

1 EXECUTIVE COMMITTEE MEETING TO CONSIDER AN ORIGINAL BILL
2 ENTITLED, "MISCELLANEOUS TRADE AND TECHNICAL CORRECTIONS
3 ACT OF 2003"

4 WEDNESDAY, FEBRUARY 26, 2003

5 U.S. Senate,
6 Committee on Finance,
7 Washington, DC.

8 The meeting was convened, pursuant to notice, at
9 10:07 a.m., in room 215, Dirksen Senate Office Building,
10 Hon. Charles E. Grassley (chairman of the committee)
11 presiding.

12 Also present: Senators Nickles, Lott, Snowe, Thomas,
13 Bunning, Baucus, Breaux, Conrad, and Bingaman.

14 Also present: Kolan Davis, Staff Director and Chief
15 Counsel; Theodore Totman, Deputy Staff Director; Jeff A.
16 Forbes, Democrat Staff Director; and Carla Martin, Chief
17 Clerk.

18 Also present: Everett Eissenstat, Chief
19 International Trade Counsel, Republican; and Tim Punke,
20 Chief International Trade Counsel, Democrat.

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1 OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S.
2 SENATOR FROM IOWA, CHAIRMAN, COMMITTEE ON FINANCE

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4 The Chairman. Thanks, everybody, for coming and
5 being patient for seven minutes while we get started
6 here. I would welcome everybody to our hearing.

7 Over the past several weeks, we have been working to
8 complete some unfinished business from the 107th
9 Congress. This is something that Senator Baucus and I
10 have agreed that ought to be tops on our agenda.

11 Just recently, we held a hearing on a number of
12 administration nominees who were up for confirmation last
13 year. I am hopeful that we can have a vote on those
14 nominees very soon.

15 Now, today, we are having a mark-up of the
16 Miscellaneous Trade Bill. With this process, we are
17 taking another step towards completing some unfinished
18 business from the 107th Congress.

19 The committee originally had planned to mark up this
20 bill on September 26, 2002. As most of you know, that
21 mark-up was postponed and we were unable to turn our
22 attention, until today, to this bill.

23 The bill that we are considering is basically the
24 same bill that we prepared with Senator Baucus' staff
25 last year, with some improvements. The bill contains

1 provisions that suspend duties on eligible products,
2 miscellaneous trade-related items, and technical
3 corrections to the Trade and Development Act of 2002.

4 The vast majority of these provisions are drawn
5 largely from member-introduced legislation. This
6 legislation does three very important things. First, it
7 enables U.S. companies to more efficiently produce goods
8 which allow them to be competitive and function more cost
9 effectively. Second, it helps create jobs for American
10 workers. Third, it reduces cost for U.S. consumers.

11 The bill also contains a number of notable
12 provisions. The bill extends GSP benefits for certain
13 handmade rugs from GSP beneficiary countries. The
14 primary beneficiary is Pakistan.

15 Other countries that would benefit from this bill
16 include Turkey, Nepal, Egypt, and Morocco. The bill
17 would significantly increase Pakistan's benefit under GSP
18 and provide a much-needed benefit to an important ally in
19 the war on terrorism.

20 The bill also contains an important provision which
21 restores normal trade relation status to Serbia and
22 Montenegro. I will note here that the bill actually
23 restores normal trade relations to Yugoslavia. However,
24 just recently that title of the country then became
25 Serbia and Montenegro, so we will be making technical

1 changes to the bill to reflect that fact.

2 There are also provisions that would enhance and
3 strengthen the protections of U.S. intellectual property
4 rights abroad. Every two years, the Ways and Means
5 Committee and the Finance Committee request public
6 comment on all proposed duty suspensions or duty
7 reductions.

8 The International Trade Commission notifies potential
9 U.S. producers to provide them with an opportunity to
10 comment on the proposed duty suspension. The U.S. Trade
11 Representative, the U.S. Department of Agriculture, as
12 well as the Customs Service are also provided opportunity
13 for comment.

14 If a reasonable objection is made to including the
15 product, or if a domestic company manufacturers the
16 product, it is generally dropped from the bill. Thus,
17 virtually every one of the duty suspensions and other
18 provisions has gone through a thorough and transparent
19 vetting process, pretty much traditionally followed from
20 Congress to Congress.

21 I would ask today that members not offer any
22 amendments to this bill that have not gone through this
23 process. We hope to consider another miscellaneous
24 tariff bill later this Congress. At that time, we can
25 consider new items for inclusion.

1 I would also like to emphasize that we need to get
2 the bill done. There are a lot of provisions here that
3 have been bottled up for many, many months. In preparing
4 the bill, we have tried to make sure it does not contain
5 any controversial items.

6 I have done everything that I can to make this a
7 bipartisan bill and a bipartisan process, and we have had
8 the thorough cooperation of Senator Baucus and other
9 members in regard to this.

10 In that regard, I would ask that members respect the
11 process, not seek to amend the bill with controversial
12 items. Adding controversial items to the bill will not
13 ease the passage of those provisions and has the effect,
14 as we have seen sometimes on what we thought were non-
15 controversial bills, with the best of intentions, of
16 actually killing the bill. So, I would ask for your
17 cooperation.

18 Now it is my pleasure to call on Senator Baucus.

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1 OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM
2 MONTANA

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4 Senator Baucus. Thank you, Mr. Chairman.

5 As you have said, this essentially is carry-over
6 business that we were unable to enact in the last
7 Congress, and it is important that we complete this
8 action today.

9 Each Congress, the Finance Committee pulls together a
10 series of individual trade and tariff bills and puts them
11 together as a single package. I must say, partly because
12 of the attendance here in this hearing room, the bill
13 generally does not get the attention that some of our
14 other work gets, that is, it does not make the front
15 pages of newspapers.

16 Nevertheless, this legislation is very important.
17 When you look at the individual provisions of the bill we
18 are marking up today, it is easy to miss that point, that
19 is, the importance of this bill. Many of the products
20 affected by this bill are obscure.

21 Yet, each of these products and each improvement to
22 the tariff schedule this bill would make is important to
23 the American economy.

24 For example, there are over 300 temporary duty
25 suspensions included in this bill. In order to be

1 included, the products covered in the duty suspension
2 cannot be available from a U.S. manufacturer. That means
3 that there are over 300 American companies currently
4 paying tariffs on items that they need, yet cannot obtain
5 them in the United States.

6 This does not make any sense. These duties do not
7 safeguard American jobs. There merely penalize U.S.
8 companies to no good end by adding to their cost of
9 production.

10 I have long been a proponent of a smart, flexible
11 trade policy that encourages job creation and increased
12 production in the United States. Proposing duties on
13 products that must be imported because they are not
14 available from a U.S. manufacturer does not meet that
15 definition.

16 Pulling together these trade and tariff bills is one
17 of the most arduous tasks, ironically, that the committee
18 undertakes each term. I would like to thank you, Mr.
19 Chairman, and particularly thank your top trade staff,
20 Mr. Eissenstat. I know it takes a lot of work to put
21 these together, and I thank you both for all of your
22 extra effort.

23 I am fully aware of the hard decisions that had to be
24 made to complete work on this legislation. Miscellaneous
25 trade bills often become a sort of last chance for

1 individual bills that are unlikely to move through the
2 committee or the floor, not because they are not
3 meritorious, but because by themselves they may appear
4 too insignificant. It is not easy to balance the demands
5 of 100 Senators, while still striving for a bill that is
6 non-controversial.

7 While I understand the pressures that shape a non-
8 controversial miscellaneous trade bill, I would like to
9 take a moment to express my disappointment that an
10 important technical provision to the Trade Adjustment
11 Assistance bill we passed last fall was not included in
12 the mark.

13 This provision would have guaranteed that certain
14 steelworkers, those eligible for benefits from the
15 Pension Benefit Guaranty Corporation, received the
16 consumer protections included in the law. This language
17 was part of the original draft of the Miscellaneous
18 Tariff Bill last fall, but I note that it is not included
19 in the bill before us now.

20 The fix in last year's version of the bill was a
21 technical correction. It reflects the spirit and the
22 intent of the Trade Act that Congress passed last August,
23 an act that I, then committee chairman, helped craft and
24 negotiate.

25 As a technical correction, this provision should not

1 be controversial. In fact, as a technical correction,
2 the bill we are marking up today is the most logical
3 vehicle for this language.

4 Yet, I also understand that, for whatever reason,
5 some of my colleagues disagree with me on this, making
6 the provision controversial. I believe their opposition
7 to the Trade Adjustment Assistance correction is
8 misplaced, and I will continue to work to resolve this
9 issue.

10 Other than that, Mr. Chairman, good job. I hope we
11 proceed very expeditiously.

12 The Chairman. Thank you.

13 Before we go to an explanation by Mr. Eissenstat, I
14 would hope that staff of both Democratic and Republican
15 committee members would urge their members to come
16 immediately so we could have seven votes, so if there are
17 any amendments offered--which I hope there will not be--
18 at least we could take care of those amendments. Then we
19 need 11 people to vote the bill out.

20 Now we will call on Mr. Eissenstat, our Chief
21 International Trade Counsel, for a very brief description
22 of the bill. Let me also suggest, members and staff. I
23 guess, if it is a brief description, that it will
24 probably satisfy what I am going to say.

25 But oftentimes, if we have great big bills, we spend

1 an awful lot of time going through bills in the way that
2 this bill is going to be described to us by staff.

3 When we get to other major pieces of legislation, I
4 would like to have the committee think in terms of maybe
5 somehow, ahead of time, we could have each member
6 identify certain things that they would like to have an
7 opportunity to ask questions of, and then have the staff
8 go immediately to those things, so if there are things
9 that do not need to have discussion or question on the
10 part of the membership we do not waste a lot of time.

11 We have spent, sometimes, six, seven hours going
12 through some big bills here. It seems to me to be a
13 waste of time. Would staff communicate that to their
14 members? We have got at least three very controversial
15 bills coming up here in the next six months, if things go
16 all right. That might save us a lot of time, going
17 through those big bills.

18 So, if you would have your members think about that.
19 If there is objection to it, obviously, by very many
20 members, we are not going to proceed that way. But I
21 would like to have you consider proceeding that way.

22 Mr. Eissenstat?

23 Mr. Eissenstat. Thank you, Chairman Grassley,
24 Ranking Member Baucus, and members of the committee. I
25 am pleased to have an opportunity to briefly summarize

1 this bill.

2 The first title, Title 1, is the heart of the
3 legislation. It contains a number of duty reductions or
4 suspensions on particular products. A product must meet
5 three tests in order to be included in this section.

6 First, it must be non-controversial and non-
7 competitive. That is, there can be no domestic producer
8 of the same product who objects to inclusion of the
9 provisions.

10 Second, suspending or reducing duties on the products
11 should benefit downstream producers. Third, the volume
12 of imports and corresponding revenue loss from the duty
13 suspension or reduction should be relatively small.

14 Virtually every one of the duty suspensions or
15 reductions in this bill went through an extensive review
16 process, including a public Notice and Comment period to
17 ensure that they met these criteria.

18 Title 1 also contains a number of liquidations, or
19 reliquidations, of certain entries. Generally, to be
20 eligible for liquidation or reliquidation, the product
21 must have entered the country under an incorrect duty
22 rate due to Customs' or other administrative error.

23 The bill allows these entries to enter the country at
24 the correct duty rate. The remainder of Title 1 and
25 Title 2 of the bill contains miscellaneous trade

1 provisions and technical corrections.

2 Among the most notable of these are: provisions which
3 modify the duty drawback provisions of the Tariff Act of
4 1930 to ease some regulatory and administrative burdens
5 on U.S. companies in the U.S. Customs Service; a
6 provision requested by the administration which permits
7 the President to proclaim duty-free treatment for hand-
8 knotted and hand-woven carpets from Pakistan under the
9 Generalized System of Preferences program; a provision
10 also requested by the administration which restores
11 normal trade relation status to Serbia and Montenegro;
12 several provisions to enhance the competitiveness of the
13 U.S. insular possessions, such as the U.S. Virgin
14 Islands; a provision which allows repairs made to U.S.
15 flagships on the high seas to enter duty free; and a
16 provision which enhances and strengthens the protection
17 of U.S. intellectual property rights abroad.

18 This provision harmonizes one of the eligibility
19 criteria in our trade preference programs with the
20 intellectual property rights standard established in our
21 Special 301 statute.

22 Chairman Grassley, Ranking Member Baucus, and members
23 of the committee, that is a brief summary of the bill,
24 and I would be happy to answer any questions that you
25 might have. Thank you.

1 The Chairman. Thank you.

2 Senator Baucus, did you desire to have anybody on
3 your staff?

4 Senator Baucus. No, Mr. Chairman.

5 The Chairman. All right.

6 Any other members have questions?

7 [No response]

8 The Chairman. Could I ask anybody that wants to
9 discuss any amendments at this point to discuss those
10 amendments, even though the seven members that must be
11 here to have consideration of them are not here?

12 Senator Bunning. Mr. Chairman, I have an amendment
13 that I would like to offer, and withdraw, at the same
14 time.

15 The Chairman. The Chair recognizes Senator Bunning.

16 Senator Bunning. I have filed an amendment that is
17 aimed at suspending the tariff on the chemical known as
18 DCB. This chemical is used as a coupling agent in the
19 production of yellow organic pigments, which is, in turn,
20 used in the production of inks.

21 The chemical DCB accounts for roughly half of the
22 material costs of these finished products. There is not
23 a U.S. producer of DCB. Therefore, current U.S.
24 consumers of this product must import 100 percent of the
25 product they need and they are forced to pay a duty on

1 this imported product. That rate is currently 7.7
2 percent.

3 The bill in front of us today will lower this rate to
4 6.3 percent for the year 2003, and 5.1 percent for the
5 years 2004 and 2005. While this is a positive step, I
6 would like to see us go farther and suspend this duty
7 completely.

8 Mr. Chairman, in the hope that the chairman and other
9 members of this committee will show a willingness to work
10 with me on this important issue in the future, I am
11 willing to forbear consideration of this amendment at
12 this time.

13 I sincerely hope that, in recognition of this issue
14 of vital importance to a valuable industry in our
15 country, this committee will have the opportunity to
16 revisit this essential tariff issue in the future. Thank
17 you.

18 The Chairman. Thank you, Senator Bunning. And you
19 did state that you would withdraw your amendment.

20 Senator Bunning. Yes.

21 The Chairman. So the amendment is withdrawn. Thank
22 you for your consideration of our proceeding.

23 Senator Baucus. Mr. Chairman, I want to thank the
24 Senator for offering this. I am not going to ask the
25 Senator to answer this question, but I am going to

1 propose it rhetorically. What does DCB stand for?

2 Senator Bunning. It is a chemical. [Laughter].

3 Senator Baucus. That is a great answer. I have the
4 name in front of me, and I, for the life of me, cannot
5 begin to pronounce this. [Laughter].

6 Senator Bunning. I cannot pronounce it either.
7 [Laughter]. So we are two of a kind.

8 Senator Baucus. Two of a kind. No. I thank the
9 Senator. This is an important product that we would like
10 to suspend the tariff on. The slight problem we are
11 running into, as the Senator well knows, is one of cost.

12 Senator Bunning. Cost.

13 Senator Baucus. That is right. Second, the ITC has
14 not had a chance to review it. But I want to work with
15 the Senator and with the ITC to find a resolution here.

16 Senator Bunning. Thank you.

17 Senator Baucus. I think we will also work together.
18 Maybe they can give us a phonetic explanation of the
19 pronunciation of this product.

20 Senator Bunning. That is why I called it DCB.

21 Senator Baucus. Right. Right. For the information
22 of my colleagues, this chemical is two words, and both
23 words are extremely long, and both words are extremely
24 complicated. I have never seen anything like this.

25 The Chairman. The Senator from North Dakota.

1 Senator Conrad. Mr. Chairman, first, I would like
2 to compliment the Chairman and the Ranking Member for
3 putting together this legislation, and compliment the
4 staffs as well. This is difficult and time-consuming
5 work, but it is important to do. We appreciate the
6 attitude that you have brought to the task.

7 Mr. Chairman, if I could just very briefly talk about
8 an amendment that we have worked out that is now included
9 in the package. I take the time of the committee because
10 there is a critically important negotiation going on now
11 at the WTO with respect to agriculture. We face a
12 circumstance of great risk for American agricultural
13 producers.

14 Let us just put up the chart. This is the situation
15 that we confront with Europe. This is the support per
16 acre that Europe offers versus the support per acre that
17 we offer. You can see, the European Union has got almost
18 a 10:1 advantage on us with respect to support per acre
19 of production.

20 Let us go to the second chart that shows export
21 subsidy. This is the comparison. The blue part of the
22 pie is Europe and their share of world export subsidy.
23 Our share is the little red sliver. They are out-gunning
24 us almost 30:1.

25 This has led to a bipartisan agreement, Republicans,

1 Democrats, Congress, the White House, that one of the
2 chief goals of this negotiation should be to level the
3 playing field for our producers and producers in Europe.

4 Unfortunately, the chairman of the Negotiating
5 Committee on Agriculture, Mr. Harbinson, has now tabled a
6 proposal that does not do the job. It does not level the
7 playing field. It does not come close.

8 Just for the record, the Harbinson proposal would
9 allow Europe to spend \$37 billion a year. We would be
10 limited to \$7.6 billion a year. That is a 5:1 advantage
11 for Europe.

12 On market access, the Harbinson proposal requires
13 somewhat greater reductions in the highest tariffs than
14 would be required for lower tariffs, but it falls far
15 short of leveling the playing field.

16 Finally, on export subsidy, Mr. Chairman and Senator
17 Baucus, the Harbinson proposal follows the compromise
18 agreed at Doha, which calls for phasing our export
19 subsidies, but it stretches them out over a very extended
20 period.

21 Half would be in five years, half would be in nine
22 years, with the countries able to determine which
23 products go in which category. That will leave Europe
24 able to put their highest priority products in the nine-
25 year category.

1 Now, Mr. Chairman and members of the committee, this
2 is an absolutely critical time for these negotiations,
3 with discussions occurring in Geneva as we speak.

4 I think it is important that our committee send a
5 very clear message that the goal that everyone has agreed
6 to of leveling the playing field should not be dropped
7 and should not be delayed.

8 I am confident that American farmers can compete with
9 French and German farmers, but it is not fair to expect
10 them to compete against the French government and the
11 German government. That is not a fair fight. We ought
12 to insist that this playing field be leveled.

13 I am very pleased, Mr. Chairman, that you have
14 included this language in the underlying legislation so
15 that we can send a clear signal at this critical moment
16 that we ought to be insisting on a level playing field.

17 The Chairman. I would not speak now if we had the
18 number we need. But while we are waiting for numbers,
19 and since I seldom have an opportunity to say that I
20 agree so fully with the Senator from North Dakota, I want
21 to take opportunity to do that.

22 But I also would like to take opportunity to express,
23 as Chairman of this committee, not only my agreement, but
24 alert people around the world, as Chairman of this
25 committee, a committee that has to consider what comes

1 out of the Doha round, what we expect for American
2 agriculture in the way of fair treatment.

3 So it is my understanding that, besides Senator
4 Conrad and me, that Senator Baucus has joined in this
5 amendment. It will provide guidance on agricultural
6 market access that I provided to our trade negotiators
7 for more than two years, and is consistent with the
8 ambitious proposal for long-term agricultural trade
9 reform that the United States tabled at the WTO under the
10 previous administration, Ms. Barshefsky and Mr. Glickman,
11 in their respective capacities in the year 2000,
12 something I agreed with very much at that time as well.
13 I agree that market access is the single most important
14 thing that we can achieve for our farmers, ranchers, and
15 agricultural producers in these WTO trade negotiations on
16 agriculture now under way in Geneva.

17 The WTO agricultural negotiations are, right now, in
18 a very critical phase. Countries are putting forward
19 proposals under the title of modalities, kind of a road
20 map for how we will achieve greater market access and
21 reduction commitments in agricultural tariffs and trade-
22 distorting supports.

23 The stakes, as the Senator from North Dakota has
24 correctly said, are tremendous. How we resolve these
25 issues will determine whether we will achieve meaningful

1 agricultural trade liberalization in this crucial round
2 of WTO negotiations.

3 Unfortunately, differences over these modalities have
4 slowed negotiations to the point where we are making
5 little, if any, progress. That is because the European
6 Union, Japan, and several other countries want to avoid
7 making bold reduction commitments that will result in
8 less trade-distorting spending and more open world
9 agricultural markets.

10 Since countries were not able to agree on the scope
11 or pace of agricultural trade reform in this phase of the
12 talks, the Chairman of the Agricultural Negotiations in
13 Geneva, Stuart Harbinson, wrote a draft modalities paper
14 in order to try to achieve a consensus so negotiations
15 would move forward.

16 While it makes progress in some areas, the Harbinson
17 draft, as stated by Senator Conrad, falls short in a
18 number of areas. That is why we have this sense of the
19 Senate resolution before us. I compliment Senator Conrad
20 for being the initiator of this.

21 We need to make absolutely certain that these WTO
22 agricultural negotiations result in a good deal for
23 American farmers and ranchers.

24 In order to make sure that happens, we need to cut
25 high agricultural tariffs as much as possible. That

1 means reducing high tariff levels more quickly than lower
2 tariffs. Agriculture still has some of the highest
3 tariffs in the world. It just makes sense that they be
4 reduced.

5 But the European Union has strongly resisted this
6 approach, even at a time when their subsidies on exports
7 sticks out like a sore thumb.

8 While the Harbinson draft recognizes that high tariff
9 levels should be reduced more quickly, it would still
10 allow countries to keep high agricultural tariff levels
11 in place.

12 We must also reduce and eliminate trade-distorting
13 domestic support by setting the same standards for all
14 countries the allowed level of trade-distorting domestic
15 support.

16 This harmonization of support levels is the only way
17 that we can effectively address the vast disparity in
18 domestic support spending between the European Union and
19 the United States.

20 Under current WTO rules, the European Union is
21 allowed to spend \$60 billion a year on trade-distorting
22 domestic support and has no limit on so-called "blue box"
23 payments, while the United States has a ceiling of \$19.1
24 billion.

25 This huge domestic support advantage in favor of the

1 European Union is one of the main reasons why American
2 farmers find it so difficult to compete with Europe, as
3 well as some third country markets.

4 The Harbinson draft falls short of my goals in this
5 area, as is obvious it does for Senator Conrad as well.
6 Frankly, these agricultural negotiations are so important
7 to America's farmers that I would rather see no deal at
8 all than a bad deal.

9 Our trade negotiators need our strong support and
10 guidance now more than ever, especially when critical
11 decisions may soon be made that will determine the
12 ultimate outcome of these negotiations.

13 Under current WTO rules, the European Union is
14 allowed to spend \$60 billion on these trade-distorting
15 disputes. So, I think that we need to go forward as we
16 do, because that is what this resolution is all about,
17 while these negotiations are going on, especially timely.
18 I thank you.

19 Senator Baucus, first. Then I will call on the
20 Senator from New Mexico:

21 Senator Baucus. Mr. Chairman, it is vitally
22 important that we send this very strong signal to the
23 WTO. In fact, I believe that we should be sending more
24 signals, and find other ways to stand up for American
25 farmers.

1 This proposal by Mr. Harbinson is just, frankly,
2 outrageous. What it does, it rewards the Europeans for
3 being bad actors. That is basically what it does.
4 Because not too many years ago, I remind my colleagues,
5 Europe was the largest net importer of agricultural
6 products. The world's largest. The EU as the largest
7 net importer of agricultural products. That was about
8 1970 to 1975.

9 Then Europe decided, we do not want that anymore. We
10 want to be the world's largest net exporter of
11 agricultural products. So they enacted the CAP and these
12 export subsidies, variable levies, and so forth. The net
13 result was, by about the mid-1980s, Europe was the
14 largest net exporter of agricultural products.

15 Then we come along with the Uruguay Round. So Europe
16 is way up here, Mr. Chairman, and we are down here. In
17 the Uruguay Round, the decision basically was to reduce
18 both on a percentage basis.

19 Clearly, that was unfair. Clearly, that rewarded
20 Europe's heavy subsidies that they enacted, beginning
21 about the 1970s to the mid-1980s and so forth. This
22 proposal by Mr. Harbinson is just more of the same.

23 Basically, it says we split the difference. The U.S.
24 is low, Europe is high, so we will come down here. But,
25 still, Europe ends up a lot higher than we are. So, it

1 essentially rewards bad behavior. That is what it does.
2 This proposal by Mr. Harbinson rewards bad behavior by
3 the Europeans.

4 We all have experience on this issue. We all know
5 that if we are going to prevail and not let something bad
6 happen, we are going to have to work very hard and we are
7 going to have to find leverage wherever we can. I
8 compliment the Senator for this amendment, because we are
9 going to have to do many more actions like this.

10 The Chairman. Before I call on Senator Bunning, I
11 think we just need one more. Hopefully everybody can
12 stay here while we round up one member.

13 Am I right, Senator Bunning wanted the floor?

14 Senator Bunning. Yes. I would just like to be
15 listed as a co-sponsor of your amendment, Senator.

16 Senator Conrad. I would be happy to do that.

17 Senator Bunning. Because I think it is very
18 important that we send a bipartisan message to our good
19 friends.

20 The Chairman. Senator Thomas would also like to be
21 a co-sponsor.

22 Is there anybody else that wants to speak while we
23 are waiting?

24 Senator Conrad. Mr. Chairman, might I just conclude
25 on this by saying, the stakes are enormous here. If the

1 Europeans get away with this again, that is, equal
2 percentage reductions on these unequal bases, they will
3 have accomplished part of their strategic plan.

4 Their former head of negotiations told me in lengthy
5 discussions in this country that this is their long-term
6 strategy, to have much higher levels of support than we
7 do, both internally and on export subsidy, and then
8 forevermore to insist on equal percentage reductions,
9 always leaving them on top. That is their plan.

10 Now Mr. Harbinson, perhaps unwittingly, has fallen
11 right into the trap. He is proposing to repeat what was
12 done in the Uruguay Round, to have equal percentage
13 reductions from these unequal bases, leaving Europe
14 always in a superior position. That is intolerable.

15 So, I am especially pleased that the Chairman and
16 Ranking Member, and the other members of the committee,
17 Senator Bunning, Senator Thomas, have joined in this
18 amendment.

19 Senator Nickles. Mr. Chairman?

20 The Chairman. Yes. Senator Nickles?

21 Senator Nickles. I am just wondering. I appreciate
22 the information. Does his modalities go to zero in 10
23 years? By the end of 10 years, no subsidies? Does
24 anyone know?

25 Senator Baucus. No, it does not.

1 Senator Conrad. No export subsidies. But it still
2 leaves them with internal subsidy far higher than ours.

3 Senator Nickles. So his goal would be to be at zero
4 export subsidies by the end of 10 years, but you could
5 still have unlimited internal domestic subsidies?

6 Senator Conrad. Not unlimited, but a substantial
7 advantage to Europe. It is this combination. First of
8 all, they remain in a dominant position on internal
9 subsidies, as I indicated. They are able to spend \$37
10 billion a year. We are capped at \$7.6 billion. That is
11 a 5:1 built-in advantage for Europe.

12 On export subsidy, the phase-out on half of your
13 goods is five years, the other half is nine years, on
14 export subsidy. Of course, Europe will put its most
15 strategically important goods in the nine-year category,
16 which is far too long. Export subsidies ought to be
17 eliminated now for everybody.

18 The Chairman. Yes. The technical way of saying the
19 same thing that Senator Conrad said, is that our goal is
20 to eliminate what we categorize as a "blue box" of farm
21 program expenditures. Europe wants to maintain that blue
22 box, which would fall into the category of the things
23 that Senator Conrad is talking about.

24 Oddly enough, and still I would only say this while
25 we are waiting for a quorum, I just read in *The Top*

1 *Producer*, which is a magazine mailed to farmers, that
2 there are evidently some farmers in Europe finding the
3 future of their farm program not very promising, because
4 there was this report of European farmers coming to
5 Ontario, Canada, buying farmland, and farmland in some
6 areas rising to \$5,000 an acre.

7 They are coming over here to invest. The reason the
8 magazine gave, was they found that the bonanza that
9 farmers have there is going to someday disappear. I
10 guess that is what you and I hope for. I guess I was
11 surprised to read that.

12 Senator Bingaman. Mr. Chairman?

13 The Chairman. Yes, Senator Bingaman?

14 Senator Bingaman. I strongly support Senator
15 Conrad's amendment and would ask to be added as a co-
16 sponsor also.

17 The Chairman. Without objection, you will be added
18 as a co-sponsor. I think the more co-sponsors we get for
19 Senator Conrad's amendment, the more it sends a clear
20 signal of the members of this committee and where we
21 stand on this issue of free and fair trade and
22 agriculture.

23 Senator Baucus. While we are waiting, Mr. Chairman.

24 The Chairman. Yes, Senator Baucus?

25 Senator Baucus. I just noticed in one of the

1 periodicals this morning, it was stunning to me, how the
2 Europeans have now tabled a services sector proposal
3 which in effect will eliminate various domestic ownership
4 requirements among various States, and in effect take
5 away much of the sovereignty that now exists in the
6 United States with respect to ownership.

7 This will, in a sense--in a great sense--mean that it
8 will take away a lot of control that we in the Congress
9 have, or federal agencies have, on all of the areas under
10 the category of services, whether it is utilities,
11 whether it is financial services, or whatever it might
12 be.

13 It is a very, very sweeping proposal which will have
14 a very detrimental effect on our country. I am just
15 making the basic point that if you combine with the
16 proposal on agricultural, along with the European
17 proposal on services and who knows what else is there, it
18 just underscores the basic point by the Senator from
19 North Dakota that these are far-reaching and very, very
20 significant decisions that may or may not be made by the
21 WTO.

22 It behooves this committee, I think, Mr. Chairman, to
23 perhaps have some hearings on these subjects. This is
24 the committee with jurisdiction of trade. I do believe
25 that we would be providing a great service for the people

1 of our country to have some extensive hearings on WTO
2 proposals that would give us a better idea of how we
3 should proceed.

4 The Chairman. Well, as you and I meet weekly, we
5 can work out some things in that regard. The only thing
6 I would say, is this spring we are going to be very, very
7 busy. But we should obviously spend, in this committee,
8 a great deal of time on trade. It is a very important
9 item.

10 Could I implore any one of the Republican staffers
11 for a member that is not here? It is kind of
12 embarrassing for me, as a Majority, not to be able to
13 produce a majority. We have got fair cooperation from
14 the Democrats, with four of the Democrats being here. If
15 we could have one more member.

16 We have spent 45 minutes on this. If we get one more
17 member, we do not waste this 45 minutes. Somebody coming
18 over here for 60 seconds will make this 45 minutes very
19 productive. Otherwise, it is not very productive.

20 The Chairman. Mr. Chairman, I might add that we are
21 trying on our side, too, to help get a Senator here.

22 Senator Nickles. Might I suggest that you just say
23 that the next Senator that comes in would get an
24 amendment in the tax bill? There would be a lot of
25 members here. [Laughter].

1 The Chairman. Well, I think that Senator Baucus and
2 I have a major thing to work out on all the things on the
3 tax bill. I do not want to make my job or his job more
4 difficult.

5 Senator Conrad. Mr. Chairman, might I just say, if
6 the Senator would adopt Senator Nickles' proposal, it
7 would be my intention to leave and come back.

8 [Laughter].

9 Senator Baucus. Do not go down that road.

10 [Laughter].

11 The Chairman. We will take some action with the
12 number that we have here. Under the rules, we can take
13 action on the Conrad amendment. So, no more discussion
14 on the Conrad amendment.

15 Those in favor, say aye.

16 [A chorus of ayes]

17 The Chairman. Those opposed, say no.

18 [No response]

19 The Chairman. The ayes obviously have it. The
20 amendment is adopted.

21 Senator Conrad. Mr. Chairman, if I might just say,
22 I think what we have just done is sent a very important
23 message. This could not have come at a better time,
24 because these discussions are under way.

25 This committee, which is the committee of

1 jurisdiction on trade, through the Chairman, the Ranking
2 Member, and in a clear vote here, has sent a message that
3 we want to level the playing field. That was our goal
4 going in. That is our continuing goal. The Harbinson
5 proposal falls far short. It is just unacceptable. I am
6 glad we have sent that message.

7 The Chairman. And considering the team from the
8 previous administration tabling this proposal, followed
9 up by this present administration doing it, ought to make
10 it clear that it is very bipartisan.

11 Senator Baucus. Mr. Chairman, Russell Long used to
12 tell jokes during a lull. [Laughter].

13 The Chairman. Well, I will let you do that.
14 Whenever I tell a joke, my wife tells me I ought to know
15 enough not to tell the joke because I always screw up the
16 main line.

17 [Pause]

18 The Chairman. What we are going to do now, because
19 one of the members who was here cannot come back, we
20 cannot get the eleventh member, Senator Baucus and I have
21 agreed that we will try to get the members together after
22 a vote on the floor, off the floor of the Senate.

23 So, at this point, the meeting is recessed.

24 [Whereupon, at 10:40 a.m. the meeting was recessed to
25 await the call of the Chair.]

1 [Whereupon, at 10:52 a.m. on Thursday, February 27,
2 2003, the meeting was resumed.]
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The Chairman. We have a quorum of 11 here, so I would like a minute to request that we go into executive session to complete work from yesterday on the mark-up of the Miscellaneous Tariff Technical Corrections Act of 2003.

During the consideration, we adopted one amendment, sense of the Senate, by Senator Conrad. Beyond that, the bill is virtually identical to the legislation drafted by our staff last year.

So at this time, is there any objection to taking it up?

[No response]

The Chairman. Thank you. So I would like to ask for a voice vote. Those who are in favor of allowing the bill out of committee, say aye.

[A chorus of ayes]

The Chairman. Those opposed, say no.

[No response]

The Chairman. So the ayes obviously have it. The bill is favorably reported. I will leave the record open for anyone to vote accordingly for the rest of the day, if they want to cast their vote.

I ask for unanimous consent that staff be allowed to make technical corrections to the bill.

1 Thank you all.

2 Senator Bingaman. What do you mean by technical?

3 The Chairman. The English language.

4 Senator Baucus. Those are not technical, those are
5 miscellaneous.

6 The Chairman. All right. I think I am better off
7 if I just drop it. [Laughter].

8 [Whereupon, at 11:55 a.m. the meeting was concluded.]

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I N D E X

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U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

Opening Statement of Sen. Chuck Grassley
Consideration of the *Miscellaneous Trade and Technical Corrections Act of 2003*
Wednesday, Feb. 26, 2003

Over the past several weeks, we have been working to complete some unfinished business from the 107th Congress. Just recently we held a hearing on a number of Bush administration nominees who were up for confirmation last year. I am hopeful we can have a vote on those nominees soon. With today's mark-up of the miscellaneous trade bill, we are taking another step toward completing some unfinished business from the 107th Congress. The committee originally planned to mark up this bill on Sept. 26, 2002. As most of you know, that mark-up was postponed, and we were unable to turn our attention to this bill until today.

The bill we are considering today is basically the same bill that we prepared with Senator Baucus' staff last year. The bill contains provisions to suspend duties on eligible products, miscellaneous trade-related items, and technical corrections to the *Trade and Development Act of 2002*. The vast majority of these provisions are drawn largely from member-introduced legislation. This legislation does three very important things. One, it enables U.S. companies to more efficiently produce goods, which allows them to be more competitive and function more cost efficiently. Two, it helps create jobs for American workers. And, three it reduces costs for U.S. consumers. The bill also contains a number of notable provisions.

The bill extends Generalized System of Preferences (GSP) benefits for certain hand-made rugs from GSP beneficiary countries. The primary beneficiary is Pakistan; other countries that would benefit from the bill include Turkey, Nepal, Egypt, and Morocco. The bill would significantly increase Pakistan's benefits under GSP and provide a much-needed benefit to an important ally in the war on terrorism. The bill also contains an important provision that restores normal trade relations status to Serbia and Montenegro. I will note here that the bill actually restores normal trade relations to Yugoslavia. However, just recently Yugoslavia became officially known as Serbia and Montenegro. So we will be making technical changes to the bill to reflect this fact. There are also included several provisions designed to enhance the international competitiveness of the U.S. insular possessions. Finally, there is legislation which would enhance and strengthen the protection of U.S. intellectual property rights abroad.

Every two years the Ways and Means and Finance committees request public comment on all proposed duty suspensions or reductions. The International Trade Commission notifies potential U.S. producers to provide them with an opportunity to comment on the proposed duty suspension. The United States Trade Representative, the Department of Commerce, and the U.S. Customs Service are also provided an opportunity to comment. If a reasonable objection is made to including the product or if a domestic company manufactures the product, it is generally dropped from the bill. Thus, virtually every one of the duty suspensions and other provisions has gone through a thorough and transparent vetting process. I would ask today that members not offer any amendments to this bill that have not gone through this process. We hope to consider another miscellaneous tariff bill later this Congress. At that time we can consider new items for inclusion. I would also like to emphasize that we need to get this bill done. There are a lot of provisions here that have been bottled up for many months. In preparing the bill we have tried to make sure it does not contain any controversial items. I have done everything I can to make this a bipartisan bill and a bipartisan process. In that regard, I would ask that members respect the process and not seek to amend this bill with controversial items. Adding controversial items to the bill will not ease the passage of those provisions, but will, more likely than not, kill this bill. So I hope I can have your cooperation.



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

<http://finance.senate.gov>

For Immediate Release

Wednesday, February 26, 2003

Contacts: Laura Hayes, Lara Birkes

202-224-4515

Mark-up of the "Miscellaneous Trade and Tariff Act"

Our business today is held over from the 107th Congress, and it's important that we complete work on this bill so that we can move on to new issues and new legislation.

Each Congress, the Finance Committee pulls together a series of individual trade and tariff bills and puts them forward as a single package. This bill generally doesn't get the attention that some of our other work does. It certainly doesn't make the front pages of the papers. But it's important. When you look at the provisions of the bill we're marking up today individually, it's easy to miss this point. Many of the products affected by this bill are obscure to the lay person.

Yet, each of these products, and each improvement to the tariff schedule this bill would make, is important to an American company. For example, there are over three hundred temporary duty suspensions included in this bill. In order to be included, the products covered in the duty suspension cannot be available from a U.S. manufacturer. That means that there are over three hundred American companies currently paying tariffs on items that they need, yet cannot obtain in the United States.

This doesn't make sense. These duties don't safeguard American jobs. They merely penalize U.S. companies to no good end – by adding to their costs of production. I've long been a proponent of a smart, flexible trade policy that encourages job creation and increased production in the United States. Imposing duties on products that must be imported, because they are not available from a U.S. manufacturer, does not meet this definition.

Pulling together these trade and tariff bills is one of the more arduous tasks that the Committee undertakes each term. I would like to thank the Chairman and his staff for all of their hard work in getting this legislation ready for mark-up.

I'm fully aware of the hard decisions that have to be made to complete work on this legislation. These miscellaneous trade bills often become a sort of "last chance" for individual bills that are unlikely to move through Committee or to the floor – not

because they're not meritorious, but because, by themselves, they may appear too insignificant. And it's not easy to balance the demands of 100 Senators while still striving for a bill that is non-controversial.

While I understand the pressures that shape a non-controversial miscellaneous trade bill, I would like to take a moment to express my disappointment that an important technical fix to the Trade Adjustment Assistance bill we passed last fall was not included in the mark.

This fix would have guaranteed that certain steel workers -- those eligible for benefits from the Pension Benefit Guaranty Corporation -- receive the consumer protections included in the law. This language was part of the original draft of the Miscellaneous Tariff bill last fall, but I note that it is not included in the bill before us now.

The fix in last year's version of the bill was a technical fix. It reflects the spirit and intent of the Trade Act that Congress passed last August - an Act that I, as Committee Chairman, helped craft and negotiate. As a technical correction, this fix should not be controversial. In fact, as a technical correction, the bill we are marking up today is the most logical vehicle for this language.

Yet, I also understand that for whatever reasons, some of my colleagues disagree with me on this, making the provision controversial. I believe their opposition to the TAA fix is misplaced, and I will continue to work to resolve this issue.

Modified Amendment by Senators Conrad and Grassley, *& Baucus*

Sense of the Senate on WTO Agriculture Negotiations

The amendment would add a section expressing the sense of the Senate that –

1) the goals of the United States in the Doha Round of the WTO agriculture negotiations are to achieve significantly increased market access, harmonize countries' allowed levels of trade-distorting domestic support, and achieve a more level playing field for U.S. farmers, ranchers, and agricultural producers;

2) the proposed "modalities" framework recently released by the Chairman of the WTO Agriculture Negotiations Committee, Stuart Harbinson, fails to meet these goals because –

a) It accepts the European formulation of equal percentage reductions from unequal levels of support that locks in place the EU's current advantage on trade-distorting domestic support levels,

b) While it recognizes that high tariff levels should be reduced more quickly, it nevertheless fails to sufficiently open export markets for U.S. products by allowing countries to maintain prohibitively high tariffs,

c) While it eliminates trade-disrupting export subsidies, it phases out the elimination of export subsidies too slowly,

d) It contains a potentially unlimited tariff reduction loophole that would disadvantage United States agricultural products exported to developing countries, and would also limit trade between developing countries,

e) It preserves the trade distorting "blue box" support payments; and

3) the United States should not agree to this proposal unless and until it is significantly improved such that the framework will result in significantly greater market access and harmonization of countries' allowed levels of trade-distorting domestic support, and achieve a more level playing field for United States farmers, ranchers, and agricultural producers.



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: Resolution on WTO Agriculture Negotiations
Da: Wednesday, Feb. 26, 2003

Sen. Chuck Grassley, chairman of the Committee on Finance, Sen. Kent Conrad, and a bipartisan group of committee members today offered an amendment to the *Miscellaneous Trade and Technical Corrections Act of 2003*. The amendment, a sense of the Senate resolution on World Trade Organization agriculture negotiations, came during the committee's consideration of the trade act. The committee adopted the amendment with a strong show of support. The bill did not receive final committee approval this morning due to a lack of a quorum. Grassley plans to seek final approval from the committee as soon as possible, ideally off the Senate floor during a vote. Grassley made the following statement in offering the amendment. The text of the amendment/resolution follows.

"This resolution offered by Senator Conrad and myself affirms the guidance on agricultural market access that I have provided to our trade negotiators for more than two years, and is consistent with the ambitious proposal for long-term agricultural trade reform the United States tabled at the WTO in Geneva in 2000. Greater market access is the single most important thing we can achieve for our farmers, ranchers, and agricultural producers in the WTO agricultural trade negotiations now under way in Geneva. Let me explain why this resolution should be adopted. The WTO agriculture negotiations in Geneva are in a critical phase. Countries are putting forward proposals on 'modalities' the road map for how we will achieve greater market access, and reduction commitments in agricultural tariffs and trade-distorting support.

"The stakes are tremendous. How we resolve these issues will determine whether we will achieve meaningful agricultural trade liberalization in this crucial round of WTO negotiations. Unfortunately, differences over these 'modalities' have slowed negotiations to the point where we are making little, if any, progress. That's because the European Union, Japan, and several other countries want to avoid making bold reduction commitments that will result in less trade-distorting spending and more open world agricultural markets. Since countries were not able to agree on the scope or pace of agricultural trade reform in this phase of the talks, the chairman of the agriculture negotiations in Geneva, Stuart Harbinson, wrote a draft modalities paper in order to try to achieve a consensus so negotiations could move forward.

"While it makes progress in some areas, the Harbinson draft falls short in a number of others. That's why Senator Conrad and I have proposed this Sense of the Senate resolution. We need to make absolutely certain that these WTO agriculture negotiations result in a good deal for America's farmers, ranchers, and agricultural producers. In order to make sure that happens, we need to cut high agricultural tariffs as much as possible. That means reducing high tariff levels more quickly than lower tariffs. Agriculture still has some of the highest tariffs in the world. It just makes sense to reduce higher tariffs more.

"But the European Union has strongly resisted this approach. While the Harbinson draft recognizes that high tariff levels should be reduced more quickly, it would still allow countries to keep high agricultural tariff levels in place. We must also reduce and eliminate trade-distorting domestic support, by setting the same standard for all countries' allowed level of trade-distorting domestic support. This harmonization of support levels is the only way we can effectively address the vast disparity in domestic support spending between the European Union and the United States. Under current WTO rules, the European Union is allowed to spend \$60 billion a year on trade-distorting domestic support, and has no limit on so-called 'blue box' payments, while the United States has a ceiling of \$19.1 billion. This huge domestic support advantage in favor of the European Union is one of the main reasons why American farmers find it so difficult to compete in Europe, as well as in a growing number of important third-country markets.

"The Harbinson draft falls short of my goals in this area as well. Frankly, these agriculture negotiations are so important to America's farmers that I would rather see no deal at all than a bad deal. Our trade negotiators need our strong support and guidance now more than ever, especially when critical decisions may soon be made that will determine the ultimate outcome of the negotiations. That's what this resolution is about."

Modified Amendment by Senators Conrad and Grassley,

Sense of the Senate on WTO Agriculture Negotiations

The amendment would add a section expressing the sense of the Senate that –

- 1) the goals of the United States in the Doha Round of the WTO agriculture negotiations are to achieve significantly increased market access, harmonize countries' allowed levels of trade-distorting domestic support, and achieve a more level playing field for U.S. farmers, ranchers, and agricultural producers;
- 2) the proposed "modalities" framework recently released by the Chairman of the WTO Agriculture Negotiations Committee, Stuart Harbinson, fails to meet these goals because –
 - a) It accepts the European formulation of equal percentage reductions from unequal levels of support that locks in place the EU's current advantage on trade-distorting domestic support levels,

- b) While it recognizes that high tariff levels should be reduced more quickly, it nevertheless fails to sufficiently open export markets for U.S. products by allowing countries to maintain prohibitively high tariffs,
 - c) While it eliminates trade-disrupting export subsidies, it phases out the elimination of export subsidies too slowly,
 - d) It contains a potentially unlimited tariff reduction loophole that would disadvantage United States agricultural products exported to developing countries, and would also limit trade between developing countries,
 - e) It preserves the trade distorting "blue box" support payments; and
- 3) the United States should not agree to this proposal unless and until it is significantly improved such that the framework will result in significantly greater market access and harmonization of countries' allowed levels of trade-distorting domestic support, and achieve a more level playing field for United States farmers, ranchers, and agricultural producers.