



# Committee On Finance

Max Baucus, Ranking Member

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## Floor Statement of U.S. Senator Max Baucus U.S.-Australia Free Trade Agreement

Mr. President, today the Senate begins consideration of the U.S.-Australia Free Trade Agreement. I support this agreement for one simple reason: Trade means jobs.

The U.S. economy is the most flexible, vibrant, and dynamic in the world. We owe that to the ingenuity of the American people and their relentless thirst to create and to innovate.

We also owe it to the policies we have put in place to support the innovation that keeps our economy growing and creating jobs. That includes embracing open trade.

Twelve million Americans – 1 out of every 10 workers – depend on exports for their jobs. And these jobs pay thousands of dollars more than jobs unrelated to trade.

Now, some think of trade as helping only big multinational companies. In reality, trade helps companies of all sizes. Firms with fewer than 20 workers make up two-thirds of American exporters.

Trade also creates benefits for communities across the country. In Montana, nearly 6,000 jobs depend on manufacturing exports. And more than 730 Montana companies, mostly small and medium-sized businesses, export products overseas.

Despite the well-known benefits of trade and the vibrancy of the U.S. economy, the last few years have been difficult ones.

Since January 2001, the American private sector has lost nearly 2 million jobs – mainly in manufacturing. And service sector jobs – once virtually immune to international competition – have begun to move offshore in increasing numbers.

When people talk about jobs moving overseas, they frequently talk about trade. Too often, the proposed solution is to retreat into isolationism and raise barriers to trade. In my view, that's exactly the wrong approach. We should engage in more trade, not less.

But we must be smart about trade. We must enforce our trade laws and our trade agreements. We must ensure that markets remain open to U.S. companies, and that U.S. companies can compete on a level playing field.

We should reject the notion that we must lower standards in this country to compete. Instead, we must look to raise standards in the countries we trade with. The Trade Act of 2002 made tremendous progress in this regard, but we must continue to "race to the top."

The free trade agreement with Australia is the kind of agreement we should be negotiating. It offers both broad commercial benefits and high standards.

Australia is one of the few countries with whom the U.S. enjoys a trade surplus, with the bulk of this surplus in manufactured goods.

With this agreement, U.S. manufacturers predict that U.S. exports will grow by an additional 20 percent – \$2 billion per year. Montana already exports \$3.4 million per year in industrial goods to Australia. And these exports will grow with this agreement.

This is great news to manufacturing workers who have been hard hit by massive job losses. It is especially important in a state like Montana, where we have lost 3,300 manufacturing jobs in the past 4 years. These losses represented 15 percent of Montana's manufacturing workforce.

But it's not just about manufacturing. This agreement will also benefit U.S. service providers. Australia will expand access for cross-border services, and to enhance regulatory transparency. That will mean greater opportunities in financial services as well as those services provided through new and innovative technology.

Beyond these benefits, the agreement also increases protections for intellectual property. And it requires Australia to offer greater opportunities to U.S. bidders in government procurement.

All of these improvements will translate into a more fair and open market for U.S. producers. That will mean more jobs and higher wages for U.S. workers.

At the same time, this agreement opens the door to a greater relationship with one of the most vibrant and promising economies in the world. Australia stands as a gateway to the fast growing markets of Southeast Asia. This agreement will help U.S. companies further develop their export potential.

Now, some have expressed concerns regarding agriculture. Australia exports many of the same commodities that the U.S. produces – most notably, beef, dairy, and sugar. Yet Australia offers a much smaller consumer market in return.

Those of us from states that produce these commodities were concerned. However, given the close relationship between the U.S. and Australia, and given the substantial benefits to the manufacturing and service sectors, it was clear to me that Congress would approve an Australia agreement.

The only solution to this challenge for U.S. agriculture was good, old-fashioned tough negotiating. I urged Ambassador Zoellick to work hard to preserve the interests of rural America, by treating U.S. commodities sensitively.

I pushed him to ensure a long transition period, and to provide strong safeguards where necessary. I am pleased to report that U.S. negotiators responded to these concerns and met me more than half-way.

For beef, there is an 18-year transition period and two automatic safeguards. As we drafted the implementing legislation for this agreement, I worked hard to ensure that there were significant protections for Montana's ranchers.

For dairy, the agreement ensures a slow pace for increased market access, while maintaining over-quota tariffs – a chief priority for U.S. producers.

Finally, U.S. negotiators preserved current sugar policy, in order to enhance our prospects to achieve global reform in the WTO.

These protections help shape an agreement that is balanced and sound. It enhances opportunities for U.S. companies and workers, while also being sensitive to the interests of our farmers and ranchers.

Let me turn to one final issue that has been receiving attention lately. In the last couple of days, some Members have questioned whether this agreement affects U.S. government regulation of prescription drugs.

These concerns involve the potential impact of trade agreements on U.S. healthcare programs, including Medicare, Medicaid and the VA and DOD programs, and the implications of the agreement on the adoption of drug reimportation legislation in the future.

USTR has assured Congress that the provisions in the agreement will not require any changes to the administration of U.S. health programs. And that no changes to current U.S. law or administrative practice are necessary to implement the agreement.

Furthermore, because Australia itself does not permit most pharmaceuticals to be exported, we are assured that this agreement will not impede Congress from considering and enacting reimportation legislation.

My own view is that the concerns raised by these provisions are more hypothetical in nature than concrete. Nonetheless, this is an issue that Congress – and the Finance Committee – should explore more thoroughly as we move forward on trade negotiations in the future.

Mr. President, I urge my colleagues to vote for this agreement. This is an agreement that will help our long-term competitiveness. This is an agreement that will create jobs. This is an agreement that is good for Montana and good for America. I hope it will receive strong support.

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