



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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## Grassley Describes Sanctions Impact of Inaction in Trade Dispute

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, is urging members of Congress to study the list of U.S. products targeted for increasing tariffs as Congress fails to enact legislation ending a trade dispute with Europe.

“Some people might write off the tariffs as small change right now,” Grassley said. “Well, the tariffs aren’t small change if your livelihood depends on exports, and Europe is jamming up your exports because certain U.S. senators are using the urgency of passing this bill to try to score unrelated political points. Remember, the tariffs are only going up. Every month of stalling means more jobs in danger in the United States.”

In a Senate floor speech this week, Grassley described some of the products facing European sanctions because despite his longtime efforts, Congress has not yet enacted legislation to repeal the current Foreign Sales Corporation-Extraterritorial Income tax regime. Europe is retaliating against the current regime, which the World Trade Organization has ruled unacceptable. Grassley’s bill, the *Jumpstart Our Business Strength (JOBS) Act*, would replace the current regime and bring the United States into compliance with its international trade obligations. The bill is stalled in the Senate because certain Democratic senators so far have refused to stop slowing progress by offering unrelated amendments designed to score political points.

The bill eliminates the FSC-ETI corporate tax regime and replaces it with an effective 3 percent tax cut for manufacturing income to preserve and create manufacturing jobs in the United States. It also reforms international tax rules that seriously undermine America’s ability to compete in the global marketplace. For example, the bill cleans up problems that cause foreign earnings to be double taxed by both the United States and the foreign country where the profits are earned. The Finance Committee passed the bill on Oct. 1, 2003, on a 19 to 2 vote. All committee Democrats voted in favor of Grassley’s bill.

Following are Grassley’s floor speech on products facing sanctions and some of the states where those products are made; and a list of targeted products.

Floor Remarks, Wednesday, March 24, 2004

Mr. President. Mr. Grassley: prior to our cloture vote on the FSC-ETI bill, I read a list of some products that if they are going to be shipped out of the United States and exported to Europe, are going to have, right now, five percent tariffs added to them. Five percent tariffs added to them because of European retaliation against the United States because we haven't passed this legislation yet, and that is going to cause jobs to be lost. And that tariff is going to go up over the course of the next 12 months, a percent a month to 17 percent.

I would like to be just a little bit more specific in how some of those products and the manufacturers of those products or the producers of those products will be affected. In jewelry manufacturing, we would have \$2 billion in annual exports being jeopardized; 95 percent of jewelry manufacturers are small businesses. So, there is obviously a huge potential impact on jobs in the jewelry industry. Folks like Stamper Black Hills Gold in South Dakota are targeted, just as one example of jewelry manufacturing. Racehorses are also being targeted. The average value of U.S. exports of racehorses is about \$100,000. At five percent, that's an extra \$5,000 cost to our exports. By the end of the year it will be an extra \$14,000 on average; and for high-value horses, it will be several times more. These sanctions would impact states like New York, California, Florida, and Maryland. In the area of dairy, we will have sanctions on cheese exports impacting states like Wisconsin, and Vermont. For fruits and vegetables, such as citrus fruits and peppers, California is affected. Florida is hurt as well, with tomatoes for another example. I could go on and on, but I think I will put in the Congressional Record a list that is beyond what I have just referred to. But we have over 500 tariff lines that have been targeted, already with sanctions on them.