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American Sugarbeet Growers Association

Max S. Baucus

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(1) Subject*: **Trade**

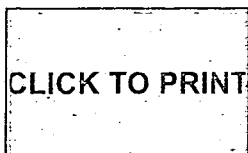
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(2) Subject* **American Sugarbeet Growers Association: Uruguay Round**

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BAUCUS

United States Senate

WASHINGTON, DC 20510-2602

Statement of Senator Max Baucus American Sugarbeet Growers Association January 25, 1993

This is a particularly appropriate time to talk. President Clinton is settling down to the details of the North American Free Trade Agreement and the Uruguay Round of GATT negotiations. Congress is preparing for hearings and a likely vote this year on the NAFTA, and possibly for a vote on GATT as well. So today I'd like to talk about my own views of these negotiations, and about the prospects they hold out for sugar growers in particular.

I begin from the premise that trade agreements like GATT and NAFTA aren't for their own sake. They're for our sake.

We don't negotiate agreements so that diplomats can see the world and go to more embassy cocktail parties.

We negotiate agreements so that Americans have more job opportunities; so that American manufacturing firms and farmers have larger markets; so that America becomes stronger and more prosperous.

Agriculture in my state, indeed in the country has become very reliant on foreign markets. With production exceeding demand, we must make every effort to increase those markets.

My home state is a perfect example. In Montana, nearly \$180 million in grain and grain products were exported directly. Ultimately eighty percent of the grain in my state is exported. Similar examples exist throughout the nation. So you see foreign markets are very important.

The beet industry at home produced 1.3 million tons last year. That is nearly 3300 pounds of sugar beets per person in the state. With the domestic market full, that production must be sold elsewhere. Trade agreements provide producers like each of you with a destination for your crops.

Well-drafted NAFTA and GATT agreements can do just that. That's why I've supported beginning negotiations on these agreements.

That's also why I've so strongly opposed attempts to rush into agreements that aren't in our economic interest, and to reach hurried conclusions to trade negotiations which would lock in bad deals for American farms and businesses. Our trade negotiators would do well to remember that it is always better to have no agreement than a bad agreement.

[more]

TRADE
GATT

A successful round of GATT could eliminate export subsidies which harm American sugar growers and other farmers. According to the Bush Administration, it could mean \$1.1 trillion in additional US economic growth over ten years. But a bad agreement could cost us billions over the same period, and make further progress in cutting subsidies impossible. And rushing negotiations for political, or any other reasons, can lead to bad agreements.

For example, to speed up an overall GATT deal, the outgoing Administration accepted a bad deal with the European Community on oilseeds, and agreed to use the so-called Dunkel Paper, a seriously flawed document, as a basic negotiating text.

The Dunkel Paper, as I'm sure you're aware, let the EC agriculture policies which have stalled the Uruguay Round off the hook. Among other failures, it made little real reduction in the EC's sugar export subsidies and its failings went well beyond EC policies.

The Dunkel paper exempted developing countries entirely from some export subsidy reduction requirements. It blocked the United States from emergency import relief under Article 11 of the GATT. And it threatened the anti-dumping and countervailing duty provisions of domestic law which we need to defend our own growers against unfair trade practices -- the provisions we've used, for example, to fight EC sugar dumping.

Once again, it's better to have no agreement than a bad agreement. And using the Dunkel Paper risks a bad agreement. We should accept a GATT deal when it meets our original objectives of opening markets, cutting subsidies, and protecting intellectual property, and not before. When given documents that fall short, we have to be firm enough to tell them to do better, and patient enough to wait until they do.

My views on the NAFTA are similar. I've supported these talks because, if done well, they hold out a great deal of promise. A well-drafted NAFTA would create a \$6 trillion single market with 360 million consumers -- the largest in the world, containing 80 million Mexican consumers -- and hundreds of thousands of new jobs. This holds true for sugar as well as other industries.

Mexicans, as you know, are major consumers of sugar -- at forty-five kilograms per person per year, among the largest consumers in the world. That is partly because of the artificially cheap price of sugar in Mexico, which will change if the NAFTA is approved. But it is also because sugar simply tastes good and is important to Mexican foods, drinks and desserts. That won't change. A good NAFTA thus gives American sugar growers a big opportunity.

If, on the other hand, we sign the NAFTA simply to show good will to Mexico or to give the diplomats a sense of self-esteem and a round of parties, NAFTA could do a great deal of damage to sugar growers as well as to other efficient American farmers and businesses. It could create a destabilizing flood of imports, harm the American environment and undermine our wages.

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Our experience with the Canadian Free Trade Agreement offers us some useful lessons. To speed up a deal, we essentially let Canada take agriculture off the board during the CFTA talks, and to do so again in NAFTA. Canada continues to subsidize wheat exports at a pace that might embarrass even the European Community. Canada continues to dump wheat on the US market through the Canadian Wheat Board, and to require end-use certificates on American grain imported into Canada. American wheat farmers are financially hurt and justly outraged by it. We cannot accept that sort of result in the future.

Now as you know, Presidents Clinton and Salinas have agreed on the basic text of the NAFTA. Sometime during this Congress, President Clinton is likely to call for a vote on the treaty. If all goes on schedule, the treaty goes into effect January 1, 1994.

That doesn't mean, though, that we have to take what's in there, like it or not. President Clinton and many members of Congress have said if this text is to be accepted, it must be accompanied by side agreements on the environment, worker rights, and safeguards for import sensitive industries.

The environmental side agreement must ensure that NAFTA won't cause environmental degradation and that our stricter environmental regulations don't place Americans at a competitive disadvantage. Such an agreement is critical to American farmers as well as American industries. Pesticide regulations and other environmental farm regulations in the United States are now mirrored in Mexico.

The labor agreement must ensure that Mexican firms meet the same labor standards as American firms, and that workers displaced as a result of free trade with Mexico will get help in readjusting and retraining.

At the same time, a number of industries, including sugar, have justifiable concerns with the specifics of the present agreement and have raised concerns that may be addressed in a safeguards agreement.

As you have noted, the agreement gives Mexico virtually unlimited access to the US market after six years if Mexico becomes a surplus producer. The NAFTA keeps corn sweeteners out of the definition of "surplus producers," meaning Mexico could replace the sugar in Mexican soft drinks with corn sweetener and build up a vast exportable sugar surplus. Further, there is a discrepancy between the fifteen-year phaseout of Section-22 import protection for refined sugar and sugar-containing products on the one hand, and the ten year phaseout for raw sugar on the other.

I've discussed these points with your association, and they are reasonable. I am hopeful that your concerns can be met either in talks between the U.S. and Mexican Administrations over the coming months, or during the draft of the implementing legislation for NAFTA later on.

[more]

This leads me back to my larger point about the goal of trade agreements in general. Once again, we negotiate them in order to open markets, create jobs and make the United States more prosperous.

Some risk of increased competition inevitably accompanies those benefits. But we should not have to accept a NAFTA which puts us at an unfair disadvantage due to higher wages and stronger environmental requirements, or due to rushed agreements on the part of our negotiators. Neither should we have to accept a GATT agreement which legitimizes the unfair trade practices of other countries or limits our ability to deter and counteract them.

The American sugar industry, and the sugar program which supports it, are efficient and well run. They give American consumers a reliable supply of sugar at a stable, reasonable price. That is what American consumers want, it's what American farmers need, and as Congress said by reauthorizing the sugar program in 1985 and 1990, it's what's happening. We want that state of affairs to continue.

We must not rush into agreements. We must not accept bad agreements. But we also must not fear good agreements. We should welcome them, because as Benjamin Franklin said long ago, no nation was ever ruined by trade. I'd add that many nations, including our own, have been built by trade.

Thank you again for inviting me to speak with you today. I appreciate it, and I hope we will keep in touch as these negotiations continue.