

1 EXECUTIVE COMMITTEE MEETING TO CONSIDER S. 1307, THE  
2 DOMINICAN REPUBLIC-CENTRAL AMERICA-UNITED STATES FREE  
3 TRADE AGREEMENT IMPLEMENTATION ACT; AND S.J. RES. 18, A  
4 JOINT RESOLUTION APPROVING THE RENEWAL OF IMPORT  
5 RESTRICTIONS CONTAINED IN THE BURMESE FREEDOM AND  
6 DEMOCRACY ACT OF 2003  
7 TUESDAY, JUNE 28, 2005  
8 U.S. Senate,  
9 Committee on Finance,  
10 Washington, DC.

11 The meeting was convened, pursuant to notice, at  
12 9:10 a.m., in room SH-216, Hart Senate Office building,  
13 Hon. Charles E. Grassley (chairman of the committee)  
14 presiding.

15 Also present: Senators Lott, Thomas, Bunning, Crapo,  
16 Baucus, Conrad, Lincoln, and Wyden.

17 Also present: Kolan Davis, Republican Staff Director  
18 and Chief Counsel; Russ Sullivan, Democratic Staff  
19 Director; Dean Zerbe, Tax Counsel and Senior Counsel to  
20 the Chairman; and Everett Eissenstat, Chief Trade  
21 Counsel.

22 Also present: Ambassador Allen Johnson, Chief  
23 Agriculture Negotiator, USTR; Regina Vargo, Assistant  
24 USTR for the Americas; James Gagnon, Director, Office of  
25 Burma, Highland Laos, Cambodia, and Vietnam, Department

1 of State; James Mendenhall, General Counsel, USTR;  
2 Stephen Schaefer and Anya Landau, Trade Counsel.

3 Also present: Carla Martin, Chief Clerk; and Amber  
4 Williams, Assistant Clerk.

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1 OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, CHAIRMAN,  
2 COMMITTEE ON FINANCE

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4 The Chairman. Good morning, everybody. Today we  
5 are meeting in executive session to consider two bills.  
6 First, we will take up S. 1307, the Dominican Republic-  
7 Central America Free Trade Agreement. That is further  
8 amended by the words, "implementation act" of the  
9 agreement.

10 Then we are going to consider Senate Joint Resolution  
11 18, approving the renewal of import restrictions  
12 contained in the Burmese Freedom and Democracy Act.

13 S. 1307 helps level the playing field for U.S.  
14 farmers and workers by implementing CAFTA. Today, most  
15 products from Central America enter our market duty-free.  
16 In contrast, our exports to the region face a myriad of  
17 tariffs and non-tariff barriers. This bill eliminates  
18 these unfair trade barriers and allows us to compete  
19 fairly in a growing and vibrant market.

20 Passage of the bill also helps solidify fragile  
21 democracies in a region of the world that, not so long  
22 ago, was ravaged by violent political conflict and civil  
23 war. In short, this bill is manifestly in our national  
24 security, and not only our economic, interest. I hope  
25 members of the committee will join me to report the bill

1 favorably.

2 The bill before us today is virtually identical to  
3 legislation that the Finance Committee recommended to the  
4 President June 14. We have worked hard over the past  
5 several weeks to ensure that committee members and staff  
6 have had adequate opportunity to review the bill and the  
7 Statement of Administrative Action, therefore, I will not  
8 go into detail on those things.

9 However, I want to note that the administration chose  
10 not to include a recommendation of the Finance Committee,  
11 which would have expanded the current trade adjustment  
12 assistance programs to service workers.

13 Similarly, the administration did not include a  
14 recommendation by House Ways and Means, which would have  
15 required a report on the impact of the CAFTA agreement  
16 for U.S. service workers. The administration did,  
17 however, include as part of S. 1307 a recommendation by  
18 Ways and Means that calls for periodic reporting of labor  
19 standards in this region.

20 If time permits, we will also take up Senate Joint  
21 Resolution 18, approving continued trade sanctions on  
22 Burma. As you may recall, the Burmese Freedom and  
23 Democracy Act was passed in 2003 in response to the  
24 Burmese government's reprehensible attack on the National  
25 League for Democracy, including the arrest of many NLD

1 officials. The bill contains a number of sanctions on  
2 Burma, including an import ban.

3 As part of the bill, Senator Baucus and I insisted on  
4 including provisions for continued congressional  
5 oversight. Specifically, the import ban will expire on  
6 the anniversary of the enactment, July 28, unless  
7 Congress re-enacts it.

8 Senate Joint Resolution 18 extends the import ban for  
9 a year as well. Unfortunately, the situation in Burma  
10 has not improved, so extension is appropriate. So, I  
11 urge my colleagues to vote with me favorably on these two  
12 bills, S. 1307 and S.J.R. 18.

13 If members have questions about either of these  
14 bills, we have representatives from the administration  
15 and staff available to respond.

16 We have a vote scheduled for 9:45 this morning on the  
17 Energy bill, and at 10:00 the committee is scheduled to  
18 begin hearings on Medicaid fraud, waste and abuse. I  
19 want to ensure that all the members of this committee  
20 have an opportunity to make their statements and ask any  
21 questions that they want to.

22 So if we do not get done at this particular time, it  
23 is my intention then of continuing the meeting tomorrow  
24 at 9:00 in the morning for the hour prior to the second  
25 day of hearings on Medicaid.

1           If that is not enough time, I suppose we will take  
2 whatever we can. I just want to make sure, though, that  
3 we try to be as expeditious as we can.

4           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 Mr. Chairman, as you mentioned, today we are in the  
6 process of considering legislation to implement the U.S.-  
7 Central America-Dominican Republic Free Trade Agreement.  
8 As my colleagues no, we can offer no amendments today.  
9 Our job is to vote on whether to report the bill out of  
10 the committee as the administration presented it.

11 Frankly, I am disappointed with the way the Congress  
12 and the administration have handled CAFTA. I am  
13 disappointed that the administration sent this  
14 legislation to Congress so quickly, barely a week after  
15 the mark-up.

16 Senators raised many concerns at the informal mark-up  
17 on June 14, and rather than making any meaningful efforts  
18 to address these concerns, the administration has chosen  
19 to force legislation through Congress. They appear to  
20 want to win by the thinnest of margins.

21 I plan to vote against the legislation, but I  
22 continue to believe it would have been entirely possible  
23 to win broad support for CAFTA on both sides of the  
24 aisle.

25 This is particularly true with respect to sugar.

1 Secretary Johan, Ambassador Portman, and others have said  
2 they want to find a solution to the sugar industry's  
3 concerns with CAFTA. But instead of taking the time to  
4 work on this issue in good faith, the administration has  
5 rushed ahead with this bill.

6 The Secretary has offered what he calls a compromise  
7 on sugar, but in truth the offer is nothing new.  
8 Essentially, he has offered to do what the law already  
9 requires him to do, namely purchase surplus sugar in the  
10 U.S. market. That is no deal. I am disappointed that  
11 some may use this thin cloak as cover to vote for a deal  
12 that is unambiguously bad for the sugar industry.

13 The sugar industry has been ready, has been eager,  
14 and willing to work with the administration. They met  
15 with folks from USTR before CAFTA negotiations began, and  
16 after the administration released its draft legislation,  
17 the industry remained willing to discuss reasonable  
18 solutions.

19 But the administration did not meet with anyone from  
20 the sugar industry until yesterday, after the  
21 administration had set up the final legislation and  
22 amendment became impossible under TPA rules.

23 I cannot understand why some appear so eager to  
24 negotiate important aspects of the sugar program in a  
25 small, bilateral trade agreement when other, large sugar-



1 producing countries are not at the table.

2 We have rightly refused to negotiate our farm  
3 programs in the Free Trade Agreement of the Americas, or  
4 in any other of our bilateral or regional trade  
5 agreements. Why? Because we would never agree to reduce  
6 price supports for wheat, for corn, cotton, soybeans,  
7 dairy, rice, name your commodity, without being assured  
8 that other big producers of those commodities were  
9 similarly reducing their price supports.

10 I am also disappointed that the legislation sent up  
11 by the administration does not include the trade  
12 adjustment assistance amendment adopted by this committee  
13 at our informal mark-up.

14 The President likes to say that trade is for  
15 everyone. We all like to say we share the benefits of  
16 trade. The President claims to care a lot about having a  
17 skilled workforce. This amendment presented the  
18 President with the perfect opportunity to do just that,  
19 but he chose not to.

20 I am not ready to take no for an answer, and that is  
21 why I, along with Senators Wyden and Coleman, introduced  
22 a stand-alone bill to extend TAA to service workers. The  
23 legislation received 54 votes in the Senate last year; I  
24 think it should become law, and so does the Senate.

25 Finally, I am disappointed with the process with

1     which the bill for us was developed. Since 1974, there  
2     has been a consensus among Congress and the executive  
3     branch to follow well-known procedures for developing  
4     trade bills that Congress considers under fast track  
5     procedures.

6             The process is technical and seldom generates  
7     headlines, but process is important. It permits Congress  
8     to discharge its constitutional responsibility for trade,  
9     while delegating the actual negotiating of trade  
10    agreements to the executive.

11            The draft text that emerged from the mock mark-ups in  
12    the Finance and Ways and Means Committees was different.  
13    By all rights, we should have held a conference to  
14    resolve those differences. But for reasons I cannot  
15    explain, we did not.

16            The failure to hold an informal conference to resolve  
17    differences between the Senate and the House CAFTA bills  
18    is a serious defect in the process. By not formally  
19    rectifying our differences and sending a consensus draft  
20    to the President, the Senate and the House simply  
21    abdicated their constitutional roles.

22            I do not blame the Chairman for this outcome. As  
23    always, I appreciate his friendship and his willingness  
24    to work with me, even when we disagree. But  
25    circumventing the appropriate process on this bill is

1 just one further argument for those who oppose renewing  
2 fast track trade negotiating authority when it expires in  
3 2007.

4 If we do not respect the role that Congress has to  
5 play under fast track, Congress simply will not subject  
6 itself to fast track, because after all, it will remind  
7 everybody, trade is a prerogative, under the  
8 constitution, to the legislative branch, and it is being  
9 abrogated, frankly, and being taken over by the  
10 executive. I think both ends of Pennsylvania Avenue are  
11 derelict in not respecting the correct process.

12 The United States has a lot of trade priorities. The  
13 Doha Round is entering a critical phase. Congress has  
14 begun exploring how to craft a broad national strategy to  
15 address trade with China. Many trade enforcement issues  
16 require urgent attention.

17 One rationale for negotiating a series of bilateral  
18 agreements was the belief that it would help in  
19 developing a common approach on these issues and create a  
20 consensus in favor of trade liberalization. These  
21 agreements were to bring us closer together on trade. I  
22 am concerned that CAFTA has served only to push us  
23 further apart.

24 After Congress has completed its consideration of  
25 CAFTA, it will have to take stock of what has happened

1 and figure out where to go next. That will include  
2 starting to think in earnest about 2007.

3 That year, we will see a new farm bill, potentially a  
4 new WTO agreement, and an attempt to renew TPA. It will  
5 be a busy year. What we do between now and then will  
6 affect all of those priorities. I look forward to  
7 working with the Chairman, Ambassador Portman, and others  
8 as we move forward.

9 I would also like to say a couple of words about the  
10 other matter before us today, a Joint Resolution to renew  
11 unilateral U.S. trade negotiations on Burma. As I did  
12 last year, I plan to support this resolution, but also  
13 like last year, I do so with reservations.

14 When we first passed the unilateral import ban on  
15 Burma two years ago, the Chairman and I insisted that  
16 Congress and this committee retain its right to monitor  
17 and evaluate these trade sanctions. I do not believe we  
18 should ever write the executive a blank check when it  
19 comes to trade policy.

20 It is because of our efforts that we are having this  
21 mark-up today. Last year, I noted that a ban on Burmese  
22 imports did not impact the volume of Burma's exports, and  
23 that no other country had joined the United States' ban  
24 on Burmese goods. One year later, the picture is still  
25 very much the same.

1           The despicable regime in Burma remains in place, and  
2 we remain the sole country to ban imports from Burma. I  
3 have, so far, seen little indication that our sanctions  
4 have forced the ruling military Junta in Burma to make  
5 any real concessions on the path to democracy.

6           In fact, the State Department reports that systematic  
7 human rights violations continue unabated in Burma,  
8 including extra-judicial killings, rape, torture, and  
9 forced labor.

10           If anything, the ruling military Junta has further  
11 consolidated its grip on power by ousting the previous  
12 Prime Minister, who at least paid lip service to a  
13 democratic national reconciliation for Burma in  
14 installing a hard-line general in his place.

15           But I am willing to sign on for another year to see  
16 if any progress can be made. Next year, the sanctions  
17 automatically expire. If we wish to extend them further,  
18 we will have to pass new legislation to do so. At that  
19 time, we could have a more extensive debate on how best  
20 to make progress towards everyone's goal of a free and  
21 democratic Burma.

22           Thank you, Mr. Chairman, for your leadership in  
23 ensuring that Congress and this committee have the  
24 opportunity to play a role in U.S. sanctions policy.

25           The Chairman. Let me confer with the committee

1 members, and in particular Senator Baucus, on the  
2 procedure. I do not have any strong feelings about how  
3 we do this, but I think what I would like to do is give  
4 each member five minutes, where they can either make  
5 statements or ask questions. Then we will do five minute  
6 rounds, and then at the end of round one we will have  
7 round two, three, or four over what we hope will be a  
8 two-day period of time.

9 Is that all right?

10 Senator Baucus. Sure.

11 The Chairman. All right. Then according to the way  
12 people come in -- well, Senator Lott has stepped out, so  
13 I will call on Senator Conrad.

14 Senator Lott. Mr. Chairman, I will pass.

15 The Chairman. All right.

16 Senator Lott. I am here, present, and ready to  
17 work.

18 The Chairman. All right. Thank you.

19 Then, Senator Conrad?

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1 OPENING STATEMENT OF THE HON. KENT CONRAD, A U.S. SENATOR  
2 FROM NORTH DAKOTA

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4 Senator Conrad. Thank you, Mr. Chairman. Mr.  
5 Chairman, I had hoped that I would be able to support  
6 this agreement, but I simply cannot. Mr. Chairman, I  
7 believe our trade policy is increasingly off-course.

8 I say that as someone who has supported the WTO. I  
9 supported PNTR. I have supported a number of other trade  
10 agreements. I opposed NAFTA. I opposed the so-called  
11 Canadian Free Trade Agreement because I thought both of  
12 those would hurt my State, and indeed they have.

13 But now I look at the long trend.. We have those that  
14 advocate these agreements repeatedly tell us that they  
15 have brought us another great success. I look at the  
16 record.

17 I look at the record, and here it is: this is what is  
18 happening to the trade deficits, after one of these  
19 successes after another. Until 10 years ago, we had  
20 never run a trade deficit of more than 100 billion in a  
21 year. Last year, the trade deficit was over \$600  
22 billion. This year, we are headed to a trade deficit of  
23 \$700 billion. It strikes me that this administration and  
24 this Congress ought to be addressing the underlying  
25 problems that are creating this explosion of red ink.

1           But we are not doing that. We are not taking action  
2 to compel China to stop manipulating its currency, or  
3 stealing our intellectual property. We are not reopening  
4 the Japanese and Korean beef markets. We have not put a  
5 stop to Airbus' unfair subsidies. We have not put a stop  
6 to Mexico's unfair tax on beverages sweetened with corn  
7 syrup.

8           In my judgment, we have lost focus in the WTO talks,  
9 allowing them to drift in the wrong direction. Instead,  
10 the focus and the energy is on CAFTA. It makes no  
11 earthly sense to me. It just makes none.

12           I believe this has the priorities backwards. First  
13 of all, CAFTA, by all accounts, has minimal benefits for  
14 our country. The United States' International Trade  
15 Commission, the agency of the U.S. Government responsible  
16 for doing analysis of all trade agreements, whose  
17 estimates have been repeatedly cited by the U.S. Trade  
18 Representative in support of other free trade agreements,  
19 has concluded that this agreement will increase our trade  
20 deficit with the region by \$110 million a year. Here it  
21 is: \$110 million of increase in trade deficit with the  
22 region. I do not know how many more of these successes  
23 we can afford.

24           When I look at the overall impact of the agreement on  
25 the U.S. economy, I find there is virtually no positive



1 impact. Again, the United States' International Trade  
2 Commission, a U.S. agency, nonpartisan, the government's  
3 scorekeeper on trade agreements, has concluded that the  
4 impact on U.S. Gross Domestic Product is too small to  
5 register.

6 The ITC report shows the total increase in U.S. Gross  
7 Domestic Product from CAFTA is zero. That is a pretty  
8 small number, zero. Here is their report. It is our own  
9 agency. It is the one USTR relies on repeatedly in  
10 buttressing other trade agreements and making the  
11 argument for other trade agreements.

12 Here is what our own agency says will be the effect  
13 on U.S. GDP, Gross Domestic Product, if we pass this  
14 agreement. This is their chart. It says the impact is  
15 going to be zero. It is not surprising because the CAFTA  
16 countries are tiny, tiny markets. I am told it is  
17 equivalent to about a mid-sized city in this country.

18 In agriculture, we are told there is going to be a  
19 great boon for American agriculture. I represent one of  
20 the most agricultural States in the Nation. I have  
21 examined this closely.

22 I do not know what they are talking about when they  
23 say there is going to be a boon for agriculture. We  
24 already have 94 percent of the wheat market. We already  
25 have 94 percent of the barley market. It is hard to get

1 more than 94 percent of the market.

2 In return for these very modest gains, CAFTA puts the  
3 efficient, competitive U.S. sugar market at risk, an  
4 entire industry at risk. Sugar is a \$2 billion industry  
5 in the Red River Valley. It is critically important to  
6 my State and our neighboring State of Minnesota. This  
7 industry employs 146,000 people in this country and it is  
8 all put at risk by this agreement.

9 Now, I know our friends who are advocating this  
10 agreement say, oh, no, this is not going to hurt sugar.  
11 Come on. Come on. It is not going to hurt? I mean,  
12 anybody that examines this agreement and the precedent it  
13 sets for other agreements, coupled with the most recent  
14 news about what is happening with sugar from Mexico, has  
15 to understand the threat to the United States.

16 We have got, under Tier 2 of the Mexican agreement,  
17 the potential for another 650,000 metric tons to come in;  
18 under CAFTA, another 100,000 tons. If that same  
19 precedent is applied to South Africa, another 95,000  
20 tons. On Thailand, also being negotiated, if the same  
21 agreement is reached there as in this agreement, another  
22 177,000 tons. In the Andean countries, another agreement  
23 is being negotiated.

24 If the same precedent applies, 115,000 tons, for a  
25 grand total of 1.151 million tons. Virtually every

1 economist says, if you bring in another 500,000 tons, you  
2 collapse the sugar market in this country and you would  
3 devastate the sugar industry in this country. That is  
4 the reality. Does not hurt? Nonsense.

5 For months, USDA has been saying we can absorb that  
6 amount of sugar, since there is a cushion between our WTO  
7 import obligations and the farm bill trigger on the sugar  
8 program. This cushion assumed that Mexico would not  
9 export significant amounts of sugar to the United States.

10 Well, it turns out, that is just wrong. USDA just  
11 revised its Mexican sugar projections, and Mexico now is  
12 projected to have a net surplus production, using the  
13 NAFTA definition of 443,000 tons.

14 Under the NAFTA, Mexico can send us 250,000 tons of  
15 sugar duty-free, totally eliminating the cushion. But it  
16 gets much worse. Mexico's total exportable surplus this  
17 year is now projected to be more than 900,000 metric  
18 tons.

19 Under NAFTA, the second tier tariff on sugar is being  
20 phased out. This year, it is only 4.5 cents a pound.  
21 Mexico will earn much more by paying that 4.5 cent tariff  
22 and shipping sugar to the U.S. than by selling its sugar  
23 onto the world dump market. That means it could send us  
24 another 650,000 tons, for a total of 900,000 tons this  
25 year.

1           So, when anyone tells you that CAFTA will not put the  
2           U.S. sugar industry at risk, they simply do not know what  
3           they are talking about, or they are not telling the  
4           truth. It is one of those two: they either do not know  
5           what they are talking about or they are not telling the  
6           truth.

7           Unfortunately, it does not stop there. CAFTA is not  
8           the only trade agreement coming down the pike. As I have  
9           indicated, if we just apply this same precedent to the  
10          other agreements being negotiated, we are going to  
11          collapse the sugar market in this country. It is as  
12          clear as it can be.

13          Finally, let me just say a word on process, Mr.  
14          Chairman, and I will conclude. I would be remiss if I  
15          did not make mention of the process that has gotten us to  
16          this point.

17          Last year, when we considered the Australian FTA, the  
18          precedent was set that, if an amendment was adopted in  
19          the mock mark-up, but a majority of the committee then  
20          rejected the proposed implementing bill, the committee  
21          could be ignored.

22          This year, with the Wyden amendment, the precedent is  
23          being set that, when an amendment is adopted by the  
24          committee and the underlying proposed implementing bill  
25          is then approved by the committee, that amendment, too,

1 can be totally ignored. We call this a mock mark-up.  
2 This is a mockery of a mark-up. It is a mockery. There  
3 is not a serious mark-up going on here. Frankly, it does  
4 not matter much what we do here. No matter what the  
5 committee does, it has no meaning and no impact on the  
6 unamendable fast track implementing bill that is sent to  
7 the Congress. The founding fathers would be spinning in  
8 their graves at the thought, this is what we have come  
9 to.

10 The great Congress of the United States, the U.S.  
11 Senate, the U.S. House of Representatives, set out in the  
12 constitution with the responsibility to write legislation  
13 that affects our international relations and our trade  
14 agreements, has become nothing more than a rubber stamp.

15 There is no amendment process going on here. It is a  
16 sham. So what we are left with, is a circumstance in  
17 which the administration sends us trade agreements that  
18 they have negotiated, and we are left with only voting up  
19 or down. The power of amendment, which is the single  
20 most important power any U.S. Senator has, has been  
21 abrogated.

22 The bottom line, to me, is that this process has  
23 completely run amok and lost credibility. This trade  
24 agreement does not deserve to pass.

25 I thank the Chairman.

1           The Chairman.    On the process, before I call on  
2   Senator Crapo, just to respond, I am not going to  
3   disagree with everything that the Senator said on the  
4   process.  But the underlying statute says that amendments  
5   must be necessary and proper.  If we did anything else  
6   with amendments except those that are necessary and  
7   proper, then we would be making a mockery out of the  
8   underlying piece of legislation.

9           Senator Crapo?

10          Senator Conrad.  Mr. Chairman, might I just respond  
11   to that for one moment?

12          The Chairman.  Yes, of course you can.

13          Senator Conrad.  I would say that, in the NAFTA  
14   bill, we expanded TAA.  That is a precedent, too.  We did  
15   that.  That was judged to be necessary.  So, I will just  
16   tell you honestly, I think we have got a process now that  
17   has, honestly, completely run amok.

18          The Chairman.  Senator Crapo?

19          Senator Crapo.  Thank you very much, Mr. Chairman.  
20   I appreciate your attention to this issue.  I will simply  
21   say that, with regard to the sugar issue, which has been  
22   my highest concern, I appreciate the administration  
23   working with us to try to find a path forward there.  We  
24   will continue to work with the administration as we seek  
25   to do so.  I pass on any further remarks.

1           The Chairman.    Thank you.   Thank you very much.

2           Now, Senator Wyden, then Senator Hatch, then Senators  
3 Lincoln, Bunning, and Thomas.

4           Senator Wyden?

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1 OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM  
2 OREGON

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4 Senator Wyden. Thank you, Mr. Chairman. Mr.  
5 Chairman, my trade focus is that Americans should be able  
6 to make things and grow things in our country and sell  
7 them around the world. Because this agreement will  
8 provide more opportunities for American workers to do  
9 that, I intend to support it.

10 I am particularly hopeful that our workers making  
11 communications gear, health care products, computers,  
12 chips, energy production and conservation goods, will see  
13 those products purchased by governmental bodies in the  
14 CAFTA-DR region.

15 There has been considerable discussion about who  
16 would have the money in the region to buy our exports.  
17 Well, the fact of the matter is, the governmental bodies  
18 in the region would have the funds in order to be able to  
19 purchase the value added goods that I have just  
20 described.

21 The president of Honduras has written me that his  
22 government will spend \$251 million to expand and  
23 modernize the energy sector. Honduras will more than  
24 double the number of mobile phone subscribers, and  
25 intends to invest \$183 million to upgrade health care and



1 hospitals. They also indicated that U.S. companies will  
2 be a source of supply for many of these investments.

3 El Salvador is embarked on a major expansion of its  
4 communication and Internet networks, and is looking to  
5 product and service providers in my home State as an  
6 important source of high-tech trade.

7 I bring this up only by way of saying, those are the  
8 kind of exports that we want to see encouraged. They are  
9 high value-added kinds of products in the area of  
10 technology, health care, and energy, and we ought be  
11 encouraging them.

12 I want to make clear that this agreement is certainly  
13 not perfect. I would have much preferred the Jordan Free  
14 Trade Agreement standards with respect to labor. I  
15 thought when we passed that Jordan provision that we were  
16 prepared to use that as a template, and obviously we are  
17 moving away from that.

18 I do not think anywhere near enough is done to deal  
19 with the disconnect that American workers see between the  
20 jobs that they have on the shop floors of this country  
21 and trade policy.

22 I, for example, have indicated an interest in making  
23 sure that, when companies win, that workers be able to  
24 share in those winnings. That, unfortunately, is not a  
25 part of our trade policy as well

1           Finally, I would say, Mr. Chairman and colleagues, I  
2 think it is a huge, huge mistake to not pass the trade  
3 adjustment assistance package as part of this  
4 legislation. Chairman Grassley is absolutely right that  
5 the standard has always been that an amendment be  
6 necessary and proper.

7           I would only say, what could possibly be more  
8 necessary and proper than to make sure that our workers  
9 who are laid off as a result of trade have an opportunity  
10 to have policies that will allow them to bounce back,  
11 literally trampoline, into other fields where they can  
12 make a high-skill and high-wage job.

13           The Senate of the United States passed the amendment  
14 that I authored with Senator Coleman. Senator Baucus has  
15 been very involved in this. Chairman Grassley has been  
16 very involved in this on a bipartisan basis. It is a  
17 huge mistake, a mistake that this Senate will regret, to  
18 not include the opportunity for workers who are adversely  
19 affected by trade to get into other fields.

20           Finally, I want to touch on one other issue that I  
21 got into a bit last week, and that is China. Rejection  
22 of this agreement will signal the alarm for industry that  
23 it is time to clear out of Central America and move  
24 elsewhere. The Senate ought to harbor no illusions. The  
25 only other so-called "elsewhere" today is China, which of

1 course is becoming an economic juggernaut.

2 Are U.S. interests really better served by forcing  
3 more economic power to be concentrated in China's hands  
4 or by establishing closer economic ties with our  
5 neighbors in Central America?

6 Does the United States want to hand China a gold  
7 opportunity to amass even more economic clout? Because  
8 if we walk away from that region of the world, there is  
9 no question in my mind that the Chinese will move right  
10 in.

11 I made it clear last week when we had the hearing on  
12 China that I think Congress ought to be more vigilant--  
13 more vigilant--in watch-dogging China's trade practices,  
14 and rejecting CAFTA will send a message to a very  
15 promising region of the world that the United States is  
16 walking away, and they can go right into China's economic  
17 arms. I urge my colleagues to support the CAFTA  
18 agreement.

19 Mr. Chairman, I yield back.

20 The Chairman. I want to thank you for your  
21 cooperation over the month that we have been talking on  
22 some of the issues that you have brought up. You have  
23 been very cooperative. I think you have even probably  
24 been more understanding than you wanted to be. I  
25 appreciate it very much.

1            Now, Senator Hatch?  
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1 OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR  
2 FROM UTAH

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4 Senator Hatch. Well, thank you, Mr. Chairman.

5 Over the years, I have been a supporter of free trade  
6 agreements. Free trade, as we all know, is important.  
7 There is no other endeavor that affords the opportunity  
8 to forge closer links between nations, while  
9 simultaneously improving the lives of millions.

10 The vast majority of economists agree, free trade is  
11 in every nation's long-term interest. Diplomats also  
12 note that it is far easier to reach a compromise between  
13 nations whose economies are mutually reliant. However,  
14 we Utahans are concerned about maintaining U.S.  
15 sovereignty.

16 We absolutely cannot give up our right to govern  
17 within our own borders. We have laws for a reason, and  
18 they represent the ideals and values we hold dear in our  
19 country.

20 My constituents contact me on a constant basis to  
21 underscore their frustration with the gradual loss of  
22 U.S. sovereignty that we are experiencing in the  
23 international arena.

24 Local lawmakers from across the country are reaching  
25 out to us and asking for our help in ensuring their local

1 laws and authority remain intact as we enter into  
2 international trade agreements, and I support them.

3 The issue of the important of maintaining sovereignty  
4 was highlighted recently by a recent WTO dispute  
5 resolution body ruling on Internet gambling. That ruling  
6 stated that the United States cannot block other  
7 countries from offering Internet gambling to U.S.  
8 residents, even if they live in a State such as Utah  
9 where gambling is illegal. Now, this is outrageous. We  
10 absolutely cannot enter into agreements where our laws  
11 are overturned by outsiders.

12 Now, I have become increasingly concerned that, with  
13 the amount and quality of consultation occurring between  
14 States and the Federal Government over trade agreements,  
15 we have got to watch this very carefully. Simply put, we  
16 need to provide greater opportunities for substantive  
17 consultation to occur.

18 This problem was the topic of a recent letter signed  
19 by 28 States' attorneys general, including Utah,  
20 requesting greater consultation between the U.S. Trade  
21 Representative and the States on issues affecting States'  
22 rights.

23 I believe we need to take action on this immediately  
24 to ensure that we provide greater access to, and  
25 consultation with, our States and citizens. We are

1 clearly seeing how big of an impact these trade  
2 agreements are having on every State and city in America.

3 Now, Mr. Chairman, these concerns have played heavily  
4 upon my mind. However, I am encouraged by the effect  
5 that the Dominican Republic-Central America Free Trade  
6 Agreement will have on Utah farmers and industry.

7 According to the Department of Commerce, between 2000  
8 and 2004, Utah's exports to DR-CAFTA nations increased by  
9 58 percent. This includes such product areas as  
10 plastics, electronics, and instrumentation.

11 In plastic products, Utah industries sold \$18.6  
12 million in goods in 2004. In electronics and  
13 instrumentation products, Utah's businesses sold \$5.6  
14 million worth of goods in 2004. The elimination of  
15 tariffs will make these products even more competitive in  
16 this developing market.

17 I should point out that, even though the success  
18 enjoyed under the Chilean Free Trade Agreement does not  
19 guarantee similar success under DR-CAFTA, it should be  
20 noted that, in the first year of the U.S.-Chile Free  
21 Trade Agreement, Utah's exports to Chile grew by 152  
22 percent.

23 I am also pleased that DR-CAFTA will level the  
24 playing field so that American goods and products can  
25 have better access to Central American markets.

1           As part of our longstanding effort to support  
2 democracies in the region, the United States has afforded  
3 unilateral preferences to Central American goods under  
4 the Caribbean Basin Initiative and the Generalized System  
5 of Preferences.

6           DR-CAFTA eliminates these preferences, while  
7 simultaneously strengthening our commercial relationship  
8 with these nations by making the trading relationship  
9 permanent. All of this will be accomplished, while  
10 American products will have greater opportunities for  
11 export in the region.

12           One example of the positive attributes of DR-CAFTA  
13 can be found in the agreement's effect on the hard-  
14 pressed textile and yarn-producing industries. Our  
15 Nation, through the use of modern equipment and greatly  
16 improved efficiency, continues to be competitive in this  
17 area. Where we have lost ground, is in the labor-  
18 intensive apparel construction industry.

19           From this setback, however, DR-CAFTA provides an  
20 opportunity. Under current agreements, 56 percent of all  
21 textile products that are imported from DR-CAFTA nations  
22 to the United States contain U.S. yarns or fabrics.

23           When DR-CAFTA is enacted, we can only expect these  
24 numbers to increase. This stands in marked contrast to  
25 apparel imported from the Pacific Rim, and in particular,



1 China, where less than 1 percent of all apparel imports  
2 contain U.S. yarns and fabrics. Therefore, Mr. Chairman,  
3 I believe that in this case the pros do outweigh the  
4 cons.

5 Now, let me just say that one of the pros is that we  
6 need to continue to foster democracy in these countries,  
7 and these leaders in these countries are fighting  
8 tremendous battles in that regard, and we really need to  
9 pass this just to be able to keep that process moving,  
10 because there are some elements in our hemisphere right  
11 now that have great potential of causing and wreaking  
12 harm all over our hemisphere.

13 But let me just end on this note of caution. There  
14 must be greater opportunities afforded to the States to  
15 be consulted on free trade agreements. Likewise, we must  
16 remain vigilant that our Nation's, and respective  
17 States', sovereignty is maintained, and I hope that we  
18 will do a better job of doing that.

19 Thank you, Mr. Chairman.

20 The Chairman. Now, Senator Bunning?

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1 OPENING STATEMENT OF HON. JIM BUNNING, A U.S. SENATOR  
2 FROM KENTUCKY

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4 Senator Bunning. Thank you, Mr. Chairman.

5 The two bills before us today appear, on the surface,  
6 to have little in common. However, both are, at least in  
7 part, an attempt for the U.S. to influence the world in  
8 favor of human rights and the development of democratic  
9 governments.

10 The U.S. trade sanctions which we authorized last  
11 Congress follow in the tradition of the U.S. trade  
12 sanctions against South Africa apartheid, the Soviet  
13 Union, and Libya.

14 The sanctions against the corrupt military Junta in  
15 Burma puts pressure on those who continue to commit  
16 egregious human rights abuses against its population, and  
17 who continue to thumb their nose at the exercise of  
18 democracy in their own country.

19 In the case of the DR-CAFTA agreement, the agreement  
20 is one part of our effort to show our support to a region  
21 that has come a long way in the area of democracy. Not  
22 so long ago, most of here will remember, democracy was  
23 not assured in this part of the world. In Central  
24 America, our backyard, Communism was a threat.

25 The United States has worked hard over the years, and

1 we have seen the menace of Communism recede and the  
2 democracies and economies of El Salvador, Guatemala,  
3 Nicaragua, and Honduras begin to flourish.

4 This agreement is primarily a trade agreement, and I  
5 have examined it in detail and have decided to support it  
6 on the basis of the trade benefits that I feel it offers  
7 to my State, and the country.

8 However, we must also note lose track of the message  
9 that the approval of this agreement will send to these  
10 new democracies on our doorstep. Without this agreement,  
11 the democracies we have helped to build in Central  
12 America will be less prosperous in an increasingly  
13 competitive global marketplace.

14 We must allow these fledgling democracies the access  
15 they need to compete with the rising tide of China's  
16 imports. It is the development of strong trade in goods  
17 and services that will help these countries to oppose a  
18 return to corrupt regimes that base their existence on  
19 trade in illegal drugs.

20 We in this body have done so much to foster democracy  
21 and economic stability in Central America. The approval  
22 of DR-CAFTA is another chance for us to show our support  
23 of these democratic governments. I urge my colleagues to  
24 support this agreement today, and also the Burmese  
25 agreement.

1 Thank you.

2 The Chairman. Thank you, Senator Bunning.

3 Now, Senator Thomas?

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1 OPENING STATEMENT OF HON. CRAIG THOMAS, A U.S. SENATOR  
2 FROM WYOMING

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4 Senator Thomas. Thank you, Mr. Chairman. I  
5 appreciate your effort to move this process along. I  
6 know this agreement was signed more than a year ago, but  
7 we have just started to get some agreement, which is  
8 interesting.

9 I have stated before, I do recognize the significance  
10 of it. As a matter of fact, I met with the six  
11 presidents, as many of us did, some time back. I have  
12 talked, frankly, to all the officials in the government,  
13 including the Secretary of State and Secretary of  
14 Defense, so there is more to it than simply the  
15 trade/agricultural thing. I understand that.

16 But I have to tell you, as I have before, I am a  
17 little concerned now about the speed with which we are  
18 seeking to wrap this up. Sugar is a sticking point for  
19 members and we need to find an answer to the problem  
20 here.

21 Let me just say now, as important as everyone says  
22 this is--and I agree with that--we should not let a  
23 relatively small issue like this hold it up. We ought to  
24 be able to find a solution, and not just a short-term  
25 solution, but rather sort of a long-term solution for

1 this industry. We have not had an agreement yet on it.

2 We just met, and as I mentioned, when we last voted  
3 -- and I voted yes, but I said I was going to seek to try  
4 and help work out an agreement, and that if we did not,  
5 then I would vote no the next time it came up. We have  
6 worked, along with others, to get the Secretary together  
7 with the sugar people and with members of Congress to try  
8 to work out some kind of an agreement.

9 Again, a relatively small issue, however, it does  
10 affect, of course, the Mexican arrangement, and future.  
11 But, nevertheless, it still is a relatively small part of  
12 the total.

13 The Secretary has come up with a plan, one that  
14 probably has a good deal of merit, but it is relatively  
15 short-term and only lasts until the end of the farm bill,  
16 which is two and a half years from now.

17 Of course, the industry is saying, and I am saying to  
18 them, now is the time to make some arrangements. You  
19 have a better chance to do something now. It needs to be  
20 an arrangement that looks into the future, as this  
21 industry has some difficulties.

22 So, I am committed to working that out. As I  
23 mentioned to you, the thing that distresses me a little  
24 at this point, is the first meeting we have had with the  
25 sugar people, the Secretary, the Ambassador, and so on,

1 was last night. Now, here we are the next morning, and  
2 tomorrow, perhaps, talking about voting on the thing.

3 We have brought together the folks, we have got some  
4 ideas out there now, but yet we are ready to move ahead.  
5 For those of us that are concerned about it, to move  
6 ahead before we have a chance to do some more  
7 negotiation, certainly, is not something we would like to  
8 have happen.

9 So, I hope we can consider it. I cannot imagine,  
10 after a year of being written and sitting out there  
11 without doing anything, that it matters whether we do it  
12 now or after the 4th of July recess. But, nevertheless,  
13 that is not my decision.

14 But I just wanted to tell you that that is where we  
15 are. I think it is important to try and work a solution  
16 for it. It is not the largest thing in the world, but an  
17 important element of it, and certainly important in the  
18 future.

19 So, Mr. Chairman, thank you for having this. I hope  
20 you will give some thought to what we have said this  
21 morning and that we will have a chance to find something  
22 that we can all feel comfortable with.

23 Thank you.

24 The Chairman. Yes. As the Senator from Wyoming  
25 knows, I have been sitting in on some meetings involving

1 the discussion of what sort of accommodation can be made  
2 for sugar. I know that there has not been a culmination  
3 yet. I do not know for sure if there will be. But I  
4 join you in urging the industry to look at what has been  
5 offered and look at that as some accommodation for the  
6 point of view that they have made.

7 Senator Lott has reclaimed his time.

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1 OPENING STATEMENT OF HON. TRENT LOTT, A U.S. SENATOR FROM  
2 MISSISSIPPI

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4 Senator Lott. Thank you, Mr. Chairman. I just  
5 thought I would comment on some of the things that have  
6 been said here, briefly.

7 First, I want to thank the panel for being here and  
8 enduring the speeches you have had to listen to this  
9 morning. I know there is a lot of knowledge sitting  
10 there before us, and we have not been able to partake of  
11 any of it. So, just to express our appreciation.

12 Also, I want to thank my colleagues who have made  
13 thoughtful statements. Senator Wyden. I was  
14 particularly impressed with the plea that he made, and a  
15 number of the points that other Senators have made,  
16 Senator Bunning, Senator Thomas, who has been sincerely  
17 trying to find a solution to the biggest issue that is  
18 still, I think, a problem. So, I think everybody is  
19 moving in the right direction.

20 With regard to the process question, again, it is the  
21 usual deal. If you do one thing, it is a precedent, and  
22 it is never an exception. But the trade promotion  
23 authority is very clear. It sets the process.

24 Once the administration sends implementing  
25 legislation up to the Hill, TPA was carefully negotiated

1 legislation that sets the objectives that the  
2 administration must comply with. We voted for it, the  
3 Congress approved it with over 60 votes.

4 The Ranking Member of the Finance Committee was a key  
5 negotiator in the conference, so this protestation about  
6 process is just a red herring. Everybody understands how  
7 it works. Once the treaty is agreed to, the  
8 negotiations, we cannot come back and start amending it.  
9 We would kill it. So, who are we kidding? That is a  
10 fallacious argument, in my opinion.

11 Now, with regard to some of the other points that  
12 have been made, I will not go through this again, but I  
13 do pay attention to Central and South America. I worry  
14 about events, particularly in South America, and I  
15 remember what things were like 20 and 25 years ago in  
16 Central America. It was a basket case.

17 These young democracies, these countries in Central  
18 America and the Dominican Republic, they are all trying  
19 to move in the right direction, toward freedom,  
20 democracy, opportunity, and economic growth. This is  
21 very small potatoes, in the broad sense, for America, but  
22 for these countries, it is huge. The leaders of these  
23 countries are taking a stand. I am impressed with all of  
24 them. I think that it is absolutely essential that we  
25 approve this agreement.

1           Now, the argument about the impact on the deficit --  
2           and it is very interesting to watch the argument. On one  
3           hand, it is going to collapse America's economy, it is  
4           growing to destroy the sugar market. Then it flips right  
5           around and says, impact on GDP, zero. Now, which is it?  
6           Is it huge or is it infinitesimal?

7           In some sense, it is pretty small in our broad  
8           economy. But if you look at it in other ways, it is  
9           important. U.S. exports, now more than \$15 billion  
10          annually to the region, make it America's tenth largest  
11          export market.

12          For my own State of Mississippi, with a position on  
13          the Gulf of Mexico, that region is our fourth largest  
14          export market, and we have reason to believe that is  
15          going to go up considerably because of timber, paper  
16          products, medical devices, all of which we produce in my  
17          State. So, I think my State will benefit from CAFTA.  
18          But the more important thing is, both sides benefit from  
19          free trade and we should not lose sight of that.

20          But in this case, we also have to remember, we are  
21          trying to level the playing field here. Their products  
22          already come in here freely. Yet, we do not get to  
23          export. Eighty percent of the products from DR-CAFTA,  
24          including 99 percent of agricultural products, already  
25          enter the United States duty-free. So, we do not have a

1 fair playing field here.

2 The American Farm Bureau estimates that CAFTA will  
3 expand U.S. farm markets by \$1.5 billion. To listen to  
4 Senator Conrad, you would think barley and one other  
5 commodity was all we produced.

6 I mean, feed grains, wheat, rice, soybeans, poultry,  
7 pork and beef, a lot of which we produce in my part of  
8 the country, will benefit from this. I think  
9 manufacturers will benefit from this agreement. So,  
10 there are a lot of good, positive reasons to support this  
11 trade agreement.

12 Finally, with regard to sugar, I will not say it  
13 quite as aggressively as I did last time, but I have  
14 supported sugar for 33 years as a member of Congress.  
15 Thirty-three years. Every deal. But I am very concerned  
16 that they would be willing to take down this agreement  
17 over, really, a small, small part of what their sales  
18 are.

19 Having said that, I am always a guy that believes,  
20 you find a way to get it done. I think the  
21 administration ought to work with Senator Thomas. He is  
22 one of the most capable, loyal, dependable, effective  
23 Senators. He votes consistently for the right thing, and  
24 I think he has got a right to expect a little help in  
25 return here.

1           On the other hand, I say to the sugar people, be  
2 careful. This train is on a track now. It is moving  
3 out. I think everybody needs to be responsible. The  
4 administration needs to do something in this area, but  
5 the sugar producers need to be very careful because this  
6 could be devastating to them if not handled right.

7           So, I hope that that issue can be properly addressed  
8 soon. I agree with Senator Thomas. I mean, that meeting  
9 that occurred last night should have occurred two weeks  
10 ago, three weeks ago, even a year ago.

11           But now is the time. The iron is hot. Let us get it  
12 done. Let us get CAFTA approved and let us move on. I  
13 think it would be a winner for America, for the Dominican  
14 Republic, and the Central American countries.

15           Thank you, Mr. Chairman.

16           The Chairman. I thank you.

17           The vote has started. I want to announce that this  
18 meeting will be continued in executive session tomorrow  
19 on these two bills, as I have previously announced. So,  
20 this session on these two trade bills will adjourn until  
21 9:00 tomorrow.

22           I am going to start the hearing on Medicaid with my  
23 opening statement. Senator Baucus is voting now. Then  
24 Senator Baucus is going to come over and chair the  
25 hearing while I vote, and also while I make a short

1 appearance at the Agriculture Committee on another issue.

2 [Whereupon, at 10:03 a.m. the meeting was recessed,  
3 to reconvene at 9:00 a.m. on Wednesday, June 29, 2005.]

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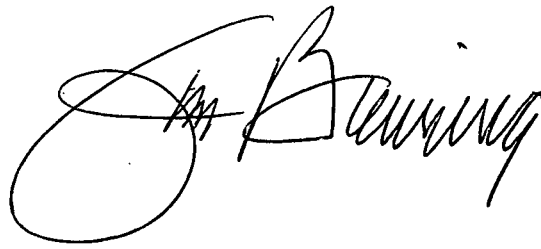
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**STATEMENT OF SENATOR JIM BUNNING  
BUSINESS MEETING OF THE SENATE FINANCE COMMITTEE  
28 JUNE, 2005**

THE TWO BILLS BEFORE US TODAY APPEAR ON THE SURFACE TO HAVE LITTLE IN COMMON.

HOWEVER, BOTH ARE, AT LEAST IN PART, AN ATTEMPT FOR THE U.S. TO INFLUENCE THE WORLD IN FAVOR OF HUMAN RIGHTS AND THE DEVELOPMENT OF DEMOCRATIC GOVERNMENTS.

THE U.S. TRADE SANCTIONS WHICH WE AUTHORIZED LAST CONGRESS FOLLOW IN THE TRADITION OF U.S. TRADE SANCTIONS AGAINST SOUTH AFRICAN APARTHEID, THE SOVIET UNION, AND LIBYA.



THE SANCTIONS AGAINST THE CORRUPT MILITARY JUNTA IN BURMA PUT PRESSURE ON THOSE WHO CONTINUE TO COMMIT EGREGIOUS HUMAN RIGHTS ABUSES AGAINST ITS POPULATION AND WHO CONTINUE TO THUMB THEIR NOSE AT THE EXERCISE OF DEMOCRACY IN THEIR OWN COUNTRY.

IN THE CASE OF THE DR-CAFTA AGREEMENT, THE AGREEMENT IS ONE PART OF OUR EFFORT TO SHOW OUR SUPPORT TO A REGION THAT HAS COME A LONG WAY IN THE AREA OF DEMOCRACY.

NOT SO LONG AGO, MOST OF US HERE WILL REMEMBER, DEMOCRACY WAS NOT ASSURED IN THIS PART OF THE WORLD.

IN CENTRAL AMERICA - OUR BACKYARD -  
COMMUNISM WAS A THREAT. THE UNITED  
STATES HAS WORKED HARD OVER THE YEARS  
AND WE HAVE SEEN THE MENACE OF COMMUNISM  
RECEDE AND THE DEMOCRACIES AND ECONOMIES  
OF EL SALVADOR, GUATEMALA, NICARAGUA AND  
HONDURAS BEGIN TO FLOURISH.

THIS AGREEMENT IS PRIMARILY A TRADE  
AGREEMENT AND I HAVE EXAMINED IT IN DETAIL  
AND HAVE DECIDED TO SUPPORT IT ON THE BASIS  
OF THE TRADE BENEFITS THAT I FEEL IT OFFERS  
TO MY STATE AND THE COUNTRY.

HOWEVER, WE ALSO MUST NOT LOSE TRACK OF  
THE MESSAGE THAT THE APPROVAL OF THIS  
AGREEMENT WILL SEND TO THESE NEW  
DEMOCRACIES ON OUR DOORSTEP.

WITHOUT THIS AGREEMENT, THE DEMOCRACIES WE HAVE HELPED BUILD IN CENTRAL AMERICA WILL BE LESS PROSPEROUS IN THE INCREASINGLY COMPETITIVE GLOBAL MARKETPLACE.

WE MUST ALLOW THESE FLEDGLING DEMOCRACIES THE ACCESS THEY NEED TO COMPETE WITH THE RISING TIDE OF CHINESE IMPORTS.

IT IS THE DEVELOPMENT OF STRONG TRADE IN GOODS AND SERVICES THAT WILL HELP THESE COUNTRIES TO OPPOSE A RETURN TO CORRUPT REGIMES THAT BASE THEIR EXISTENCE ON TRADE IN ILLEGAL DRUGS.

WE IN THIS BODY HAVE DONE SO MUCH TO FOSTER DEMOCRACY AND ECONOMIC STABILITY IN CENTRAL AMERICA.

THE APPROVAL OF DR-CAFTA IS ANOTHER  
CHANCE FOR US TO SHOW OUR SUPPORT OF THESE  
DEMOCRATIC GOVERNMENTS. I URGE MY  
COLLEAGUES TO SUPPORT THE AGREEMENT  
BEFORE US TODAY.

THANK YOU.



**U.S. Senator Rick Santorum**  
**Statement for the Record**  
**U.S. Senate Committee on Finance**  
**June 28, 2005**

**Hearing to consider favorably reporting S. 1307, the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act, and S. J. Res. 18, a joint resolution approving the renewal of import restrictions contained in the Burmese Freedom and Democracy Act of 2003**

Chairman Grassley and Ranking Member Baucus, the United States Congress has been debating efforts to craft a Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) for more than a year. After many months of concentrated negotiation, the Administration has submitted a comprehensive proposal that will have a tremendously positive impact for Pennsylvania's consumers and its industries. The bill submitted by the Administration has incorporated input by Members of this committee and the Committee on Ways & Means.

It is in America's best interest, economically and politically, to employ proven free trade policies with nations all around the world--especially with our hemispheric neighbors. Ninety-five percent of the world's consumers live outside our borders. In order to compete on an international level, our farmers and industries in Pennsylvania must have access to the markets in which these consumers reside. The CAFTA-DR agreement grants American farmers and manufacturers access to markets in six additional countries and nearly 44 million new consumers.

Pennsylvania will reap the benefits of new trade relationships that should develop following the implementation of this agreement. In 2004, Pennsylvania exported \$353 million to the CAFTA-DR nations, making it the Commonwealth's 12<sup>th</sup> largest export market. The U.S. Chamber of Commerce estimates that this agreement will result in \$504 million in increased output and the creation of over 3,000 new Pennsylvania jobs within the first ten years of existence.

In addition to the substantial economic benefits Americans will secure under CAFTA, there are considerable gains that cannot be calculated. As the provisions of the agreement begin to take effect, the growing partnership with America will have a strengthening, stabilizing effect on the economies of the participating nations. With the confidence that stems from economic security, the young democratic institutions of Central America can focus on expanding their influence in a region where historically they have struggled to survive.

To demonstrate my support for CAFTA-DR, I introduced a Senate Resolution stating that the President should negotiate and sign free trade agreements that are comprehensive in scope in order to ensure that the entire United States economy can benefit from new market opportunities. CAFTA-DR is a model example of such an agreement and the Administration should be commended for refusing to exclude products or sectors of the economy, even while experiencing intense political pressure to do so.

As we move further into the 21<sup>st</sup> century, the development of free trade is vital to our nation's continued prosperity. Competition from other countries is persistently growing, and we need to adapt to give American industry every possible opportunity to succeed. I have no doubt that Pennsylvania can and will be a competitive force in the global market, as long as we are operating on a level playing field. The CAFTA-DR agreement is a major movement toward creating an international environment where America receives the same treatment as other nations, and the benefits of its implementation, for Pennsylvania and the entire nation, will be extraordinary.