



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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Baucus Pushes for Additional Review of CAFTA Agreement

Senator Joins Colleagues to Support Further Analysis before President Hands off Agreement to Congress

(WASHINGTON, D.C.) As U.S. Trade Representative Robert Zoellick prepares to sign the United States-Central America Free Trade Agreement (CAFTA) tomorrow, U.S. Senator Max Baucus along with Senators Jeff Bingaman (D-N.M.), Joseph Lieberman (D-Conn.), Maria Cantwell (D-Wash.), and Joseph Biden (D-Del.) sent a letter today urging U.S.T.R to use the time before the President submits CAFTA to Congress to work on some unresolved disputes within the agreement.

Because President Bush will not submit the U.S.-CAFTA agreement to Congress this year, there is still time to resolve unfinished issues regarding labor rights, environmental standards, and trade capacity building. This extra time will allow an opportunity to work out these matters and expedite the Congressional process once the President submits the agreement for Congressional approval.

Full text of the letter to U.S.T.R. Zoellick follows:

May 27, 2004

The Honorable Robert Zoellick
United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Dear Ambassador Zoellick:

Tomorrow, you will sign the United States-Central America Free Trade Agreement (CAFTA). We commend the hard work that you, your negotiating team, and our trading partners have undertaken to reach this milestone.

We understand, however, that the President does not plan to submit the CAFTA for Congressional consideration this year. This likely delay in the formal submission of the CAFTA presents an important opportunity to complete work on a number of unfinished issues in the areas of labor rights, environment, and trade capacity building. Using the time available to

address these issues will, in our view, go a long way toward assuaging Congressional concerns about this agreement and help expedite the Congressional process once initiated by the President. Accordingly, we want to take this opportunity to lay out for you the areas where we believe that progress can be made in the coming months.

First, we need to identify an expert and independent Secretariat to administer the environmental citizen submission process established in articles 17.7 and 17.8 of the Agreement. We are pleased that we were able to work together to develop these provisions, which represent an important improvement over the text of the Singapore and Chile Free Trade Agreements. It is our expectation that the citizen submission process will play the same constructive role in enhancing the role of civil society and the transparency of environmental policy-making in Central America as it has in Mexico.

To achieve its goal, however, the citizen submission process must be administered by an institution with the expertise and the regional and international credibility for its work to have an impact on difficult issues. We understand that a number of institutions are being vetted for this role through an interagency process. We urge you to adopt a more public and transparent process for considering potential institutions and to invite input from stakeholders, including non-governmental organizations in Central America and the United States.

Second, much work remains to be done to create the appellate mechanism for investor-state dispute settlement that Congress specified in the Trade Act of 2002. Creating such a process is a priority for both the U.S. business and environmental communities. Here again, although the issues surrounding design of an appellate mechanism have long been known, we see only limited evidence of progress within the Administration and little public outreach. Given that Congress first asked the Administration to address this issue nearly two years ago, it stands to reason that CAFTA will receive a warmer reception in Congress with a complete and fully-vetted appellate mechanism than with the current language which merely promises to create such a mechanism at an indefinite future time.

Third, a great deal of progress needs to be made to give shape to a long-term process for trade capacity building and for environmental and labor cooperation. We commend the negotiators for including within the CAFTA a standing body for trade capacity building and for developing a more ambitious environmental cooperation agreement than has previously been the case. But these institutional arrangements are only the beginning.

The environmental and labor rights challenges faced by the countries of Central America are longstanding and will take many years to improve. We should be thinking about cooperation and capacity building as a process that will endure through the 18-year CAFTA implementation period and, if necessary, beyond. That is why, for example, we have long advocated that the United States and the Central American countries incorporate into CAFTA the long-term environmental planning process that USAID has been supporting since 1996.

Before Congress is asked to vote on the CAFTA, we would like to see completed the detailed work plans that are currently in the early planning stages under the labor cooperation

annex of CAFTA and the related Environmental Cooperation Agreement. Rather than simply telling Congress that a robust trade capacity building and cooperation program is contemplated, show Congress what such a program will look like, at least with respect to the first several years' worth of projects.

Nor is it enough to set out a list of cooperation projects without providing at the outset for benchmarking and monitoring of progress in meeting environmental and labor rights goals. CAFTA will be the first free trade agreement in which the United States pursues trade capacity building and cooperation projects as the principal means for promoting improved environment and labor standards in developing country partners. In order to assess whether this model can be successful in this and future agreements, it is essential that we set goal-oriented (as opposed to process-oriented) and stakeholder-informed benchmarks to measure progress. Then, to maximize public confidence, it is critical that progress toward those benchmarks be assessed at least annually through objective, public reporting that is independent of the governments involved.

Finally, it is critical that capacity building and cooperation projects be supported by a dedicated and stable source of funding. Much of U.S. Government funding for trade capacity building and environmental cooperation is not specifically earmarked for that purpose, and all such funding is subject to annual appropriations. The U.S.-Chile Free Trade Agreement environmental cooperation annex does not commit the U.S. Government to provide any funds at all to support the cooperative agenda. We need to do better with CAFTA.

It is not practical to revisit capacity building and technical cooperation funding annually in the Congress – not if we want to support a long-term planning process in the CAFTA region. Instead, as was done in the NAFTA implementing legislation, we need to identify or create an institution that can support these efforts – primarily, if not entirely, on a grant basis -- over the long term. Clearly the United States should not be the only donor in the region. Thus, any institution should be able to accept funds from or coordinate funding with other donors, including international institutions, other donor countries, non-governmental organizations, and the private sector. Nonetheless, the United States needs to make a significant initial contribution to any such institution. We encourage you to work with us and with others in Congress to develop a sound funding proposal for inclusion in the CAFTA implementing legislation.

Like you, we believe that competitive liberalization is a promising strategy for bringing down trade barriers around the world. The CAFTA, like other free trade agreements completed or under negotiation, has the potential to level the playing field and create opportunities for American farmers, workers, businesses and consumers. Nevertheless, Congress would be remiss in fulfilling its Constitutional responsibility to review trade agreements if it were to proceed in the absence of a completed package. We urge you to make the best possible use of the coming months to complete the CAFTA package for Congress's consideration early next year.

Sincerely,

Senator Max Baucus

Senator Jeff Bingaman
Senator Joseph I. Lieberman
Senator Maria Cantwell
Senator Joseph Biden

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