



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Chairman Grassley
Senate Finance Committee Consultative Consideration of
the U.S.-Central America-Dominican Republic Free Trade Agreement Implementation Act
Tuesday, June 14, 2005

Today the Committee will be reviewing, and making informal recommendations on, proposed legislation to implement the U.S.-Central America-Dominican Republic Free Trade Agreement. Before we begin with the technical review of the proposed bill, let me put this agreement in context. Over twenty years ago Congress first opened our markets to products from Central America and the Caribbean. We did so because, at that time, Central America was a region in political and economic upheaval. Civil strife, wars, and political violence were part of daily life. As a result, too many innocent people lost their lives, and many more their livelihood.

I think the headlines on this chart accurately reflect the gruesome and chaotic violence of the time. Twenty years later, we see a very different Central America. Through sustained political and economic engagement with the region, including the continuation of unilateral trade preferences for over twenty years, we have a very different story today. And today, with the progressive leadership of their governments, the people of Central America are enjoying the fruits of democracy -- elected governments and generally stable civil societies. These leaders now want to cement the gains of the past twenty years and build a better foundation for the future. Part of this progressive vision is articulated in the CAFTA. Remember, the idea of creating a CAFTA came not from the United States, but from the leaders of Central America who first broached the idea of strengthening our trade relations at the Quebec Summit of the Americas in April 2001.

But, just because the idea was theirs doesn't mean that our nation won't substantially benefit from the agreement. This chart shows the status quo. On one side, you can see the situation today. A one-way street. On the other side, you can see the result of CAFTA implementation. A two-way street. The fact is, passage of CAFTA is good for both our geopolitical and economic interests. We have very little to lose and much to gain from its passage. In contrast, we have much to lose and little to gain by its defeat.

Former President Carter makes this point well in a letter he recently wrote that, through CAFTA: "... our own national security and hemispheric influence will be enhanced with improved stability, democracy, and development in our poor, fragile neighbors in Central America and the Caribbean." The letter continues: "There are now democratically elected governments in each of the countries covered by CAFTA. In negotiating this agreement, the presidents of the six nations had to contend with their own companies that fear competition with U.S. firms. They have put their credibility on the line, not only with this trade agreement but more broadly by promoting market reforms that have been urged for decades by U.S. presidents of both parties. If the U.S. Congress were to turn its back on CAFTA, it would undercut these fragile democracies, compel them to retreat

to protectionism, and make it harder for them to cooperate with us.” Clearly, the stakes here are high.

Now, today the committee will be reviewing legislation designed to implement this important trade agreement. The committee’s informal consideration of the legislation is part of the consultative process envisioned in Trade Promotion Authority. It is an informal act that is not required as part of Trade Promotion Authority. Still, I think it is important to review the bill in a public forum, provide an opportunity to comment on the bill, and propose potential legislative changes.

I’d like to remind members that TPA specifically states that implementing legislation should contain only measures that are “necessary or appropriate” to implement the agreement. I’d note that some amendments that have been filed go far beyond that which is necessary or appropriate to implement the agreement. Some of these create entire new federal programs that are totally unrelated to this agreement. Others trample on the jurisdiction of other Senate committees.

And, while the recommendations made here today are not legally binding on the administration, how we use the process sends a strong signal to the administration about how we expect the process to be used. If we want others to respect the parameters laid out in the statute, we should do the same. Thus, if we abuse the process by recommending that unrelated items be included in the bill, we should not be surprised if this or future administrations do the same.