U.S. SENATE COMMITTEE ON
Finance
SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Following are Chairman Grassley's opening statement and a description of U.S. products that would face tariff reductions under CAFTA, as displayed during this morning's hearing.

Opening Statement of Sen. Chuck Grassley
Senate Finance Committee Hearing on the
"U.S.-Central America-Dominican Republic Free Trade Agreement"
Wednesday, April 13, 2005

Welcome to today's hearing on the U.S.-Central America-Dominican Republic Free Trade Agreement, or CAFTA-DR for short. I especially want to welcome our witnesses, many of whom traveled some distance to be here. I also want to recognize the ambassadors from Costa Rica, El Salvador, Nicaragua, Honduras, Guatemala, and the Dominican Republic who are in the audience today.

Twenty years ago, Congress voted for military assistance to aid some of our Central American neighbors battle communist insurrections. Over the years Congress has voted time and again for foreign aid to help build stable democracies in the region. And, Congress has voted again and again for unilateral trade benefits for our friends to the south. Now, with CAFTA-DR, Congress has the opportunity to vote for our farmers and workers. With CAFTA-DR, Congress can vote for our exporters.

Today, most imports from the region enter our market duty-free. In contrast, our exports face a myriad of tariff and non-tariff barriers. That's the status quo. Let's be clear – a vote against CAFTA-DR is a vote for the status quo. It's a vote to maintain unilateral trade and keep tariff barriers to our exports high. It's a vote that defies logic.

Make no mistake, these tariff barriers to our exports are real. Take a look at the model Caterpillar off-road loader (on display) below. Under the status quo, an off-road loader exported to Costa Rica must pay a 14 percent tariff. That's equal to a $140,000 tax on our exports. With CAFTA-DR, the tariff goes to zero immediately. This is good news for Caterpillar workers who make this vehicle in Decatur, Illinois.

Under the status quo, microchips produced in New Mexico and Oregon face a 10 percent tariff. With CAFTA-DR, this tariff barrier is eliminated. Under the status quo, remanufactured auto parts can't even sell into the Central American market. Under CAFTA-DR, we will be able to export these manufactured goods into the Central American market. This means new opportunities for companies such as Cardone Industries and its workers in Philadelphia, Pennsylvania. Under the status quo, DVDs produced across the country must pay tariffs of up to 20 percent before they can be sold to consumers in the region. With CAFTA-DR, they become tariff-free.

The story is similar for U.S. agriculture. Today, over 99 percent of the food and agriculture products we import from the region come in duty-free. Meanwhile, our food and agriculture exports are hit with an average 11 percent tariff, with some tariffs ranging as high as 150 percent. CAFTA-DR levels the playing field. It takes one-way trade and makes it a two-way street. It tears down unfair barriers to our agricultural exports and gives our farmers a chance to compete in a growing and vibrant market of over 40 million consumers.

Again, these barriers are real. Pork producers in my home state of Iowa face import tariffs from 15 to 40 percent. Upon full implementation of CAFTA-DR, Iowa producers will be able to export pork products like those (on display) below, duty and quota free. Today, rice producers from across the South must overcome in-quota tariff rates from 15 to 60 percent. These tariffs are phased out and eventually eliminated under CAFTA-DR. Prohibitive tariffs of up to 40 percent lock our beef exports out of the Central American market. CAFTA-DR provides immediate duty-free, quota-free access for high-quality U.S. beef with eventual elimination of all tariffs on U.S. beef. And value- added agriculture products such as this breakfast cereal (on display) below will see tariffs reduced from 32 percent to zero immediately, providing new opportunities for workers in Modesto, California, and Jonesboro, Arkansas, who produce this product.

The fact is, virtually every major agriculture producer in the country will benefit from the passage of this agreement, including dairy from Vermont, poultry from Mississippi, apples from Oregon and New York, barley from Montana, frozen french fries from Maine, nuts from New Mexico and dried beans from Wyoming. All in all, the American Farm Bureau Federation estimates a net gain to U.S. agriculture of nearly $1.5 billion upon full implementation of the agreement.

The agreement also opens up the services market to U.S. service exports. Key sectors of opportunity include telecommunications, banking, insurance, distribution, audiovisual and entertainment, energy, transport, and construction.

Our high-tech sector stands to benefit as well. As part of the agreement, the Dominican Republic, Guatemala, Honduras and Nicaragua will join the Information Technology Agreement and eliminate tariffs on imports of high technology products, thereby saving U.S. exporters more than $75 million annually in import duties.

But the agreement goes far beyond reducing import tariffs, putting into place strong investment protections, anti-corruption provisions, intellectual property right protections, and strong provisions on labor and the environment. The agreement is a solid win for the U.S. economy, and a solid win for our neighbors from the south.

Let's be clear. The alternative to this agreement is nothing but the status quo. It is unilateral access to our market and nothing for our exporters. I don't think the status quo is good enough for our farmers and workers. I don't think Congress should vote to keep barriers to our exports high. That's really what this vote on CAFTA-DR really boils down to – a vote for unilateral trade and the status quo. Or a vote to reduce export barriers for our farmers and workers.

I'm confident that, after careful deliberation of the benefits of this agreement starting with our witnesses today, Congress will vote for the American farmer and worker and approve this historic trade agreement.

LIST OF EXEMPLARY TARIFF REDUCTIONS UNDER THE U.S.-CAFTA-DR FREE TRADE AGREEMENT*

* List comprised of products displayed during the Senate Finance Committee hearing on the U.S.-CAFTA-DR Free Trade Agreement held on April 13, 2005. List prepared by the Senate Finance Committee Majority Staff.

Apples

Status Quo:	Applied tariffs ranging from 12 percent to 25 percent.
Under CAFTA-DR:	Immediate elimination of tariffs.
Production:	Production in 30 states with Washington, New York, Michigan, California, Pennsylvania, and Virginia leading in production. The CAFTA-DR countries are the largest export market for apples grown in Pennsylvania, Michigan, and Virginia.

Beef Products

Status Quo:	Applied tariffs ranging from 15 percent to 30 percent.
Under CAFTA-DR:	Immediate elimination of tariffs on U.S. Prime and Choice cuts (except the Dominican Republic, which establishes immediate duty-free in-quota TRQ growing 4 to 9 percent annually); tariffs eliminated on all U.S. beef upon full implementation.
Production:	Cattle produced in all 50 states.

Caterpillar Off-Highway Trucks

Status Quo:	Applied tariffs ranging from 5 percent to 14 percent.
Under CAFTA-DR:	Immediate elimination of tariffs.
Production:	Decatur, Illinois.

Dairy (cheese)

Status Quo:	A range of TRQs with restrictive over-quota tariffs, or applied tariffs ranging as high as 65 percent.
Under CAFTA-DR:	Immediate duty-free in-quota TRQs are established, growing 5 to 10 percent annually; tariffs eliminated upon full implementation.
Production:	Numerous states produce cheese, including California, Illinois, Iowa, Massachusetts, Minnesota, Missouri, New York, Ohio, Pennsylvania, South Dakota, Utah, Vermont, Wisconsin.

Digital Video Disks (DVDs)

Status Quo:	Applied tariffs ranging from 5 to 20 percent.
Under CAFTA-DR:	Immediate elimination of tariffs.
Production:	Throughout the United States.

Dried Beans

Status Quo:	Applied tariffs as high as 89 percent.
Under CAFTA-DR:	Immediate elimination of tariffs for some products; tariffs eliminated upon full implementation for other products.

Production:	Production in 18 states with California, Colorado, Idaho, Michigan, Minnesota, Nebraska, North Dakota, Texas, Washington, Wyoming leading in production.

Milk Bone Dog Biscuits Pet Food

Status Quo:	Applied tariffs ranging from 15 percent to 20 percent.
Under CAFTA-DR:	Immediate elimination of tariffs on dry pet food in El Salvador, Dominican Republic, Guatemala, and Nicaragua; tariffs eliminated upon full implementation in Costa Rica and Honduras.
Production:	Buffalo, New York.

Oreo Cookies (Sweet Biscuits, Waffles and Wafers)

Status Quo:	Applied tariffs as high as 33 percent.
Under CAFTA-DR:	Tariffs eliminated upon full implementation.
Production:	Atlanta, Georgia; Chicago, Illinois; Philadelphia, Pennsylvania; Portland, Oregon.

Pantene Pro-V Shampoo

Status Quo:	Applied tariffs ranging from 7 percent to 20 percent.
Under CAFTA-DR:	Immediate elimination of tariffs.
Production:	Iowa City, Iowa; Greensboro, North Carolina.

Pork Products

Status Quo:	Applied tariffs ranging from 15 percent to 47 percent.
Under CAFTA-DR:	Immediate duty-free in-quota TRQs are established, growing 5 to 15 percent annually; immediate tariff elimination on bacon and some offal products; tariffs eliminated upon full implementation.
Production:	Hogs are produced in all 50 states.

Post Breakfast Cereals

Status Quo:	Applied tariffs ranging from 15 percent to 33 percent.
Under CAFTA-DR:	Immediate elimination of tariffs in Dominican Republic and Nicaragua; tariffs eliminated upon full implementation in the remaining CAFTA-DR countries.
Production:	Jonesboro, Arkansas; Modesto, California.

Potatoes

Status Quo:	Applied tariff of 15 percent (generally).
Under CAFTA-DR:	Immediate elimination of tariffs on frozen french fries in El Salvador, Guatemala, Honduras, and Nicaragua, with tariffs eliminated upon full implementation in Costa Rica and Dominican Republic; tariffs on fresh potatoes eliminated upon full implementation (except in Costa Rica,

	which will retain a permanent expanded TRQ on fresh potatoes).
Production:	Production in 36 states with California, Colorado, Idaho, Maine, Michigan, Minnesota, North Dakota, Oregon, Washington, and Wisconsin leading in production.

Poultry Products

Status Quo:	Applied tariffs as high as 164 percent on both fresh and frozen products in some countries.
Under CAFTA-DR:	Immediate duty-free in-quota TRQs are established for chicken leg quarters, growing 10 percent annually in Costa Rica and Dominican Republic with the other countries specifying increasing minimum in-quota levels; tariffs on all poultry products eliminated upon full implementation.
Production:	Broiler production in 30 states with Alabama, Arkansas, Georgia, Mississippi, and North Carolina leading in production. Turkey production in 32 states with Arkansas, California, Indiana, Iowa, Minnesota, Missouri, North Carolina, South Carolina, and Virginia leading in production.

Remanufactured Auto Parts

Status Quo:	Applied tariffs ranging from 1 percent to 10 percent.
Under CAFTA-DR:	Immediate elimination of tariffs in Dominican Republic and Costa Rica; tariffs eliminated upon full implementation in the other countries.
Production:	Philadelphia, Pennsylvania.

Rice

Status Quo:	Applied tariffs as high as 60 percent.
Under CAFTA-DR:	Immediate duty-free in-quota TRQs are established for rough and milled rice (except for Dominican Republic, which will have TRQs for brown and fully milled rice), growing 5 percent annually for milled rice (3 percent to 6.5 percent for Dominican Republic) and growing from 2 percent to 3 percent for milled rice (7 percent for fully milled rice in Dominican Republic, same for brown rice TRQ in Dominican Republic); tariffs eliminated upon full implementation.
Production:	Arkansas, California, Louisiana, Mississippi, Missouri, and Texas.

Soybean Products

Status Quo:	Applied tariffs ranging from 0 percent to 20 percent on soybean oil depending on country and level of processing (with TRQs in El Salvador, Nicaragua, and Guatemala); applied tariffs ranging from 1 percent to 5 percent on soybeans and meal (duty free in Dominican Republic, El Salvador, and Honduras).
Under CAFTA-DR:	Some tariffs on soybean oil eliminated immediately, with tariff elimination upon full implementation for others; immediate elimination

	of tariffs on soybeans and meal (except for Costa Rica, where tariffs on meal are eliminated upon full implementation).
Production:	Soybeans are produced in 31 states with Illinois, Indiana, Iowa, Minnesota, Missouri, Nebraska, Ohio, and South Dakota leading in production.

Woven Elastic Bands

Status Quo:	Applied tariffs ranging from 5 percent to 25 percent.
Under CAFTA-DR:	Immediate elimination of tariffs.
Production:	Asheboro, North Carolina.

Yellow Corn

Status Quo:	Applied tariffs as high as 35 percent.
Under CAFTA-DR:	Immediate elimination of tariffs in Costa Rica and Dominican Republic; tariffs eliminated upon full implementation in Guatemala; immediate duty-free in-quota TRQs are established in El Salvador, Honduras, and Nicaragua (growing 5 percent annually), with tariffs eliminated upon full implementation.
Production:	Yellow corn is produced in numerous states with Iowa and Illinois leading in production.