



# Committee On Finance

Max Baucus, Ranking Member

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## **Baucus Presses for Trade Agreements that Help the Economy, Addresses Offshoring** *Senator Asks GAO to Conduct Study into Trade Agreement Enforcement*

(WASHINGTON, D.C.) In today's Senate Finance Committee hearing with U.S. Trade Representative Robert Zoellick, U.S. Senator Max Baucus continued to press the administration on international trade opportunities that will help the economy and create jobs.

Last week, Baucus unveiled a proposal aimed toward addressing offshoring - the practice of U.S. companies using resources or employees outside of the United States. Baucus emphasized that one of the best ways to boost the economy is by the U.S. embracing trade and making America a better place to work, rather than building walls.

Baucus's proposal to address offshoring includes: passing the JOBS bill, which provides a tax break to American manufacturers, expanding the R&D tax credit and increasing federal spending on research, promoting educational programs to prepare today's children for tomorrow's economy, and helping employers with the rising costs of providing health care, among other provisions.

In today's hearing with USTR Zoellick, Baucus focused on the trade component of his anti-offshoring package, including better selection of free trading partners, better enforcement of existing trade agreements, and stronger labor and the environment provisions within agreements.

"Let's face it: offshoring of jobs has people worried," Baucus said in the hearing. "And the legitimate worries of the American public cannot be dismissed. There is no silver bullet. There are lots of pieces to the offshoring puzzle - tax, education, health, research and development - to name a few. But today, we should talk about the trade piece.

"We need to re-examine how we choose partners for free trade agreements... American workers, farmers, and businesses deserve the most bang for the buck that we can get them. They deserve trade deals with commercially significant markets that will generate job growth at home," Baucus added.

Baucus also announced today that he is requesting that the General Accounting Office (GAO) conduct a study into the enforcement of the more than 250 trade agreements that the United States currently has on the books. Completion of the study is requested for January 2005.

"This study will allow Congress and the administration to better assess how well we do at enforcing trade agreements and how to allocate our resources to achieve the best possible results. It's vital that we continue to move forward with new trade agreements that open markets and level the playing field for American workers, but it's equally critical that current agreements with our trading partners are actively enforced," Baucus added.

Baucus's letter to the GAO and his Finance Committee statement follow:

March 9, 2004

The Honorable David M. Walker  
Comptroller General  
U.S. General Accounting Office  
441 G. Street, N.W.  
Washington, DC 20548

Dear Mr. Walker:

According to The President's 2002 Annual Report on the Trade Agreements Program, the United States is now a party to more than 250 separate trade agreements. These include the WTO Agreements and free trade agreements with Canada, Mexico, Israel, Jordan, Singapore, and Chile. They also include bilateral investment treaties (BITs), Agreements Concerning Intellectual Property, Agreements on Trade and Intellectual Property Rights, Agreements on Textiles and Textile Products, and a host of agreements addressing other sectoral, bilateral, and plurilateral issues.

The United States has a very active negotiating agenda and is constantly concluding new trade agreements. In addition to ongoing negotiations in the WTO's Doha Development Round, the United States is negotiating the Free Trade Agreement of the Americas with 34 countries and is or will shortly begin negotiating bilateral or regional free trade agreements with an additional 20 countries. A number of other bilateral and sectoral agreements are pending or under consideration.

Concluding trade agreements that open markets, level the playing field, and create a strong set of rules to govern international trade is critical to the success of American workers, farmers, and businesses in the global market. It is equally critical, however, that commitments made in such agreements by our trading partners be actively enforced to assure that in each case we are getting the benefit of our bargain.

In light of the large and growing number of trade agreements being concluded, the wide subject areas covered by such agreements, and the limited resources available both to negotiate and enforce trade agreements, we would like to explore the manner in which trade agreements compliance is monitored and enforced by the United States Government. Specifically, we request that GAO determine: (1) what mechanisms exist for monitoring compliance by our trading partners within the full range of U.S. trade agreements; (2) what criteria are used to judge compliance, are such criteria uniformly applied, and is there an objective basis for comparing compliance levels across different agreements; and (3) what criteria guide the allocation of resources among trade agreements compliance and enforcement activities and between such activities and trade negotiations.

In order that Congress and the President may be informed by your findings as set the agendas for the next Congress and the next Administration, I ask that you provide this report by no later than January, 2005.

I appreciate your assistance on this issue.

Sincerely,

Max Baucus  
Ranking Member  
Committee on Finance

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**Statement of U.S. Senator Max Baucus  
Hearing on the Administration's International Trade Agenda**

Thank you, Mr. Chairman and thank you Ambassador Zoellick for appearing before the Committee. You have given us a comprehensive overview of the many issues that will be on our radar screen this year. I would like to focus today on one issue, and that's jobs. I think the primary goal of our trade policy should be to keep and create jobs.

In the last three years, we've lost about 3 million jobs in this country. Some of those jobs are moving overseas – and increasingly, the jobs that are moving overseas are higher-paying, and higher skilled jobs. Every day now, it seems like there is news on the subject of “offshoring.” I hear it from the press, from my colleagues in the Congress, and from constituents. Manufacturing plants moving to China. Call centers moving to India. Even jobs in state unemployment offices are not immune – in some states unemployed workers have to call someone overseas to find out what their state benefits are.

There has been a lot of debate on whether this is good or bad in the big economic picture. But let's face it: offshoring of jobs has people worried. And the legitimate worries of the American public cannot be dismissed. There is no silver bullet. There are lots of pieces to the offshoring puzzle – tax, education, health, research and development – to name a few. But today, we should talk about the trade piece. About how to use our trade policy to create and keep good jobs here at home. I think it is a question of priorities.

First, we need to re-examine how we choose partners for free trade agreements. I remember when we were debating fast track and the Trade Act of 2002. All of us – here in Congress, in the business community, and at the White House – we were all talking about exports, competitiveness, and economic growth. In short, we were talking about jobs.

But somewhere along the line, that goal got hijacked. Instead, as the General Accounting Office recently concluded, foreign policy considerations now dominate this administration's selection of trade partners. I think that's a mistake. I do want to commend you, Ambassador, for continuing to push forward on the World Trade Organization (WTO) Doha Round. The collapse of the new Round in Cancun was a serious setback; we need to continue to make the WTO a priority. I also agree that the WTO can't be the only game in town. We need to move ahead on different fronts. We need to negotiate free trade agreements.

But – we are now negotiating a number of agreements that will have very limited benefits. Now I want to be clear – I welcome more open trade with any country willing to make comprehensive commitments. But negotiating these agreements takes a lot of resources. And our negotiating resources are not unlimited. American workers, farmers, and businesses deserve the most bang for the buck that we can get them. They deserve trade deals with commercially significant markets that will generate job growth at home.

Second, enforcement. Negotiating free trade agreements is not the only way to get market access. Case in point is India. We all know that India is benefiting enormously from the offshoring of service-sector jobs from the United States. But the United States is not getting anything in return, because India has such a closed market. And India is certainly one of the leading countries holding back progress toward greater market access in the WTO.

The administration's proposed solution is to negotiate a free trade agreement with the country next door to India – Sri Lanka. Total U.S. exports to Sri Lanka last year were about \$143 million. So after we expend lots of negotiating resources and wait out a 10 to 15 year implementation period, we might have free trade with an economy that has a current commercial worth to the United States of \$143 million a year.

By contrast, American businesses in 2002 lost more than twice that much – \$342 million in retail revenues – just from software piracy in India. India has made commitments under the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement to protect intellectual property rights. What are we doing about enforcement? How can we spur innovation and create jobs at home if we let people steal our intellectual property – \$13 billion worth of software alone in 2002? Wouldn't our limited resources be better spent combating piracy than negotiating agreements with tiny markets?

I think we need to reassess our priorities. That is why today I am requesting that the GAO conduct a review of how we enforce the more than 250 trade agreements that the United States currently has on the books. This study, which will be completed in early 2005, will help Congress and the Administration better assess how well we do at enforcing trade agreements and how to allocate our resources to achieve the best possible results. And by best results, I mean first and foremost jobs. Because that is what Americans need.

Third, we must ensure that U.S. companies can compete on a level playing field. But 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.”

When it comes to standards on labor and the environment, the debate in the last three years has been about what this administration and this Congress – not our trading partners – will accept. Our trading partners will accept higher standards in order to gain the prestige and access that a trade agreement with the United States gives them. I know that – I've met with the trade ministers and talked with them about these issues. But we negotiate with ourselves instead of with them. We've got to do better.

Mr. Chairman, Ambassador Zoellick, I look forward to working with both of you, and this Committee, as we focus on the priority issues in this year's trade agenda.

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