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Floor Statement of Senator Charles E. Grassley  
H.R. 3688: The United States-Peru Trade Promotion Agreement Implementation Act  
Delivered Monday, December 3, 2007

Mr. President, this day is long overdue. Today the Senate finally considers the United States-Peru Trade Promotion Agreement Implementation Act. I strongly support this bill, and I urge my colleagues to do the same. Over the past seven years, Congress has passed implementing bills for trade agreements with twelve countries. Of these twelve, seven – over half – are located in Latin America.

The implementation of those agreements demonstrated our commitment to strengthening our relations with our neighbors in Latin America. We now have an opportunity to build on that commitment by implementing our trade agreement with Peru. At the same time, these agreements serve to advance our national interests. They foster transparency and increased respect for the rule of law in international business transactions.

They also create more opportunities for increased economic growth and prosperity in neighboring economies, which helps to foster political stability. And that's particularly important in this part of the world, where meaningful alternatives are needed to combat the production and trade of illicit narcotics.

Perhaps most important, these agreements level the playing field for U.S. producers and exporters. Mr. President, during my time in the Senate I've heard some of my colleagues complain that the global trade situation reflects an uneven playing field. To some extent, I agree. In too many cases, the duties that our trading partners impose on U.S. exports are much higher than the duties we impose on theirs. That's certainly the situation with Peru. Right now, some 97 percent of imports from Peru enter the United States duty-free. On the other hand, our exports to Peru face duties that range from 12 to 25 percent. For example, Peru's tariffs on U.S. pork exports – a major Iowa product – are as high as 25 percent, while Peru's exports to the United States are duty-free. Now that's what I call a one-way street. This unbalanced situation is largely the result of the unilateral trade benefits that we extend to Peru under the Andean Trade Preferences Act. This trade agreement will restore balance to our trading relationship with Peru.

Don't take my word for it. The impartial U.S. International Trade Commission (ITC) analyzed our trade agreement with Peru. Here's what the agency found, and I quote: "Given the substantially larger tariffs faced by U.S. exporters to Peru than Peruvian exporters to the United States, the {trade agreement} is likely to result in a much larger increase in U.S. exports than in U.S. imports." The ITC goes on to state that the agreement will likely increase U.S. exports to Peru by 25 percent, while Peruvian exports to the United States will grow by 8 percent. And the benefits of this trade agreement will be spread across all major sectors of our economy. U.S. agricultural producers, manufacturers, and service providers all stand to gain. For example, the ITC predicts the agreement will have a "substantial positive effect" on U.S. exports to Peru of the major U.S. commodities of pork, beef, corn, wheat, and rice.

The American Farm Bureau Federation predicts that U.S. farm sales to Peru could increase by more than \$700 million with full implementation of this trade agreement. U.S. rice exports to Peru will grow ten- to fifteen-fold as a result of this agreement, while U.S. exports of corn will likely more than double. And, the National Pork Producers Council says the Peru trade agreement is a "state of the art agreement for pork producers to which all future {trade agreements} will be compared."

Our manufacturers will enjoy significant benefits as well. For example, the Whirlpool Corporation appeared before the Finance Committee to testify on behalf of this trade agreement. Whirlpool exports refrigerators, ranges, and clothes washers to Peru. It manufactures those products in several U.S. states, including Arkansas, Indiana, Iowa, Ohio, and Tennessee. Whirlpool told the Finance Committee that the Peru agreement will eliminate the 15 to 20 percent tariffs that Peru imposes on Whirlpool's products. In part because of the agreement, Whirlpool expects its U.S. exports to Peru to increase 400 percent from 2007 to 2009. In Whirlpool's view, the elimination of Peru's tariffs on its products will allow Whirlpool to maintain jobs here in the United States rather than relocating or expanding operations abroad. Who can object to that?

U.S. service providers will also gain from this agreement, because Peru has agreed to exceed the commitments it made on services in the World Trade Organization. In fact, Peru has agreed to accord substantial market access across its entire services regime, with very few exceptions, using the so-called "negative list" approach. So, to those of my colleagues who complain that the current world trading situation is unfair, here's a chance to help improve the situation. By implementing this agreement, Congress will level the playing field for U.S. farmers, manufacturers, and service providers in this important market. The agreement will boost U.S. exports, create new jobs, and keep existing jobs in the United States.

I understand that there's a rising sense of protectionism in Congress. But let's look at the facts. Take as an example the Dominican Republic-Central America Free Trade Agreement, otherwise known as CAFTA. CAFTA entered into force for four of our trading partners in 2006, so it's already possible to see the results of bringing their tariffs in line with ours. And guess what? As you might have expected, leveling the playing field has brought positive results. According to the U.S. Department of Commerce, our exports to the four countries increased 18 percent in 2006, while our imports were up 3 percent. As a result, our trade balance swung from a \$1.2 billion deficit in 2005 to a \$1 billion surplus in 2006. Let me say that again – we've turned a \$1.2 billion deficit into a \$1 billion surplus in just one year. That's what happens when you level the playing field.

And we're not the only ones who stand to benefit from our agreement with Peru. Peruvians will benefit significantly as well. The agreement will increase opportunities for continued economic growth in Peru and help Peru further develop and modernize its economy. By entering into the agreement, Peru has demonstrated its intention to strengthen its ties with the United States, lock in economic reforms, and enhance transparency and respect for the rule of law. And that will only serve to increase investor confidence in Peru and its economy.

Mr. President, these are critically important objectives. We live in a challenging time. There is a growing division in Latin American today. Venezuela's President Chavez is using oil wealth to lure allies to his socialist vision. He has announced plans to turn Venezuela into a "socialist republic." He has nationalized Venezuela's telecom and electricity companies and wrested the oil industry from private companies. And he is demonstrating once again that those who withdraw economic rights often seek to withdraw political rights, and those who centralize economic power tend to centralize political power. For example, he pulled the broadcasting license of one of Venezuela's oldest television broadcasters, which also happened to be one of his major critics. He's assumed new powers that allow him to rule by decree, and he pushed for a new constitution that would abolish presidential term limits, allowing him to stay in power indefinitely. His former Defense Minister has called the plan "fraudulent" and akin to a coup. That constitutional reform effort was rejected by Venezuelan voters in a referendum yesterday. But Chavez has said that the rejection by the voters is not a defeat and that his plans are only derailed for now. His former Defense Minister has cautioned that he may seek to impose these changes through a different route than constitutional reform.

Unfortunately, President Chavez is not alone. Two other countries in the region – Bolivia and Ecuador – are also trending in a similar direction. Bolivia's President Morales nationalized the hydrocarbons sector by executive decree. As a result, investors were forced to sign new contracts that guarantee a greater percentage of revenues for the government. He also seized a foreign-owned tin smelter without compensation. Instead of a free trade agreement with the United States, President Morales joined President Chavez's so-called "Bolivarian Alternative for the Americas." And he's strengthening ties with Cuba and Iran.

President Correa of Ecuador has also reached out to Iran. And, he's called the United States "the most protectionist country in history." He also said that free trade is "dangerous" for countries like Ecuador. He said these things even though we give imports from Ecuador duty-free access to our market under our unilateral preference programs. I've questioned why we should continue providing such duty-free access to our market, but that's an issue for another day.

The point is, there is a growing divide in Latin America. On the other side of the divide you find countries like Peru and Colombia—allies of the United States whose governments have gone out on a limb to strengthen bilateral relations with us. It is imperative that we respond in kind and not turn our backs on these important allies. I expect that we will soon approve our trade agreement with Peru.

After that, we should move as quickly as possible to implement our trade agreement with Colombia. That's what was envisioned when the bipartisan compromise on trade was reached May 10<sup>th</sup>. I'll return to that last point in a moment.

I'm not alone in calling for approval and implementation of our trade agreement with Peru. Just last month, the New York Times called for passage of our trade agreement with Peru, editorializing that "it would be a folly for the United States to turn its back on trade." The paper also noted that all eight living former secretaries of state have urged Congress to approve the Peru deal. In October, the Agriculture Coalition for Latin American Trade, which is comprised of 50 different agricultural organizations, called for Congressional approval of the Peru trade agreement. This agreement is also supported by the National Association of Manufacturers and the Coalition of Service Industries, among other business groups. In sum, there is widespread recognition of the benefits of this trade agreement for the United States.

Before concluding, I'd like to address three other issues that have arisen with respect to our free trade agreements. The first is the claim by some that these agreements undermine our food safety laws. The second is the charge that we're not enforcing our existing trade agreements. And, the third is the May 10<sup>th</sup> bipartisan compromise on trade between the Administration and Congressional leadership. In recent days, some of my Senate colleagues have criticized the passage of the Peru agreement in the House. One Senator went so far as to say the agreement "will result in more unsafe food in our kitchens and consumer products in our children's bedrooms."

That's quite an accusation. How could Congress possibly support such an agreement? The answer is simple. We aren't. This accusation is false. If you don't believe me, just look at the text of the agreement. Chapter Six of the agreement addresses the types of "sanitary" laws related to food safety. There's absolutely nothing in the chapter that could lead to a lowering of our food safety standards. In fact, one of the explicit objectives of the chapter is to "protect human, animal, or plant life or health in the Parties' territories." In addition, the chapter isn't even subject to dispute settlement. So there's no way Peru could use the chapter to challenge our food safety laws, even if the chapter provided a basis to do so—which it doesn't.

For over twenty years, opponents of our trade agreements have argued that they would undermine our food and product safety laws. And yet, in those twenty years, there hasn't been a single challenge to any of those laws. That's because these complaints have no foundation. If people want to criticize our trade agreements, they are certainly free to do so. That's their right. But they should base their criticisms on facts, not on scare tactics.

I've also heard colleagues say that we shouldn't enter into new trade agreements until the Administration does a better job of enforcing our existing agreements. In my view, the Administration is doing a pretty good job of enforcing our trade agreements. For example, the Administration is challenging Europe's subsidies to Airbus, and up until last week, it was pursuing four different cases against China in the World Trade Organization. What changed, you may ask? Well, our United States Trade Representative, Ambassador Schwab, announced that we had concluded an agreement by which China agreed to terminate eight subsidies that we were challenging under World Trade Organization rules. The termination of those subsidies will bring significant relief to our manufacturers and exporters who've been confronting unfairly subsidized competition from the Chinese. In this case, we achieved our objectives without having to resort to lengthy litigation. That's a complete success in my book. As for the other three pending cases, we'll continue to pursue our rights in the World Trade Organization.

If you ask me, the problem isn't a shortage of enforcement. The bigger problem is that people are complaining about foreign government actions that aren't yet subject to agreed-upon rules. In other words, the problem isn't a failure to enforce the rules—it's that there are no rules to enforce in certain areas. If you want to solve problems that aren't currently subject to rules, we should be negotiating more trade agreements, not fewer.

For example, the Administration recently announced that it is negotiating a new anti-counterfeiting trade agreement. That's a step in the right direction. Such an agreement would help get at problems like the counterfeiting of the Underwriters Laboratories logo. That's an important safety issue. If we're serious about wanting to get at these types of problems, we should give the President a new grant of trade promotion authority and send our negotiators out to solve them.

If we turn our back on new agreements, our trading partners will continue negotiating among themselves, leaving us behind. That's what happened the last time Congress denied the President trade promotion authority. By the time Congress authorized trade promotion authority in 2002, our trading partners had concluded over 130 preferential trade agreements. We had only two. We've managed to regain some of that lost ground in the last five years. We shouldn't give it back.

Finally, I want to mention the bipartisan May 10<sup>th</sup> agreement on trade. This year, the Democratic majorities in the House and Senate demanded 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 great fanfare on May 10<sup>th</sup>. The Democratic leadership described the deal as a "historic breakthrough" and a "fundamental shift in U.S. trade policy" that achieved results they have been seeking for years. As a result of this compromise, the Administration negotiated conforming changes in the labor and environment chapters, and the provisions on government procurement, investment, and intellectual property. For example, in the wake of the agreement, disputes arising under the labor and environment chapters are subject to the same dispute settlement procedures as every other obligation in the agreement. Now, we can debate whether that change was actually a good idea, but it satisfied a long-standing demand of the Democrats who have opposed our trade agreements in the past.

The same goes for the other changes encompassed in the May 10<sup>th</sup> compromise. And the Administration followed through by negotiating the necessary changes to incorporate the May 10<sup>th</sup> compromise into each of our pending trade agreements with Peru, Colombia, Panama, and South Korea. Unfortunately, we have very little to show for those efforts. It's been almost seven months, we still haven't implemented a single pending trade agreement. We'll soon change that with our vote on the Peru trade agreement. But there's no sign of movement on the horizon for the next pending trade agreement, which is our agreement with Colombia. And that troubles me greatly.

I hope to see most of my Democratic colleagues join me in voting to implement this trade agreement with Peru. And after we've done so, I very much hope that they will join me again in supporting implementation of our trade agreement with Colombia as soon as possible in this Congress. Our agricultural producers, manufacturers, and service providers are counting on us. Our allies are counting on us. It's in our economic interest, and it's in our national interest. We cannot let the opportunities embodied in these trade agreements slip us by.

