



Committee On Finance

Max Baucus, Ranking Member

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**Opening Statement of U.S. Senator Max Baucus (D-Mont.)
Hearing on NAFTA at Year Twelve
Senate Finance Committee**

Mr. Chairman,

Thank you for holding this important hearing. Three years ago, the Finance Committee held a similar hearing looking specifically at U.S. agricultural trade with Mexico. At that time, the WTO Ministerial talks in Cancun had recently collapsed, leaving the future of the Doha Round in doubt.

We find ourselves in a somewhat similar situation today – the ministerial meeting in Geneva in July failed to produce any breakthroughs. There is general consensus that the Doha Round is moribund for now.

Clearly, our trade policy needs to take account of this situation. The Administration has indicated that it will redouble its efforts in pursuing bilateral and regional trade deals like NAFTA.

Economic theory tells us that trade liberalization is beneficial for the United States, helping our economy grow and expanding the range of products and services available to our consumers. But we all know there is often a big difference between theory and practice. This hearing offers us an opportunity to compare the theory with actual practice, to compare the predicted benefits with the real-life experience of American workers, farmers, and consumers.

NAFTA was a watershed trade agreement in many ways – the sheer size of the economies involved, the creation of a partnership between developed and emerging countries, and the inclusion of provisions addressing both labor and environmental protections.

It also served as a template for future agreements. Evaluating NAFTA's successes and failures can help us to identify ways to improve future trade agreements. We have a responsibility to incorporate the lessons we that learn from our experience with NAFTA into our trade policy agenda.

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What I want to know is whether or not NAFTA is delivering on its promises.

In many ways, NAFTA has been a success, allowing trade with our North American partners to grow at a faster rate than trade with the rest of the world. My home state of Montana benefits from this regional integration: Canada is the top export market for Montana products, with sales of \$372.1 million in 2005. Over all, Montanans sent more than 39 percent of all our exports to our NAFTA partners, Canada and Mexico. Montana exported more than \$40 million worth of Montana agricultural products to Mexico and Canada in 2005. Mexico is an important market for Montana spring wheat, and a significant share of our barley and dried peas go to our NAFTA partners.

At the same time, many people continue to question NAFTA's benefits. I recently met with a group of farmers in Sidney, Montana, who complained bitterly about its effects on their operations. Plenty of Mexican and Canadian farmers would tell you the same thing. I note that we have agricultural producers from Iowa and Wyoming here today. I look forward to hearing their experiences under NAFTA.

Moreover, Montana's lumber mills have had a bad experience with NAFTA's Chapter 19 dispute settlement framework. The softwood lumber case, in which a U.S. industry was clearly harmed by imports of a subsidized product, was dragged out and made unnecessarily acrimonious through improper second-guessing by a binational panel that seemed to ignore U.S. law and the panel's limited role under the NAFTA.

In addition to analyzing the direct economic effect of NAFTA, I hope that this hearing will provide insights in a few other key areas.

For instance, what has been our experience with NAFTA's labor and environment provisions, particularly in the side agreements. I was a major proponent of the environmental side agreement that resulted in provisions for settling environmental disputes between NAFTA parties. Labor and environment issues have been highly controversial in recent free trade agreement negotiations, and I anticipate that they will figure prominently in any debate about the future of Trade Promotion Authority.

Finally, there are always winners and losers from trade liberalization. The Trade Act of 2002 included a landmark revision and expansion of our Trade Adjustment Assistance program. It is important that we determine whether we are doing enough to help workers displaced because of a trade agreement.

Again, Mr. Chairman, I thank you for holding this hearing. I am sure that it will be extremely informative and useful as we move forward in developing our trade agenda. In fact, I would like to see NAFTA set one more precedent, namely the regular review of all of our trade agreements by this Committee.

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