Committee On Finance

Max Baucus, Ranking Member

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Floor Statement of U.S. Senator Max Baucus Regarding CAFTA

(WASHINGTON, D.C.) U.S. Senator Max Baucus delivered the following floor speech during today's Senate debate voicing his opposition with CAFTA. The statement prepared for delivery follows:

Mr. President, I rise in opposition to the CAFTA Implementation Act. But before I speak to CAFTA specifically, I want to put my comments in context.

I believe in trade, and I have the voting record to prove it. I worked with the first Bush Administration to pass NAFTA. I worked with the Clinton Administration to pass legislation giving Permanent Normal Trade Relations status to China. As Chairman of the Finance Committee, I led the fight in the Senate to renew the President's fast-track trade negotiating authority after a lapse of eight years. And I have voted for every one of the United States' bilateral free trade agreements.

I have spent decades fighting for trade, because I know that lowering tariffs and leveling the global playing field creates enormous opportunities for America's workers, farmers, and businesses. Trade opens new markets for our agriculture, manufactured goods, and services. Trade generates good-paying jobs. And, as consumers, it gives us all more choices at lower prices.

The benefits of trade are quantifiable and real. Economists estimate that the trade agreements of the 1990s – principally the WTO Uruguay Round and the NAFTA – save the average American family over $1500 every year. In my own state of Montana, total exports to Mexico have increased sevenfold in 10 years under NAFTA.

And the benefits of trade spread beyond our borders. By engaging other nations economically, the United States can help developing countries generate the wealth they need to lift their people out of poverty. We can spread the values of democracy and promote the rule of law. While harder to measure, these benefits are every bit as real as those we can.

But there is a right way and a wrong way to pursue trade liberalization. And I fear we are heading down the wrong path in at least three respects:

- We are pursuing the wrong agreements.
- We are not doing enough to enforce the agreements we already have.
- And we are ignoring the public's growing unease with our trade policy.

All of these mistakes may have perilous consequences. In the short run, they have made the debate over CAFTA far more divisive than it needed to be. In the longer term, the success of the Doha Round, our broader trade agenda, and our nation's long-term economic prospects are all at risk.

The Dangers of Putting Foreign Policy First

First and foremost, nations trade for economic gain. So the primary goal of our trade policy should always be to maximize those economic gains.

That is why I have long advocated a focus on trade deals with large markets that offer the greatest bang for the negotiating buck. Trade deals that bring obvious benefits sell themselves back home and help create a virtuous cycle of trade liberalization and economic growth.

Yet, in the past few years, we have seen an increasing focus on free trade agreements motivated by abstract foreign policy concerns. These agreements with small markets take a lot of resources to negotiate. Even with fast-track procedures, they are difficult to move through Congress. And, in the end, they offer few if any economic gains to justify the money, time, and effort that goes into negotiating them.

Time and again, Members of Congress are asked to take difficult votes on agreements that have few obvious benefits to the people back home. That is just not a sustainable pattern. It is a recipe for what I have been calling "trade fatigue."

We need to refocus our negotiating resources on markets that matter.

First and foremost that means the WTO. The Doha Round is at a critical point. It will take strong U.S. leadership to keep it on course. And we must keep it on course if we want to make meaningful progress on a host of key issues in agriculture, services, and other critical sectors.

Does that mean we should abandon the pursuit of bilateral and regional free trade agreements? Certainly not. Does it mean CAFTA offers no benefits to the United States? No.

But it means we should make better choices. Countries like Korea, Malaysia, and Taiwan offer large and growing markets for our goods and services. The benefits of an agreement with any one of these countries are easy to quantify and worth the investment of resources.

We are told these countries aren't "ready" to negotiate. I don't see that they are any less prepared than many of the countries with which we are already negotiating. The simple explanation is that economic goals are not a sufficient priority in selecting FTA partners. And that must change.

Indifference to Enforcement

Negotiating the right agreements would help set us back on the right course. But that is not enough.

We also need to do a much better job enforcing the agreements that are already on the books.

Our trade negotiating resources are finite. That's not something trade officials like to admit, but it's true. The more resources we devote to negotiating new agreements, the fewer remain to enforce the agreements we already have.

Still, lack of resources is only part of the problem. The larger problem is lack of will to make enforcement a priority.

Focusing on enforcement is not about rhetoric. It is about the bottom line. The International Trade Commission estimates that – in 15 or 20 years when it is fully implemented – CAFTA could increase U.S. exports by about $2.7 billion per year, with a comparable increase in imports. Compare that to $7.5 billion in lost software sales due to piracy in the Asia-Pacific region in 2003 alone.

Negotiating CAFTA has consumed enormous resources. By any measure, the United States Government has devoted far fewer resources to combating the theft of intellectual property. Worldwide, the problem continues to grow unabated. Anyone juxtaposing the projected benefits of CAFTA and the known losses from software piracy ought to question our priorities.

This indifferent approach to enforcement must change. When our government is perceived as weak on enforcement, the public justly questions whether trade agreements aren't all give and no take. Without meaningful actions to address the public perception that trade deals are giveaways, it is no wonder public skepticism about trade is growing.

Enforcement means as much or more to the bottom line as new agreements. Enforcement builds public confidence in open trade. It needs to be a much greater priority.

Ignoring the Grassroots

In the end, trade policy is supposed to be about helping people – helping them to find jobs, find markets, and live better lives.

And yet, to the average American, the downside risks of trade are often far more obvious than the benefits. That's not new. What is different is our recent unwillingness to acknowledge this reality.

I remember when President Clinton toured the country making the case for NAFTA. He knew that average Americans were nervous about trade and globalization. President Clinton went directly to the people to explain why trade benefits us all. He was honest in admitting that some people might lose their jobs – that some communities might be hurt by NAFTA. But he made a strong case for the overall benefits. And he promised to lend a helping hand to those who might suffer.

No one is doing that now. The Finance Committee amended CAFTA to include a needed expansion of Trade Adjustment Assistance to service workers whose jobs move offshore. But the final bill came back with the amendment stripped out.

Instead of making a positive case for their policy choices, instead of putting in place policies to help ease the inevitable transitions that come with global competition, our current approach seems to marginalize people who express concerns about trade.

Nowhere is this more obvious than in the debate over CAFTA.

Everyone agrees that workers in Central America face significant hurdles when they try to exercise their internationally recognized right to organize and bargain collectively. Yet, when American workers raise legitimate questions about CAFTA's potential effects on this situation, they are written off as protectionists.

Everyone agrees that more attention needs to be paid to environmental issues in Central America. Yet environmentalists are marginalized in our trade advisory committee structure and their views dismissed as extreme.

Everyone agrees that sugar producers are the sector of American agriculture with nothing to gain and much downside risk from CAFTA. But when our sugar producers object to being sacrificed, their concerns are dismissed as exaggerated and selfish.

Political leaders turn their backs on the grassroots at their peril.

If we want our trade agenda to succeed, we must confront the public's fears head on. We need to make the case for trade and why it is important to us all. We need to address the short-term transitional needs of our workers and the long-term competitiveness of our economy. And we need to start enforcing trade rules so that Americans receive the benefits of our bargains.

The government works for the people. Sooner or later, we cannot make Americans swallow a policy with which they do not agree. I worry that we are getting closer to that day.

CAFTA

We are at a turning point. Our trade policy makers need to decide if they want the trade agenda to move forward or to stop in its tracks. The first test is CAFTA.

From the very beginning, CAFTA faced an uphill battle in Congress. This agreement faces the strongest, most diverse, and most unified opposition brought to bear on any trade agreement in the past decade.

Labor unions, human rights groups, and environmentalists believe the agreement will worsen Central America's already poor record on workers rights and environmental protection. Sugar and some textile producers see their economic survival being sacrificed in exchange for foreign policy goals and perhaps some very modest economic gains to other sectors. Grassroots agriculture organizations, like R-CALF and the National Farmers Union, are convinced that the current structure of U.S. trade agreements does not level the playing field and brings them no benefit.

It didn't have to be this way.

We made a lot of progress in the Trade Act of 2002 on labor and environment. But since that time, the debate has been largely one-sided, and progress has essentially stopped. That's a contrast to other areas, such as intellectual property, where we seek successive improvements in each new deal.

Many Central American officials have made clear that their governments would have accepted stronger labor rights provisions in CAFTA – but U.S. negotiators were not permitted to ask the question.

To be fair, I must acknowledge that some progress has been made – at my urging – on certain environmental issues in CAFTA. This proves that progress on CAFTA's difficult issues is possible. But a similar effort was not made on other issues until – at the last minute – the votes did not add up.

I am particularly disappointed in the unfair way that CAFTA deals with sugar.

The administration claims that CAFTA will allow in only a teaspoon a day of extra sugar – not enough to harm anyone. But their own study from the International Trade Commission estimates that the sugar industry will suffer by far the largest negative effects from this agreement of any domestic industry – including thousands of lost jobs.

The sugar beet farmers of Montana and the workers at Montana's two farmer-owned sugar beet processing plants rightly see CAFTA as a threat to their livelihoods.

I also hear the argument that we cannot get a good trade deal for American agricultural exports unless we open our market to imported sugar. Experience simply does not bear out this claim. Certainly U.S. agricultural exporters received a good deal in the U.S.-Australia Free Trade Agreement without any new sugar access.

The United States has rightly refused to negotiate our farm programs in the Free Trade Agreement of the Americas or in any of our other bilateral or regional trade agreements. It makes no sense to reduce price supports for wheat, corn, cotton, soybeans, dairy, rice, or other commodities without being assured that other big producers of those commodities will similarly reduce their price supports.

But that is effectively what we are doing to our farmers who grow sugar. We are giving away our leverage in a tiny bilateral while major subsidizers like Brazil and the European Union are not at the table. On behalf of Montana's sugar beet farmers, I stand firm in saying this is not right. Any discussion of farm programs belongs in the WTO – nowhere else.

During all the time that CAFTA was being negotiated, and during the year and a half since negotiations concluded, the sugar industry has been ready and willing to work with the administration. But their suggestions have never received serious consideration.

As CAFTA struggled for votes, Secretary Johanns came forward just a few days ago with a proposal. But that proposal is a short-term fix for a long-term problem. It's not enough for my Montana sugar beet farmers, so it's not enough for me.

But even more disturbing than the proposal itself is the way it was developed. Rather than meeting with the sugar industry to develop a reasonable proposal, the administration simply offered its own plan. In my judgment, that was not the best way to allay sugar industry concerns with CAFTA. And it has left us where we are – with a proposal inadequate to address the real fears of sugar beet and sugar cane growers in Montana and elsewhere.

Prospects for TPA in 2007 and the Long-Term Agenda

The CAFTA agreement, like most trade agreements, has its merits. But there were two ways to pursue it — have an inclusive process and deal with hard issues, or sidestep them and then try to win by a vote or two. In this case, we have followed the latter course.
Even if this strategy works, I'm afraid the victory will come at great cost.

In 2007, Trade Promotion Authority will expire. Any proposal to renew TPA will come in the form of a fully amendable bill.

Everything this administration does – or rather doesn't do – on trade, tells Congress how the executive views the role of Congress in the development of trade policy and will influence legislators' views on a new TPA bill.

In a few short years, I sense that there has been a significant degradation of the Congressional-Executive partnership that has steered our major trade deals to completion since the 1970s. I fear that we have taken a step backward from the work that I, and many others, did to build a new consensus in the Trade Act of 2002.

I can only urge that we see the error of our ways before it is too late. Before we put the Doha Round, future bilaterals, and TPA itself at risk.

Our nation stands at a crossroads. Which way will we turn?

Toward a trade policy of inclusion or one that ignores those whom it marginalizes?
A trade policy that promotes economic growth, or one that sacrifices our economic good for perceived foreign policy gains?

A trade policy that will move us forward together, or one that will divide the Congress and the country – and inevitably bring the process of trade liberalization to a grinding halt?

It is my sincere hope that we learn our lessons from the difficult road CAFTA has taken, and that in the future, we follow a different path.

Thank you, Mr. President. I yield the floor.

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