



Committee On Finance

Max Baucus, Ranking Member

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STATEMENT OF SENATOR MAX BAUCUS U.S. AGRICULTURE EXPORTS TO MEXICO

Mr. Chairman, thank you for holding this important and timely hearing. Having just returned from the recent World Trade Organization (WTO) Ministerial talks in Cancun, and having witnessed their collapse, I am deeply concerned about the direction of global trade in agriculture. Many of our trading partners cynically and selfishly depict the current problems in global agriculture as the result of nothing more than subsidies and unfair trading practices in the developed countries. But we know that this depiction presents a grossly misleading and incomplete view.

As a whole, the distortions in global agriculture markets are highly complex and exist in virtually every country. In fact, the vast bulk of market access barriers faced by farmers in developing countries are imposed by other developing countries. We cannot reform the global market until every country accepts the joint responsibility of making a global agreement work. This is a tough responsibility to accept, but the sooner done, the better.

The main problem of the recent proposal put forward by a group of developing countries -- the so-called "G-22" -- is that it purports to solve a global problem with a non-global solution. And some of our partners, such as Brazil, seem unwilling to make even modest commitments. So, even as we contemplate the future of the Doha Round, we must keep pushing forward to negotiate bilateral and regional Free Trade Agreements (FTAs) that offer real economic opportunities.

Yet, when I talk to farmers and businesspeople back home in Montana, they tell me they are more concerned about our existing free trade agreements than they are about any future agreements. They want us to make sure our current agreements are actually working. Their message is simple: Our trade agreements are worthless if the parties that sign them don't live up to them.

And this brings us to the purpose of today's hearing. Ten years after the negotiation and approval of North American Free Trade Agreement (NAFTA), we have the unhappy task of trying to untangle trading knots with Mexico that involve nearly a dozen commodities and impact farmers in every major producing area of the country. In Montana alone, thousands of cattle ranchers and dry bean farmers are fighting against unfair barriers to a country that has become their most important export market.

Even in the disputes involving imports from Mexico, such as sugar, the disagreement has become terribly complicated. With sugar, which is not covered by today's hearing, but very much a part of our trading relationship, the problem is not a simple matter of more efficient farmers overcoming less efficient farmers. That would be a false characterization. Rather, the problem is about whether the Mexican sugar industry is going to modernize and rationalize, by, for example, a complete and genuine privatization and consolidation of its many mills.

All of these examples point to a basic problem: Mexico's unwillingness to adjust to competition through the reforms that only that country can undertake. If our partners in the

developing world want to modernize and grow their economies, they have to recognize that this growth will require reform of their agriculture sectors. One cannot grow and develop, and remain frozen and unreformed at the same time.

Two weeks ago, during the WTO talks in Cancun, I sat down with Fernando Canales, Mexico's Economic Minister. We talked about the agriculture disputes and about the need to resolve them, so NAFTA can benefit both countries. We agreed that the U.S.-Mexico relationship is close and largely successful. Hopefully, as our common experience under NAFTA unfolds, our two countries will grow together.

Yet, if Mexico is going to share in this growth, it must accept that structural changes to some economic sectors must necessarily occur. These changes need not be harmful. They can be good and constructive. It all depends on them.

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