



# Committee On Finance

Max Baucus, Chairman

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## STATEMENT OF SENATOR MAX BAUCUS “Ongoing U.S. Trade Negotiations”

Good morning. I want to thank my colleagues for attending today, and I want to thank Ambassador Zoellick for agreeing to appear before the Committee. As I look back on nearly three decades of working on international trade issues, I have always been impressed at the extent to which bipartisan cooperation has been possible.

In fact, when some of my esteemed former colleagues, like Jack Danforth, Bill Bradley, and John Heinz, served on this Committee, it was literally impossible to tell Democrats from Republicans without a scorecard.

Unfortunately, as the recent House vote on fast track negotiating authority underscored, the international trade debate has become more difficult and – sadly – more partisan. We cannot sustain this. The only way to work our way through the difficult issues we face this year – without becoming deeply mired in partisan politics – is to maintain strong lines of communication, and work toward sound centrist solutions. I will continue to try to reach out and forge these solutions. I hope the President and his Administration can do the same in several areas.

First, with regard to the recently launched round of WTO negotiations, I want to publicly outline my strong concerns. I appreciate that launching a negotiation required much effort by Ambassador Zoellick and many other members of the Administration. I also believe that there are important potential agreements to be reached in some areas.

But the negotiations, as launched, have one serious apparent flaw – the inclusion of trade remedy laws. These laws are not barriers to free trade – they promote free trade by attacking unfair practices, like dumping and subsidies.

These laws also provide a critical political safety valve to reassure Americans that free trade will

also be fair trade, and that options are available to address serious import problems, like those we now see in the lumber and steel industries. Trade laws have become a political “third rail” – much like some assert social security has become in another context. That is why 62 Senators joined me in writing the Administration last year urging no that no trade agreement be struck that would weaken or undermine these laws.

Still, the Administration agreed to place these laws on the agenda for WTO talks. I understand that this is a very preliminary stage of negotiations and that no agreement is immediately forthcoming. But these laws should not be on the agenda at all. I do not accept the position that it was impossible to launch a Round without negotiating on trade laws. And I believe there is nothing realistically achievable in other areas that would be worth weakening U.S. trade laws.

Given my strong views on this issue, some of my colleagues will doubtlessly question the wisdom of even granting fast track authority to this Administration. Indeed, I weighed this concern carefully in deciding to work with Senator Grassley and others to develop fast track legislation. I went forward only because I am confident there are ample opportunities for me to block a poor deal on U.S. trade laws.

I want to be clear on this point – I will use every point of leverage available to me to prevent an agreement that would weaken U.S. trade laws. And I believe a strong majority in both Houses of Congress would support such an effort.

Another of the most hotly debated issues in recent years has been the appropriate role of labor rights and environmental issues in international trade negotiations. After a long and difficult struggle, these issues are now generally recognized as an appropriate part of international trade discussions. A chain of trade agreements – including NAFTA, the U.S.-Cambodia Textile Agreement, and, most importantly, the U.S.-Jordan Agreement – all demonstrate this point.

In developing the fast track legislation pending before Congress, the Jordan Agreement’s treatment of environment and labor has been fully enshrined in negotiating objectives. As I have said before, Jordan is not a rigid model to be fitted precisely into all potential situations. I am open to considering alternate approaches, such as incentives, to make progress in these areas. That said, Jordan constitutes a practical floor for future agreements. It is simply not possible to do less and gain broad support for a trade agreement.

For that reason, as the Congress moves toward action on fast track legislation, it is critical that the Administration work to ensure that similar meaningful labor and environment provisions be included in agreements being negotiated with Chile and Singapore.

I have been troubled by rumblings that the Bush Administration negotiators were less than enthusiastic in their efforts to complete negotiations on those critical provisions. I am particularly concerned because Clinton administration trade negotiators have assured me that both countries agreed that the Jordan agreement served as the basis for negotiations on labor and the

environment.

In order to gain the trust of Congress – which is critical to achieve goals like the passage of fast track – and ultimately that of our trading partners, the U.S. trade negotiating strategy must be seen as a consensus strategy.

Moving away from the Jordan-based provisions on labor and environment to please critics whose views are not in the mainstream would be a severe blow to that confidence and invite a new round of bitter, partisan feuding.

Let me turn to an issue now where I believe Ambassador Zoellick and I share very similar views. While we may disagree on some issues, there are also issues where I strongly support some of the endeavors of Ambassador Zoellick and his staff. I was particularly impressed by an important and far-reaching report that Ambassador Zoellick helped to author before he entered this Administration.

The report was drafted by the Trade Deficit Review Commission, which included Defense Secretary Rumsfeld, and former USTR Carla Hills, as well as Ambassador Zoellick. The Commission was unable to reach consensus on many issues. But there was unanimous agreement on one critical and timely topic, trade adjustment assistance.

Ambassador Zoellick and his colleagues made many thoughtful and far-reaching recommendations on TAA, including extending TAA to secondary workers, extending the time period for TAA benefits, expanding efforts aimed at retaining workers, and providing health insurance to displaced workers.

I was truly impressed by this section of the report and these recommendations form the basis of the bipartisan TAA legislation that passed by the Committee. In the coming weeks, I hope to join it with other bills extending fast track and addressing other trade matters – and win Senate passage of the combined legislation.

In addition to providing the Committee with an overview of current trade negotiations, I hope that Ambassador Zoellick can spend a few minutes describing his work on the Trade Deficit Review Commission related to TAA to the Committee. I look forward to Ambassador Zoellick's testimony.