



Committee On Finance

Max Baucus, Ranking Member

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For Immediate Release
Tuesday, November 1, 2005

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**Speech of U.S. Senator Max Baucus
Second Annual Asia Forum
“Growing Tiger, Growing Dragon: Trade Policy and Asia”
(as prepared)**

Welcome back to the Asia Forum. Last year’s event was so successful, I didn’t think that we would be able to top it. But we did, thanks to our all-star cast of Ambassador Portman, Secretary Leavitt, and Fred Bergsten. I deeply appreciate their participation this morning.

I also thank the U.S.-ASEAN Business Council, Georgetown’s Institute of International Economic Law, and Target for their hard work in putting today’s event together. Let’s start thinking about the third annual Asia Forum, next year. Today’s event leaves big shoes to fill.

MASALA DUMPLINGS

The Mings and the Mughals also left behind big shoes to fill.

Under Ming Dynasty rule, China in the 15th century was the most advanced country in the world. Ming naval expeditions sailed to Southeast Asia, southern India, the Persian Gulf, and Africa. Ming merchants shipped silks, cotton, and porcelain around the world. Ming leaders revolutionized agriculture by pioneering crop rotation to preserve soil fertility. They introduced rice that grew in greater abundance, but could be harvested in half the time.

A century later, the Mughals of India presided over a civilization of vast wealth and power. In 1571, Emperor Akbar began construction on a new capital. A visitor described this city as “much greater than London” and “a great resort of merchants from Persia and out of India.” Akbar’s successor amassed a fortune more than 10 times that of his contemporary, Louis XIV of France. During Mughal rule, India produced more than one-fifth of the world’s GDP. India had an indigenous banking system. It had a sophisticated market and credit structure.

The Mings and the Mughals flourished a century apart. As the Mings waned in China, the Mughals waxed in India. That has largely been the story of India and China, for much of history. When the Dragon rose, the Tiger slept. And vice versa.

Now that has changed. The Dragon and the Tiger are now awake together. Business Week calls it “Chindia.” We confront an entirely new phenomenon.

Economic projections underscore “Chindia’s” challenge. Today, the United States accounts for about a quarter of the world’s GDP. China and India account for 4 and 2 percent, respectively. But by 2050, China, India, and the United States will together account for nearly three-quarters of the world’s GDP.

The challenge for America is how to deal with the simultaneous rise of the Dragon and Tiger. The answer is simple: We must engage them.

U.S. engagement must come at two levels.

First, we must increase our engagement in Asia. We must seek to remain at the forefront of regional trade initiatives. Second, we must engage at home. We must ensure that the Eagle is prepared to compete with the Dragon and the Tiger.

ENGAGE ASIA

Engagement with Asia should be a centerpiece of our trade policy. We cannot allow others to eclipse us in a region that contains 5 of our top 10 trading partners and 7 of last decade’s 11 fastest-growing economies.

In years past, I charged that the administration’s trade policy in Asia was adrift. Narrow foreign policy interests — rather than commercial sense — led to a loss of focus. We sat on the sidelines as China and India rushed to conclude trade agreements with their Asian neighbors. APEC lost emphasis. And enforcement concerns went unaddressed.

This year, I am glad to see that Ambassador Portman has chosen to ground U.S. trade policy more firmly in Asia. That is the right choice. And I applaud it. There is so much that we can and should be doing around the region.

The opportunities and challenges in India are immense. It is the fastest-growing destination for U.S. exports. But India also has among the highest agriculture tariffs in the world. We should actively search for ways to bring the economies of the world’s two largest democracies closer together. We should lift our sights to the eventual possibility of a free trade agreement that would by itself cover over one-fifth of humanity.

With China, our focus must be on enforcement. Enforcing our trade commitments with China would have greater value for America than concluding virtually any new bilateral trade agreement. China has yet to take adequate steps to root out piracy and counterfeiting. It has yet to address the value of its currency. And it has yet to implement its WTO obligations — including those that require sound science as the basis for animal and plant health measures — in a full and timely manner.

But important as they are, we should not focus merely on the Tiger and the Dragon. Look elsewhere around the region.

Look at APEC whose 21 members account for 60 percent of world GDP. Reinvigorating APEC should be a cornerstone of our trade policy. In that forum, we can take steps, region-wide, to stop trade in pirated and counterfeit goods, harmonize port security standards, and realize the promise of Asia-Pacific free trade by 2020. My message to President Bush as he heads to Pusan for the APEC summit later this month is to restore active U.S. leadership and engagement in that forum.

Look at Thailand, where we are in the midst of negotiating a free trade agreement. I was honored to host the “Big Sky” round of these talks in Great Falls, Montana, last July. Those talks helped to resolve a trade obstacle especially important to Montana: Late last month, Thailand lifted its ban on U.S. beef

Look at Korea, our 7th largest trading partner, and Malaysia, our 10th largest trading partner. I have long advocated free trade agreements with these countries. I am encouraged that such negotiations may soon begin. But before they do, Korea and Malaysia must follow Thailand’s lead and lift their bans on U.S. beef.

Look at Vietnam. Now is the time to anchor that vibrant country of 83 million firmly into the world trading system. Let us finish our WTO accession negotiations in the coming months. I look forward to leading the charge on granting Vietnam Permanent Normal Trade Relations by next summer.

And finally, look at Hong Kong, where in 6 weeks, 148 countries will gather to determine the fate of the Doha Round. Now, more than ever, our success in pushing America’s agenda in agriculture, services, and all aspects of these talks depends on close cooperation and continued engagement with India, China, Singapore, Japan, Taiwan, and our APEC partners.

REBUILD THE U.S. TRADE CONSENSUS

To meet the challenge of the Dragon and Tiger, we must also look inward. We have to work harder to make important initiatives like the Thai FTA, trade with China, and the Doha Round work for Americans in Montana and across the country.

The CAFTA debate exposed deep fissures in the always-elusive “trade consensus.” Until we heal these rifts, U.S. trade initiatives in Asia and elsewhere will generate the same controversy and concern that plagued CAFTA. Recall that CAFTA passed the House of Representatives by only 2 votes. And it passed the Senate by the closest margin of any trade agreement in our history.

I want to help rebuild America’s trade consensus — brick by brick, if necessary. To do so, we must reinvigorate the congressional-executive partnership on trade policy. And we must regain the trust of all Americans by responding to the widespread concerns that many Americans have regarding trade.

Neither is going to be easy.

RESURRECT THE CONGRESSIONAL-EXECUTIVE PARTNERSHIP

A successful trade policy cannot exist without a strong congressional-executive partnership. But since Congress granted the administration Trade Promotion Authority as part of the 2002 Trade Act, that partnership has not materialized.

Instead, the administration gave us a “My-Way-or-the-Highway” trade policy that was largely insensitive to the concerns of many in Congress. As a result, congressional trust in the administration’s trade policy is at an all-time low. Members on both sides of the aisle feel that their concerns — on issues as diverse as labor, China, and trade adjustment assistance — have been marginalized or ignored.

I applaud Ambassador Portman for the effort that he is making to reverse this trend. But the proof will be in the pudding. Consultation does not mean a kabuki exercise of listening to Members’ concerns and then ignoring them. It means listening to Members’ concerns and then finding space within the confines of our trade policy to address them.

RESTORE AMERICA’S CONFIDENCE IN TRADE

More difficult, but even more important, will be restoring America’s confidence in trade. Americans in all sectors of the economy view trade more skeptically than in the past.

Can you blame manufacturing workers for being scared when companies like Delphi go bankrupt and cancel their once-sacred pensions?

Can you blame farmers and ranchers for their distrust when — for the first time in 50 years — the United States is headed for an agricultural trade deficit?

Can you blame service workers for their anxiety when they see their jobs outsourced to lower-cost competitors in India?

I don’t blame them. I blame us. We have failed to account properly for those people whom trade leaves behind. Until we address the wrenching dislocations that some suffer as a result of our open trade policy, it will become increasingly difficult to move forward on these and other initiatives.

Unless we take the steps that I am about to outline, many of our ongoing trade negotiations could very well be in jeopardy.

In the coming year, I plan to work hard — with my fellow Democrats, with Republicans, with Ambassador Portman, and with foreign governments — to help rebuild America’s faith in trade. Here are the steps we should take.

TAA AND WAGE INSURANCE

First, we simply must take better care of the workers whom trade leaves behind. Respected economists and analysts — like Alan Greenspan and Thomas Friedman — believe that programs like wage insurance and Trade Adjustment Assistance, or “TAA,” are absolutely necessary. They provide a cushion — in the form of retraining and other benefits — for workers who lose their jobs due to trade.

The current TAA program works. But it is too limited. I have already proposed expanding it to cover service workers. I have also proposed extending TAA to all trade-displaced workers, not just those who lose out to competition from an FTA-partner country. How robust can our existing TAA program be if it does not cover workers who lose their jobs due to competition from China or India?

We should also look at wage insurance. Wage insurance makes up for 50 percent of lost wages when a trade-displaced worker takes a lower paying job. Our current wage insurance program, known as “Alternative TAA,” only applies to older workers. That’s far too limited for an economically efficient program that gets workers back on the job faster.

ENFORCEMENT

Second, we need to re-emphasize enforcement of our existing trade agreements.

Enforcement is part of the promise that the government makes to its citizens when it enters into a trade agreement. We owe it to each American worker, each company, each rancher, and each farmer to fulfill this promise by working harder and dedicating more time, effort, and resources to trade enforcement.

That is why I support efforts to create a chief enforcement officer at USTR.

That is why I will introduce in the coming weeks a bill to make USTR more accountable to Congress in setting and carrying out its trade enforcement priorities.

That is why I will continue to press at every opportunity that China enforce its laws protecting intellectual property, that Japan and Korea lift their bans on U.S. beef, and that Korea end its discriminatory practices against foreign automakers.

COMPETITIVENESS

Finally, the more competitive that America's economy is, the more Americans will benefit from trade. And the more competitive that we are, the less Americans will feel threatened by trade.

We need to enact smart policies to allow Americans to remain the most trade-competitive workers in the world. In the past few months, I have given a series of speeches that outline a competitiveness agenda for America. That agenda rests on a few fundamental policy goals:

- providing better, long-term education to American workers;
- reducing the prohibitively high health care costs for American businesses;
- encouraging federal spending on research and development; and
- attracting the world's best and brightest to study — and stay — in the United States.

CONCLUSION

For a competitive America, trade presents an opportunity, not a threat.

For an America that helps its workers adjust and retrain, trade provides a beginning, not an end.

And for an America that enforces its trade agreements, trade becomes a means to open markets, not an empty promise.

The Mings and the Mughals showed us the heights that the Dragon and the Tiger can reach. The Mings and the Mughals made others take notice of China and India, each in their day.

But history provides little guidance on how to deal with their simultaneous rise. Chindia will challenge us all in the decade to come. It will realign the world's economy.

To compete in this new environment, let us remain closely engaged with our Asia-Pacific partners. Let us create the trade policy of tomorrow, here at home. And let us prepare the Eagle to meet the challenge of the Dragon and Tiger.