



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

TO: Reporters and Editors
RE: ITC Report on the Impact of Trade Agreements
DA: Monday, August 11, 2003

Sen. Chuck Grassley, of Iowa, Chairman of the Senate Committee on Finance issued the comment below regarding the August 6, 2003, report of the U.S. International Trade Commission (ITC).

Section 2111 of the Trade Act of 2002 directs the ITC to report to the Senate Finance Committee and the House Ways and Means Committee regarding the economic impact on the United States of the U.S.-Israel Free Trade Agreement, the U.S.-Canada Free Trade Agreement, the North American Free Trade Agreement (NAFTA), the Uruguay Round Agreements, and the Tokyo Round of Multilateral Trade Negotiations.

The ITC report is available at

http://www.usitc.gov/pub3621/pub3621_main.html.

“I commend the ITC for preparing this thorough report. Assessing the economic impact of five trade agreements on the United States over a period of about a quarter century is a difficult thing to do. A lot has happened during that time in addition to these five agreements, so clearly it’s difficult to isolate and quantify the full benefits of the agreements. Still, the report offers some important insights.

“The ITC found that the benefits of multilateral agreements such as the Uruguay Round Agreements and the Tokyo Round Agreements are greater than the benefits of more narrow agreements, such as NAFTA. This is not surprising. I urge our trade negotiators to draw from this and renew their efforts to conclude a successful agreement on agriculture in the Doha Round negotiations. We need a broad multilateral agreement that expands our market access for agricultural exports, reduces trade-distorting domestic supports, and phases out export subsidies.

“The report also indicates that the combined benefits of these five agreements is significant—economic welfare in the U.S. in 2001 would have been about \$56 billion lower if these five agreements were not in effect. That’s about 0.6 percent of our GDP, and that

translates into a lot of export-dependent jobs here in the United States.

“The report also states that between 1974 and 2001, U.S. trade in goods and services increased from \$500 billion to \$2.5 trillion. Trade liberalization in general accounted for upwards of 25 percent of that growth, and liberalization of services trade was a big component. Trade in services is becoming more important to our economy all the time. The share of services in U.S. GDP increased from about 60 percent in 1974 to almost 72 percent in 2001, even as U.S. GDP more than doubled. That’s why we need more state of the art free trade agreements, like the ones we just passed with Chile and Singapore, that expand market access for U.S. services exports and create more jobs right here in the United States.

“Finally, it’s important to note that each of the five agreements was passed under fast track authority. Fast track enabled our negotiators to exact meaningful concessions from our trading partners. Last year we renewed fast track under the auspices of Trade Promotion Authority, or TPA, in the Trade Act of 2002. That historic piece of legislation empowered the President, for the first time in almost a decade, to negotiate free trade agreements using fast track, or TPA, procedures. With the leadership of President Bush and Ambassador Zoellick, we are reinvigorating our trade relations with the world. It is a welcome development. We’ve lost ground to the EU and others in our export markets, and now we are back in the game.

“TPA represents a true partnership between the executive and legislative branches of government. It provides the President with Congressional support so he can negotiate the best trade agreements for America’s workers—agreements that will grow our exports and create jobs. And, it provides certainty to our trading partners that any agreement reached will get timely consideration and will not be ripped apart by the U.S. Congress.

“In exchange for the delegated authority to negotiate under TPA, Congress requires intense consultation and thorough notification from the Administration. TPA provides a legislative check on the President’s ability to negotiate. And, it provides greater certainty to the Congress that Congressional intent is being followed. The success of these procedures is evidenced by the strong support in the Congress for passage of the free trade agreements with Chile and Singapore.

“Looking ahead, I will continue working with the Administration to implement more free trade agreements under TPA that will benefit our farmers and workers by expanding market access for our exports.”