acknowledge Senator Grassley's leadership. Clearly Senator Grassley gets it and understands the importance of exports to jobs and to our growth.

It's interesting, I'll be taking a trip to the three Latin countries on Wednesday, so this meeting is very timely. I'm going to focus on those three countries because the benefits are so tangible and so obvious.

We're taking down a delegation of about 14 members of Congress. We'll be visiting Panama, Peru and Colombia. So a great opportunity to highlight the benefits, to meet the leaders, to meet business people, and to help people understand that these are truly important trade agreements.

It's interesting that at this point in time our exports are doing better than they have been for a long time. You have to go back a long long time to see the kind of percent growth that will happen. In fact I have not seen for 10 or 12 years a time period where exports are actually adding to GDP growth. This year our exports were up double digit; last year they were up double digit; the last two years they've outgrown imports. Just to give you an idea, the second quarter of this year our GDP grew by four percent. The biggest contributor to growth, the single biggest contributor, was net exports. Which means that the absolute growth of our net exports exceeded the absolute growth of our imports.

So trade is not only creating jobs, it's adding to our economic growth. I can say as a nation we are on a roll. We are exporting, reaching levels that we've never reached before or taking advantage of trade agreements. We are becoming so much more international, which is exactly what we need to continue to grow and to create jobs.

So this is a time to move forward, push, be aggressive, and not step back as Senator Grassley said. The economic case for these agreements is very clear, very common sense. We are importing from these countries. We create, about 90 percent of the products that come in from these countries are duty free. We give them preferences. Our products pay a duty going to those countries. So what this does is it takes our duties down so that we both have the opportunity to export to each other. It's exactly the same economic rationale that we talked about when CAFTA was up for vote.

And just to give you an idea of the performance, before CAFTA was put in place we had a trade deficit with those countries, because we can now export so much more, we have a trade surplus. The last two years we had a trade surplus with the CAFTA countries and it was almost instantly, that we just started exporting a lot more and today we're talking about a \$45 billion relationship with CAFTA countries -- be it in Brazil, be it in India, be it in Australia.

Latin America as a whole, the countries with which we have a free trade agreement in Latin America, primarily the new ones, [CAFTA] of Chile, Dominican Republic, are growing 60 percent. Our exports to those countries, 60 percent since 2001. The rest of Latin America, 48 percent. Exports to the whole world have grown 42. So Latin America is a growth region. This is the time to step it up and push forward and not to move back.

There are so many other reasons beyond the economics. The economics are very very much, very tangible, very obvious, very easy to understand why this is good for our country.

From the standpoint of geopolitics, of strategy, these are three countries that are allies in an area of the world where not everyone is speaking up in favor of the U.S.. These are three countries who clearly have our interests at heart.

In Colombia specifically we'll hear some tremendous reasons, actually pretty exaggerated reasons for why you should be for this agreement. We have been involved with Colombia in something called Plan Colombia for almost a decade. We have put money in Colombia, military gear, helicopters. We really made a commitment to that country about ten years ago. The previous administration and President Bush has been behind it all the way.

Plan Colombia has worked. Every indicator you can think of, every indicator you look at -- violence, any type of violent crime, their economy, it's all working. So why would we turn back now after a decade of very hard work, understanding how difficult that environment has been for Colombians, and understanding that there's a national security benefit for us if Colombia is stable and say why would we turn back now and reject a free trade agreement with a country with whom we've worked so hard and a country that has been such a close ally?

For history's sake, Colombia was the only Latin American country to send troops to Korea during the war, during the Korean War. This is a country that's been with us for a long, long time. How do you explain that we would give the opportunity of a free trade agreement to all the countries around it but reject a country that's always been our ally? It's very hard to explain.

So this is a time to step it up. It's good for exports, good for the economy, and good for leaving a solid record for the future as to how we treat our friends and how we treat our allies.

Let me just close by giving you a web site. I was told I was in charge of this. It's TradeAgreements.gov. We're going to provide information on these agreements, why they're good. You can get information by state, by product, everything you ever wanted to know as to why we need to do these trade agreements, why is it in our national interest. It can be found at TradeAgreements.gov. Please get the word out, and please know that from the standpoint of the Commerce Department working with Ambassador Schwab, Secretary Johanns, Senator Grassley, we are going to give it all we need to do to get these agreements approved because it's the right thing to do for our country.

Thank you very much for your help.

[Applause].

Secretary Johanns: Thank you very much.

Let me if I might start out and remember my manners and just say thank you to Senator Grassley for pulling this together. I can tell your invitation draws a crowd, and we appreciate the opportunity to offer a few words on behalf of the administration relative to these agreements.

Let me if I might share some statistics with you that we regard as enormously impressive at the USDA. This year ag exports are projected to reach yet another record -- \$79 billion in ag exports. In 2008, we have already released our forecast, and we estimate that overall our exports will be yet another record, \$83 billion.

To put that in context, every one billion in agricultural export sales generates an additional \$2.64 billion in economic activity; and equally as important, it supports 12,800 jobs somewhere here in the United States. In all, agricultural exports support more than a million jobs, and those jobs are not only on the farm, they're in related industries like food processing and transportation. That's an important part of our nation's economy.

Recently I had an opportunity, in fact just last week, to visit a couple of our CAFTA countries -- El Salvador and Guatemala. What a success story! U.S. agricultural exports to the CAFTA DR region reached \$2.2 billion in '06. That was an increase of nearly 19 percent from 2005. Based on our latest statistics, 2007 is projected to be yet another record year with exports through June of 22 percent over the same time last year.

But the impressive part of what I saw in these two countries is the optimism and the hope that citizens have for their future because of what's happening with our relationship. It was a very moving experience to be there.

If I might just offer a little bit of focus on these agreements, let me start with Peru.

Our United States Trade Representative, Ambassador Schwab, and her team have given us outstanding agreements to work with here. In Peru we eliminate high tariffs and other barriers on agricultural products. No products are excluded from the agreement. There's the immediate elimination of duties on nearly 90 percent of U.S. trade.

The American Farm Bureau studied this and they predict this agreement, once fully implemented, could provide \$705 million in gain each year for American agriculture. We'll see an immediate elimination of duties currently ranging from four to twelve percent on soybeans and soybean meal, crude soybean oil, towards products that we create or raise here in the United States; it will lift the 17 percent tariff on wheat imports from the United States; and duties on varied products will be eliminated over time. I could go on and on about the benefits of this agreement.

Colombia, same story. The immediate elimination of duties on 53 percent of U.S. trade. Already Colombia's one of our largest markets in South America. Once again looking at the American Farm Bureau study, we anticipate that \$690 million in gains will occur each year for American agriculture. It will lift 80 percent of the duty on prime and choice beef cuts. And again, I could go on and on.

Panama. Immediate elimination of duties on 60 percent of current U.S. trade. It changes the one-way street of duty free access

currently enjoyed and makes it a two-way street. The Farm Bureau study estimates \$190 million annual gain. Panama will provide immediate duty free access for U.S. pork products to the tune of 2,554 tons and again, I could go on and on about the benefit of this agreement relative to agriculture in the United States.

So you can see why a very very impressive array of ag groups have stood up to support these agreements.

I just want to wrap up my comments today by saying that these agreements are good for agriculture, but they're good for everyone. We are absolutely committed to doing all we can to secure the passage of these agreements.

And Senator Grassley, I'll return to where I started and just say thanks for your leadership.

[Applause].

Senator Grassley: You folks were kind enough to come to this rally and help us get the message out. If any of you from the business community or trade associations have any questions you'd like to ask me or the members of the cabinet, direct your questions accordingly.

Question: [Inaudible]. My question is towards voting. [Inaudible] the House or [inaudible]?

Senator Grassley: We can do that as long as there's no revenue involved. I don't quite understand the rules, the constitution right on that point. I'm just hoping to get [inaudible] any place we can, and I thank Senator Baucus particularly for scheduling the hearings that we have now, and hopefully that can be followed up with other actions. But I don't have any [inaudible] at this point.

Maybe I'll take some questions from the press.

Question: Senator Grassley, you spoke about the hope that the implementation process for Peru might be done before the Columbus Day recess. Are you talking about a full Senate vote? And is this the timetable that the chairman has endorsed as well?

Senator Grassley: That's my timetable. That's one I hope we can all be working towards [inaudible] as well. I'll follow up with discussions. I haven't had an opportunity beyond this hearing to have discussions with Senator Baucus on that point. He obviously would be the first one that I would go to.

Question: Have you spoken to the leadership about that? Or would that wait until [inaudible]?

Senator Grassley: That would have to wait. I'm going to work through Senator Baucus. He's a good friend and coworker. He believes in this stuff as I do, so that's the place to start.

Question: Two questions for Ambassador Schwab. Have you all decided in what order you'd like to present the agreements? Have you decided whether to put Colombia after Peru? Or bring them up in the order they were signed?

Ambassador Schwab: When we reached our agreement with the House and the Senate Democratic and Republican leadership in May on these free trade agreements to create this path there were no decisions made, no commitments made in terms of scheduling. This is a four free trade agreement strategy plan on behalf of the administration. Peru was the first FTA negotiated; Colombia, second; Panama, third; South Korea is the fourth. Generally, as you know, we usually send them up in the order in which they were negotiated, but there has been no commitments one way or another. The key is to get all four of them done.

Question: I had a question [inaudible]. On the [inaudible], is there [inaudible] of perhaps [inaudible] Colombia or [inaudible] without prior [inaudible]?

Ambassador Schwab: That's a sort of theoretical option, it's not an option that we would ever want to embrace. It's always out there, but clearly the best way for trade promotion authority to operate is as an understanding there's a contract, a relationship between the executive and legislative branches of the government where when Congress is ready to receive the trade agreement we send a trade agreement. We look forward to strong bipartisan support for the trade agreements and I would add my thanks and appreciation to those of Senator Grassley for Chairman Baucus' decision to go ahead with a hearing tomorrow.

Question: For Secretary Johanns. What is your expectation now of getting some decision from Korea on [inaudible]? And secondly, [inaudible], particularly on [inaudible]?

Secretary Johanns: I'll take your second question first and actually the Ambassador would be an excellent person to answer that question, but I'll offer my advice from the United States [inaudible].

Every market that the United States fails to seize, there are many standing in line who want that market. Australia, Brazil, again I could mention country after country, they are really world-class competitors of ours when it comes to agriculture products, whether it's beef or soybeans or some other products. So when we don't access a market because we don't have the ability to negotiate an agreement, somebody else is going to be

there to do all they can to get that market and to take control of that market. Then we lose out.

So that's the long and short of it. The difficulty we have, without trade promotion authority, is that countries are reluctant to deal with us. Why? Because there's no end to the negotiations. There's just no end in sight.

Korea, the beef issue, we continue to work through with South Korea. Other countries also, Japan. There's a list of them.

I feel like we have made progress with Korea. I still have confidence that these issues can be worked out. We are now a controlled risk country. We have been classified as a controlled risk country by the OIE. What that means is that we can trade in bone-in and boneless meat from animals of all ages. So that's what we're asking our trading partners to do. That's what we're moving toward is OIE compliance. That's what we insist other trading partners do.

Question: Do you have [inaudible]?

Secretary Johanns: They continue to work with us, and that's always a good sign. As you know, we've had some shipments that have occupied our time. That was unfortunate. Of the 600,000 boxes I think we had six where there was an issue. But they continue to work with us, so to me that is an encouraging sign that we can stay on track to get this done and [inaudible].

I didn't spend a lot of time on Korea, but let me just tell you, Korea is, from an agricultural standpoint, just a fantastic opportunity. I could go through the numbers, but suffice it to say this is a very large market and our [inaudible] are very very interested in doing all they can to get this agreement passed.

Question: Is the administration concerned about the high level of recalls on imported products such as children's toys? And the follow-up to that is what role do free trade agreements play in this? Thank you.

Secretary Gutierrez: Yes, this is an area that the President has focused on. A task force has been created headed by Senator Leavitt and designed to review all our procedures. Especially with the thought that you can't inspect safety into a product, it has to be built in. So the focus is ensuring that countries have the right mechanism and processes in place, ensuring that we have the right inspection systems, and that, if need be, if there's ever a need for recall, ensuring that we have the right tracking systems in place. So it's very much a priority, and a report will be sent to the President very soon.

So yes, this is something that in fact if you saw the press, [inaudible], and [inaudible] that our trading partners were aware that this is something that is a big issue for us and therefore should be a big issue to them.

Question: Senator, regarding the election in Panama's National Assembly of an individual wanted for the killing of a U.S. serviceman, is this development of concern to you? Does it have an impact on the Panama FTA? And if I could get Secretary Gutierrez and anyone else from the administration that wants to comment on that as well. But you start, Senator.

Senator Grassley: It's my understanding that he's willing to step down, and I think if he's willing to step down that would be the best thing. I don't consider it a major roadblock.

Secretary Gutierrez: We're disappointed, we don't like it. We've got to move forward with our plans. We have a trade agreement in place that we need to move forward with. And the State Department has a lead on this issue. I'm sure they're going to be dealing with it the proper way, but of course, plainly we don't like to see that. And again, State has the lead and we'll be following that with [great interest].

Senator Grassley: I thank the Ambassador and the two Secretaries for coming. Thank you all very much also for [inaudible] and your hard work [inaudible] to work full time on this stuff. And I ask all of you from the business community who are here, [inaudible] whatever your interest is in trade, I hope you'll help us move this stuff along.

Please work real hard. You've made a difference in the past and you'll make a difference. In fact, agriculture, manufacturing and service working together has been what has gotten trade agreements through Congress in general. So just keep up the unified focus that we have. Thank you all very much.

[Applause].

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