

THE BROOKINGS INSTITUTION

THE ECONOMIC AND NATIONAL SECURITY IMPLICATIONS
OF THE U.S.-COLOMBIA FREE TRADE AGREEMENT

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Introduction and Moderator:

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Featured Speakers:

THE HONORABLE CHUCK GRASSLEY (R-IOWA)
United States Senator

THE HONORABLE KIT BOND (R-MISSOURI)
United States Senator

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PROCEEDINGS

MR. ANTHOLIS: Welcome, everyone, to Brookings.

I'm Bill Antholis. I'm the Managing Director at Brookings.

Welcome for our discussion today of the U.S.-Colombia Free Trade Agreement: the Economic and National Security Implications.

We're in a presidential election year, and trade is one of those issues that rises and falls with electoral politics, and this year is a good example of that.

It was once said during the American founding that the Senate was the body that was going to cool the passions of the hot things that came out of the House of Representatives, but this year on trade we have the exact opposite. President Bush had submitted the Colombia free trade agreement to Congress, but leaders of the House of Representatives have indefinitely delayed a vote on ratification. So, today, we have two very important members of the Senate, Senator Chuck Grassley from Iowa and Senator Kit Bond from Missouri, who are here to discuss the economic and national security implications of this trade agreement.

Senator Grassley is the Ranking Member of the Finance Committee which has jurisdiction in the Senate over international trade. He has called for congressional consideration of implementing this agreement.

Senator Bond is Vice Chairman of the Senate Select Intelligence

Committee and is a senior member of the Senate Appropriations Committee. In both those capacities, he'll look at the national security implications.

I'd also like to take the time to recognize three Brookings scholars who are here, who have looked at trade in all different contexts: Martin Baily, Senior Fellow in Economic Studies and the head of a new initiative on business and public policy in our Economics Studies Program; Paul Blustein who is a journalist in residence writing on the World Trade Organization; and Bill Frenzel, former member of congress who is a Visiting Fellow in our Economic Studies Program.

So I'd like to call on the Senators now to come up and give remarks, and we'll have a moderated question and answer session to follow.

So, Senator Grassley.

SENATOR GRASSLEY: Thank you, Bill.

I appreciate the opportunity to be at the Brookings Institution for discussion of a very important trade issue before Congress, the U.S.-Colombia Free Trade Agreement and talk about the merits of it. There's no downside to it, and that's what pathetic about this issue not being resolved already. Everything is very positive in support of our approval of the U.S.-Colombia Trade Agreement and where you get all the negative aspects of it, I don't know. It's not the real world.

This is a very appropriate day to discuss this issue. Saturday marked the one-year anniversary of the bipartisan trade agreement between the administration and the Democratic leadership in Congress. That May 10th, 2007 compromise was supposed to have paved the way for votes on the pending trade agreements including Colombia.

It hasn't worked out that way, however. A whole year has gone by, and Congress has voted only on one of the four pending trade agreements. That was Peru, passed last December. Our agreement with Colombia remains in limbo. The Finance Committee and the Ways and Means Committee have yet to even hold hearings.

Given this absence of progress and with time running out to ensure a vote this year, and that's under the statutory trade promotion authority, the administration concluded that there was no other option but to submit the Colombian Trade Agreement for Congressional approval, and that happened on April the 8th. Instead of engaging the administration -- and, of course, there's ample time under trade promotion authority to do that -- the House of Representatives instead voted to strip the statutory deadline for a vote on the implementing legislation.

If the Colombian agreement was in limbo since May the 10th and all the time before the President submitted it before Congress, what the House did on that vote was put the agreement in cold storage.

That vote, from my estimation, was a very big mistake. It was a mistake from a global standpoint because it sends a negative message to our trading partners, because other countries will question whether the United States can be trusted to deliver on its promises and because we may find it harder to negotiate new trade agreements in the future.

It was also a big mistake with the House vote from the standpoint of our bilateral relationships with a very important ally, Colombia, because Colombia deserves better.

It was also a big mistake from the standpoint of our exporters and workers who were looking forward to a chance to compete on a level playing field. That third mistake kind of summarizes why I say when you talk about the Colombia agreement, you can talk about the merits of it. There's no downside to it from the standpoint of our country, meaning our workers in manufacturing, our workers in services and our workers in agriculture.

If you don't want to take my word for the fact that this was a mistake, just look at the 50 leading newspapers of America. Thirty-nine of the top fifty newspapers in the United States have published editorials in favor of the Colombia agreement. The other 11 haven't expressed an opinion. Not a single editorial said that the House vote was the right thing to do.

The Colombia trade agreement deserves then not delay, as the House vote was, but an up or down vote which was anticipated by every country that negotiates us that Congress isn't going to horse around with a free trade agreement. It's on fast-track, voted up or down.

Now the challenge that I face as the Ranking Member of the Senate Finance Committee and as a supporter of this trade agreement is to figure out how to remove it from cold storage so the light of day will be seen on it in the Congress.

To start, I think we need to remind ourselves of the significance of this trade agreement to our economic and national security interests. Senator Bond will discuss those national security interests.

The economic case for implementing the Colombia trade agreement is very straightforward. Colombia is a beneficiary of two of our unilateral trade preference programs, the Andean Trade Preference Act and the Generalized System of Preferences. That has translated into decades of duty-free access to the U.S. markets for the vast majority of Colombia's exports.

Meanwhile, less than 3 percent of our exports to Colombia and not a single U.S. agricultural export get the benefit of duty-free treatment. U.S. exporters face Colombian tariffs as high as 35 percent for nonagricultural goods and even higher tariffs for many agricultural

products.

The Colombian trade agreement would eliminate this disparity. It would level the playing field for American workers. This agreement is all about fairness. Fairness, in most of the times, you can say to both countries that are negotiating. In this particular country, fairness to the United States because Colombia has had fairness to our markets for a long period of time.

Just to give you an example of how it's good for America, the U.S. International Trade Commission has estimated that the leveling the playing field will increase our exports to Colombia by \$1.10 billion dollars per year. That's just the result of eliminating duties on goods. That's good for American farmers, manufacturers and our service suppliers.

We only get those benefits -- only get those benefits -- if we act. If we don't act, the benefits will go to Europe and Canada instead because Colombia is already negotiating trade agreements with Europe and Canada. Their exporters will get a leg up in the Colombian market at our expense.

Last year, U.S. exports accounted for more than 40 percent of our economic growth. We should do everything that we can -- everything that we can -- to grow our exports even more, particularly in light of the recent slowdown of the U.S. economy.

Now that's what we did last December when the Senate voted by a wide margin of 77 to 18 to approve the Peruvian free trade agreement. The Colombian trade agreement is very much like the Peru agreement, and the Colombian market is much bigger than with Peru. If it made sense as it did then to approve the Peru agreement, it makes even more economic sense to approve our agreement with Colombia.

It also makes sense from the standpoint of our national security interests. Too often, we only measure trade in economic terms, always talking about dollars and cents. There's a lot of subsidiary benefits to trade agreements, but there's more value to an agreement than just money.

One concern about the pending agreement is the violence within Colombia, and that violence that's brought out is tending to be emphasizing violence against labor unions. Violence has been a serious problem in Colombia including violence against union leaders. Colombia and its president, Uribe, are not ignoring this issue. Colombia has made massive strides in its fight against anti-union violence.

I've yet to hear a convincing reason why voting down the Colombian agreement or refusing to vote on it will help to reduce violence against labor leaders. The opposite is more likely to be the fact. To help Colombia reduce violence, we should help economic growth and give new

opportunities to that country through a legitimate economy with this trade agreement as opposed to the advantage that the underground economy has there.

Another concern is that we shouldn't vote on the Colombian trade agreement until we've reformed our Trade Adjustment Assistance Program. Now I support that goal, and I'm engaged in discussions with Chairman Baucus on that very issue. I've agreed to work with him to advance his priority which I always have an interest in advancing, but my top priority is implementing the Colombia trade agreement, and I expect to see a vote on that legislation as well.

Congress can address both priorities this year. Congress can meet both responsibilities this year. It may surprise some people, but Congress can walk and chew gum at the same time. The only way that we'll accomplish these important objectives is if we work together in the bipartisan manner that Chairman Baucus and I are accustomed to doing. I think we set a good example. That's what the House and Senate leaderships need to do as well if any progress is to be made this year on these economic and national security issues.

Colombia is too important of an ally. The U.S. relationship with Colombia is important. Colombia is a friend. Congressional leaders, especially in the House, should rethink how we treat our friends.

SENATOR BOND: Thank you, Bill.

Ladies and gentlemen, it's a pleasure, a real pleasure, to be here with my good friend, Chuck Grassley. I heartily endorse everything he said. But since we're both in the Senate, the rule in the Senate is not has everything been said, but has everybody said it. So, taking advantage of that, I may go over some of the ground that Chuck has already covered, but I also want to add a little different perspective as well.

As he said, I think the Colombia free trade agreement represents one of the most important foreign policy and economic opportunities facing this Congress. It's an economic opportunity to increase exports, particularly at a time when our economy has slowed down. The dollar is weak, and we should be supporting policies that will create jobs and boost exports.

The U.S.-Colombia FTA also represents a key opportunity to solidify an alliance with a friend and an ally in a part of the world led by anti-American socialists such as Hugo Chávez of Venezuela. The President's bold step to advance the Colombia free trade agreement is something we all should support.

I thank the Brookings Institution for hosting this event today. An event such as this, I hope, will help keep the pressure on the front burner and underscore the importance of congressional approval of the U.S.-

Colombia FTA.

Senator Grassley, again, has been a leader on this issue and a longstanding supporter of free and fair trade policies, and I strongly believe that trade and commercial ties are some of the most effective arrows in America's quiver of smart power.

We face a huge threat to the global community and to the United States, and that is ideological terrorism. Free nations such as the United States and Colombia ought to work together to defeat the common threat, and that's exactly what we have been doing and seeing in Colombia. We cannot win the war on terror by military force alone. The war that the terrorists have declared on us can only be won by winning the war of ideas and public opinion and assistance in addition to the kinetic force which must be used to deal with imminent threats. The combination is the premise of the idea I call smart power.

About 15 years ago, my good friend, the late Alan Woods, who was head of the U.S. Agency for International Development, issued a report now known as the Woods Report. In that report, they noted what was really important to help less developed countries move forward, how we can realize our humanitarian and our strategic interests. They said just turning money over to a country's leaders too often wound up with money in Swiss bank accounts and the purchase of European autos.

They said the two things that are critical are, number one, educational exchanges, information exchanges and, two, economic interchanges. That is trade, and that is direct foreign investment.

We are supporting on many of these ideas of smart power. I'm very proud that our Missouri National Guard has sent an agricultural development team to work with farmers and potential teachers of farmers in province in Afghanistan. This is a group assembled partly at our suggestion but at the request of our Commanding General, Eikenberry, and President Hamid Karzai in Afghanistan.

They have sent over 10 extension specialists with expertise in areas like meat handling, irrigation, soils, agronomy and other areas, and they are embedded in a team of 25 Missouri military police Guardsmen who also happen to be farm boys, who know farming about as well almost as the extension service agents. So, with the protection, comes advice and we hope we can bring Afghanistan's agriculture out of the 17th Century at least to the 19th, if not the 20th Century, and provide a more robust, sustainable agriculture.

I also believe that part of smart power is increasing Peace Corps volunteers, providing humanitarian assistance, being an American face, helping teach English to people in these countries and helping them in many ways that make America a good friend.

Educational exchanges, as I said, are critically important: more of our students going to other countries and more of their students coming to ours.

Humanitarian assistance is very important. I was in Indonesia right after the tsunami, and our Navy and Marines from the U.S.S. Abraham Lincoln and the Bonhomme Richard really helped provide the vital food, water, medical assistance in conjunction with the NGOs that prevented, I believe, tens of thousands of more deaths.

Right now, we're trying to assist in Myanmar, the former Burma, following last week's cyclone disaster if the violent regime in Myanmar will let us in.

But, here today, we are discussing free trade because trade develops economies, raises standards of living and diminishes the sea in which terrorism can swim. Smart power is a realistic way to look at the global problems, post-9/11. As the Vice Chairman of the Senate Select Committee on Intelligence and a longtime believer in the power of free trade, I believe this agreement is both in our national strategic best interest as well as our economic best interest.

First, the geopolitical and strategic benefits: This FTA represents an affirmation of our support to our friends and our strongest ally in an increasingly left-leaning continent. President Uribe's administration finds

itself surrounded by states determined to undermine Colombia's burgeoning democracy. These states provide safe haven to insurgent groups, allow freedom to maneuver in border areas, and provide monetary support for their drug and terror activities.

I'm sure that Hugo Chávez in Venezuela would love nothing better than to see this FTA die. Such an event would embolden his support for rebels in Colombia and undercut American interests in the region.

The question we really ought to be asking ourselves is: Do we support Hugo Chávez or do we support Alvaro Uribe?

President Uribe has implemented far-reaching policies to protect labor union members, policies that have led to a general decline in violence and even greater decline in violence against union members. Murders in Colombia overall decreased by nearly 40 percent between 2001 and 2007. Murders of union members were reduced by over 80 percent. However, the Revolutionary Armed Forces of Colombia or FARC is still functioning, although it has been diminished by the efforts that President Uribe has made.

Legal reforms have been implemented under President Uribe to transform the judicial system and increase the number of prosecutions. In 2006, October, a special subunit within the Unit of Human Rights was set up to investigate and prosecute over 1,200 criminal cases of violence

against trade union members.

President Uribe has pushed back Marxist guerillas of the FARC and the National Liberation Army or ELN. It's important to remember that the FARC insurgent group currently holds more than 700 political and military prisoners including 3 Americans. The regime has been behind some of the most disturbing human rights atrocities over the past three decades and finance its operations by facilitating the drug trade.

Earlier this year, the interdiction of two high-value targets, senior terror planners and former operators was a testimony to President Uribe's commitment in ending terror operations in his country. The capture of laptops in one these interdictions in a FARC camp has yielded plenty of intelligence tying Venezuelan leader Hugo Chávez to the terrorists.

Chávez has opened Venezuela as a refuge to FARC while Colombia battles the Marxist terrorists and has tried to elevate their prestige in the region. At one point, Chávez tried to arrange a meeting between himself, FARC leader Manuel Marulanda, Nicaragua's Daniel Ortega and Bolivian President Evo Morales. The Venezuelan is engaged in a high stakes competition over the political and economic direction of Latin America. He wants the region to follow his path of ever great state control of the economy while assisting U.S. enemies wherever he can. He has already won converts in Bolivia and Ecuador and is forming alliances

with the likes of Iran and Russia.

If the leadership in Congress is concerned about improving America's image abroad, fighting to keep illicit drugs off our streets and preserving America's strategic interest in our own back yard, then why don't we start by helping out a key friend we already have?

What would the rejection of this agreement say about America's commitment to our friends around the world, friends like Colombia and I might add Panama and Korea, who are helping us fight terrorism, who want to open up their markets to U.S. goods and who embrace America's values, our allies we ought to be supporting?

Colombia, under the leadership of President Uribe, has made tremendous strides and implemented successful reforms over the last five and a half years. It's a functioning democracy in an area surrounded by socialist anti-American vitriol. The fact that Colombia still faces challenges and needs continued reforms should not lead us to withdraw support for this agreement. Rather, we should increase our support to help Colombia strengthen its democratic institutions, implement social reforms and strengthen its legal proceedings. Approving the Colombia FTA will strengthen President Uribe to continue to make these positive reforms and keep Colombia on the right path.

And, as if the geographic and geopolitical and strategic benefits are

not enough, I also believe it's in our best economic interest to support free trade as well. As my friend, Chuck Grassley, has already pointed out, there are many economic benefits but, as I said, I'm going to add some too.

As anxiety increases about what analysts have already said is the beginning of a recession and maybe in a recession, a sure way to help head it off is through increasing free trade and opening up the markets abroad to which we can sell American goods. Yet, the Colombia FTA, as have other negotiated FTAs, has been held hostage by shortsightedness and politics. These politics are denying American producers and exporters, expanded markets, particularly our farmers in the Heartland of Iowa and Missouri where we grow food for the world market.

Chuck has already mentioned annual exports, according to the ITC, would increase by \$1.1 billion in addition to the \$1 billion we already export to Colombia, our largest market for U.S. agriculture in Latin America.

Fifty-two percent of U.S. exports will receive immediate duty-free treatment with almost total duty-free treatment over a period of the next 10 years. Colombia already has very low tariffs in exporting to the U.S. Zero percent would be the future. Right now, U.S. tariffs for automobiles going in there are 35 percent. Furniture: 20 percent. Minerals, fuel, coal: 5 to

10 to 15 percent. Cotton: 10 percent. Metal products: 5 to 15 percent. Computer products: 10 percent.

At the same time, they pay on automobiles only a 2.5 percent tariff, zero percent on furniture, minerals, fuel, coal, metal products and computer products, and only up to 3.9 percent on cotton.

Well, now, that sounds like a good economic stimulus plan to me, to lower the tariffs that they charge on our goods going into their country. Exports diversify our economic, shield it from shocks and help close the deficit in trade. According to the U.S. Chamber of Commerce, the U.S. exports to free trade countries at twice the rate of non-free trade. Thirty-one million of U.S. jobs are linked to exports, double the NAFTA era.

I was in Washington in 1999 for what became the Battle of Seattle. I found it very interesting. There were three groups opposing the free trade agreements: Number one, longshoremen. Now tell me if free trade doesn't benefit longshoremen, I don't know who benefits from it?

Number two, the machinists who organize Boeing. They sell more than half their planes abroad.

Number three were the Teamsters. The Teamsters organize UPS. I think it's their largest employer. For every 40 packages more the Teamsters send overseas, they hire another Teamster. Well, that's the economics that I think some people have not learned.

Now there are people who are talking about Hoover economics. President Hoover had been widely criticized for a hands-off approach to the economy as it went into a recession and a Great Depression. They criticized him for hands-off, but what they really ought to criticize him for is what he did, the destructive policies. In 1930, he signed the Smoot-Hawley Tariff, setting a wave of protectionist retaliation that did more damage to the world economy than the initial stock market crash. Two years later he undid the Coolidge-Mellon tax cuts, the top marginal rate on income went to 63 percent from 25 percent.

Here, in 2008, starting over the cliff of a recession, there are some leading politicians who are bent on denying free trade agreements and talk about tax increases. At a time when the dollar is weak and our exports are more competitive in the world market, we ought to be trying to increase our market access. It also expands our economic and commercial ties but strengthens cultural and strategic alliances.

At a time when America's image is suffering in the world and our economy at home is slumping, we should be helping our friends and allies. Yet, many in Congress and elsewhere seems to think that we can improve our image by talking with rogue regimes like Syria and Iran rather than working to expand trade and economic activities with our friends in places like Colombia, Korea and Panama.

Denial of a Colombia free trade agreement would damage our ability to maintain and strengthen strategic alliances. In fact, it would say to the rest of the world: The U.S. is closed for business and if you try to partner up and work with us, we'll stick it to you.

The Secretary of Defense, Robert Gates, recently said, and I quote: "Continued progress in Colombia is essential to stability in the region. The U.S.-Colombia trade promotion agreement will help a neighbor and longtime ally continue putting its house in order under very difficult circumstances. It offers a pivotal opportunity to help a valued strategic partner consolidate security gains, strengthen its economy and reduce the regional threat of narco-terrorism. This is an opportunity we cannot and must not ignore."

That's why I agree with Chuck, that continuing to delay and deny the U.S.-Colombia FTA will be a disadvantage to America's economy, damage our reputation in Colombia, Latin America and throughout the world, and put at greater risk an ally in Colombia.

Thanks for giving me the opportunity to share my views. We look forward to hearing your comments and questions.

(Applause)

MR. ANTHOLIS: Terrific. We are going to go right to discussion, and I'll start with a quick opening question and then turn it over to the audience.

I'm going to turn the question to Senator Grassley. Senator Bond was talking about the Colombians' ability to follow through on a lot of political and security reforms, and I just, on the economic side, Senator Grassley, I just thought maybe if you could talk for a moment or two about sort of what the Colombian Government's capacity seems to be to continue through with economic reforms in the country, particularly those relating to the agreement?

SENATOR GRASSLEY: Well, I think that there are two additions that were put on in the May 10th agreement between Republican Administration and the Democratic majority: environment and labor. And, I think that there are ways in which those are going to be monitored to make sure that they follow through, and all I can tell you is that I have, over a period of a couple years, had a lot of contacts with various political leaders of Colombia, and they have, prior to the May 10th agreement, they were committed to carrying out their part of it. And they knew that, to get it through this Congress – I mean, this ought to – it should have been through Congress already because, you know, this agreement was made a year ago, and you would think an agreement is an agreement and we

would be past. But, they are committed to carrying that out, because that's the reality of getting it or not. So, I believe that there is no doubt about the agreements, including the May 10th aspect of it. The economic aspect of it, there is no doubt that they will meet their commitment to us. From the standpoint of -- I think I'll summarize this way, in a very generic way. I think it's a lot easier for them to keep their commitment on the trade economic things than it is the national security things that we think are so important, but national security things are so unpredictable, where the economic things are a little more predictable, I believe.

MR. ANTHOLIS: So, turn to the audience for questions. If you could, please wait for the microphone and tell us who you are and what organization you are with or where you are from, this gentleman here, in the checkered jacket.

MR. LOWLAND: Thank you. I'm Mack Lowland, George Washington University. I have had a number of discussions. I happen to agree with both speakers. I am very much in favor of it. But, my friend, John Sweeney, and Morton Barr, and the organized labor are violently opposed to it, and they come up with a bunch of arguments that you all haven't even mentioned, in terms of the integrity of the government and so forth. But it seems to me that, in an election year, a strong labor movement belief in something is going to carry a lot of weight, and I think

you need to sit down with labor leaders and do some negotiations in terms of resolving some of their concerns so this would be past.

MR. ANTHOLIS: Let me even state that question with a little bit more of a sharp edge. In an election year, the Labor Unions in the United States may have substantive concerns, but is this about substance, or is it about politics?

SENATOR BOND: I find it hard to say that it's involved with substance, because we all realize there were real problems with murders of labor union leaders. There have been significant steps taken to deal with and prosecute the people who made criminal attacks and killed labor union leaders. The October 2006 effort of the human rights that I had mentioned has made a significant difference. I had a visitor in my offices, a young man who is a regional congressman in Colombia, and he told me that the danger of FARC is still great there. Even the state congressmen or representatives travel in bullet-proof vehicles and wear bullet-proof vests, but they are killing more politicians, contenders for office and officer holders than union members. Now I don't know what that says about politicians, but I am glad to be in politics in America. But, they recognize that lawfulness and security has to be brought back. And, as Secretary Gates stated in his comments, we recognize that there is more work to do, and I think continuing to improve the security situation for all Colombians

is a vital part of that effort, and we have assistance there in a number of forms, not all of which I will go into today, to help them to achieve the security that they need. And, the availability or actually the imprimatur, imprimatur of American Agreement on the Free Trade Agreement we believe will strengthen President Uribe and continue to move him forward on the path. Now, I have not heard, and maybe I'll defer to Chuck, any evidence of continuing substantive problems. Chuck, have they brought any to your attention?

SENATOR GRASSLEY: No.

SENATOR BOND: I think intellectually, there are no justifications for any labor union member or leader to be against Colombia. I think that the problem with the labor union movement today and the issue of trade is there aren't any Elaine Kirklands in the labor union movement anymore. And the reason why I say intellectually there is no justification for it is, because if you look at not only labor union members and their leadership, what they complain about on trade and their members in Congress that represent them complaining about trade, you know it's always stuff of outsourcing or the Chinese currency, or the Chinese trade deficit, or you known, things of that nature. In the case of Colombia, why I say there is no intellectual justification for it is all the things that they find wrong with trade generally that they use excuses

today to be protectionists is taken care of the Colombian Trade Agreement. The Colombian Trade Agreement is a one-way street today. It will be a two-way street tomorrow when we get it approved. The bottom line of it is that everything that they are complaining about in regard to trade will be satisfied, because we will be able to get all of our products into the countries the same they have been getting those products into our country duty-free, in the case of Colombia, Panama and Peru, and eventually Korea. So, if you want to – if you want to find – if you want to correct the things you are finding wrong without outsourcing and trade deficit, and things of that nature, approve these agreements, because they will help. And the rationale behind it is CAFTA. They explain the very same reason against the Central American Free Trade Agreement; it's going to increase our trade deficit. Well, we had a billion dollar trade deficit with those countries prior to the Central American Free Trade Agreement, and today we have a \$3 billion dollar trade surplus with those countries. Trade is right.

You take a look at the tariffs, automobiles; we tried to export automobiles, 35 percent tariff. What does that do to the auto workers? It deprives them of a market for American autos, metal products. I assume that that's a significant number of union members

there, furniture, mineral, these areas where there are union workers who need product being sold to keep their jobs would benefit from it.

MR. ANTHOLIS: Paul Bluestein.

MR. BLUESTEIN: Thanks. Paul Bluestein with Brookings. Senators, I want to just challenge your argument a little bit that there is no substantive argument whatsoever about the merits or demerits of this agreement. I am not talking about your very good arguments about Chavez vs. Uribe or, you know, this would improve one-way trade in our favor, any of that stuff. I am talking about whether bilateral agreements of this sort are the sort of things that we ought to be doing, or whether we ought to be getting away from these sorts of things because, I mean, this is supposed to be a discussion about the national security implications. I mean, one of the downsides of these Free Trade Agreements, of the bilateral Free Trade Agreements it seems to me is that we are actually ending up hurting our foreign policy relations with a country that, as you say, is a very valued ally. The Colombians are all up in arms about, you know, the marked pen episode and everything else, because it looks, you know, I mean, Congress is holding the thing up. And sooner or later this was bound to happen with these things. I mean, of course, there has been other Free Trade Agreements, bilateral Free Trade Agreements where there has been foreign policy brouhahas with the ties over

intellectual property and so on. So my question to you is whether we really ought to be – whether you think, you know, looking back on these things it really makes sense to be continuing down these paths. I mean, \$1.1 billion dollars extra in U.S. exports, the number you mentioned, Senator Bond, I mean this barely qualifies as a drop in the bucket in a \$13 trillion dollar economy, right? The cost of these things, I mean, there are economists seriously – I'm not talking about just economists who are employed by the AFLCIO, but serious, pro-free trade economists, who argue that these sorts of bilateral agreements are mucking up the multilateral system, that they are likely – they at least have the risk of doing serious damage to the WTO's ability to keep the trade peace worldwide. You mentioned, Senator Bond, food holly. I mean, that's why the GAT and its successor organization, the WTO were set up.

SENATOR. BOND: Yes.

MR. BLUESTEIN: So I – I mean, I am not coming – I am obviously not coming at, my criticism here, from the standpoint of the AFLCIO and saying that this is a terrible thing for American living standards. I hope you appreciate that that's not – but, my question is, would it have made that much difference to our foreign policy in Latin America if we had just never started this thing in the first, started this U.S./Colombia Free Trade Agreement in the first place, if we just said,

thanks Colombia, we appreciate your interest in having one with us, but you know what, we are actually much more interested in shoring up the multilateral system which we think we will benefit, benefit everybody. Would that have done any serious damage to our national security interests in the region?

MR. ANTHOLIS: I'd like to hear that. Go ahead.

SENATOR GRASSLEY: You are absolutely right, in a perfect world, we ought to concentrate on nothing but WTO, but this isn't a perfect world. It doesn't look like DOHA is going to succeed for at least into the next Administration. And if – and so we wanted to – the United States adopted a very good reputation between 1948 and 1993, from the beginning of GAP through NAFTA, the world stood by and waited for the United States to act. And then Congress didn't give the authority to the President to negotiate, and we found out in the 1990s about 132 Free Trade Agreements, while the United States was negotiating a couple. And so, the world is not going to sit around and wait for the United States. They are going to move along bilaterally, and so if we are going to keep up, we have to be there. Because you get into a situation like we are not negotiating, or if we don't approve Colombia, they are going to negotiate with Europe and Europe competitors to caterpillar are going to be able to get their stuff in their duty-free, and we are still going to be paying 35

percent duty. So, if you are for, if you are for free trade, you take it wherever you can get it. Ideally, a worldwide agreement; secondly, regional; and only lastly, bilateral, but it's necessary for the rest of the world to know that the United States is in the game.

SENATOR BOND: And Chuck has said it well. It's like saying, you know, if we were at the beach and had some steaks, we could have a steak-fry at the beach. We ain't at the beach. We don't have a steak fry. What we have in front of is a bilateral agreement that has been offered to us. I would love to see regional trade agreements. Indian Free Trade was a start. We need to get one with Southeast Asia. We need to do that. Ultimately, sure, we would love to see the WTO function. I am not young enough to expect to be around to see a WTO successfully negotiated, and I doubt that the – even if I were, I doubt that the voters in Missouri would extend my contract long enough to vote on it. So, I am saying this is the best – this is the best of what we've got. It may be an ugly bunch, but this is the best looking one, and we are going to have to, as Chuck said, make these bilateral agreements or maybe multilateral agreements until we can get a good WTO negotiation, but I haven't seen it yet.

MR. ANTHOLIS: This gentleman here, in the blue shirt and blue tie.

MR. PALMER: Hi. I'm Doug Palmer with Reuters. Senator Grassley, I wanted to ask you about your comments on TAA. I guess what I am curious about is, do you only support reforming TAA, if that's somehow connected to approval of the Colombia Free Trade Agreement? I mean, in your mind, is reform and reauthorization of TAA contingent upon action on Colombia? And then I guess my second question is, I mean, since Speaker Pelosi lately has been emphasizing the need for a second economic reform package, or economic stimulus package before the my move on Colombia, do you think that reforming TAA would be enough to advance the Colombian process?

SENATOR GRASSLEY: I believe it would be enough. I am for – TAA is running out – I am for reauthorization. I am for some improvement in TAA. I am for each of them being passed separately, and obviously Colombia is my first priority. But, if it's necessary to do TAA to get Colombia, I am willing to work in that direction. It's not my demand. It's my responding to the demands of other people, and I am working very closely with Senator Balkus to see if we can't get such an agreement worked out and get it worked out soon based upon his pre-condition, not mine.

SENATOR BOND: And based on what I have heard from the House, I think the Colombia Free Trade Agreement, along with the

Panama and Korean Free Trade Agreement, would be a whole lot better for our country and for our economic growth than the kinds of policies I hear brooded about in the House. I am a show me Missourian and I haven't seen a proposal from the House that looks better than going ahead and completing the Free Trade Agreements which are on the table now.

MR. ANTHOLIS: We've got about eight minutes left, so we'll go to the speed round. We'll take two or three questions at once and then turn to our Senators for final comments. This gentleman here, this woman here, and this gentleman here, in front.

MR. KOSEVO: Hernando Kosevo, Colombian Institute for Language and Cultures of the Americas. I note that there is a choice for people to decide whether to approve or disapprove, or to support or not support. In addition to the violent issues that were raised for the union leaders, are there any substantive issues that merit the delay in taking the vote? And the other part of the question is, you have mentioned the advantages to the United States, but there is a segment of the Colombian population, primarily Afro-descendants, who have some level of opposition because they don't see much to gain from this Free Trade Agreement. I don't know if those items have been considered as part of the, the factors that need to be addressed.

SENATOR GRASSLEY: Okay. Isn't it – oh –

MR. ANTHOLIS: Why don't we just take a couple, because we are short on time?

SENATOR GRASSLEY: Okay. Are you going to help us remember what the question was?

MR. ANTHOLIS: Yes, I will indeed.

MS. BOWIE: Barbara Bowie, Whitman, formerly of the State Department, now an independent consultant and I was the Senior State Department negotiator that reached this agreement. I obviously concur with your positive views. I'll mention one more little talking point before I pose my question, and that is that we have already, the United States exporters have already paid a billion dollars in tariffs since the day the Agreement was signed, and it's just sitting there mounting up as we wait. But when we look at the vote we got on Peru, do you all know of a whole lot of people that supported Peru, who are really against Colombia? Do you think if it were not for the Speaker's opposition, the game plan of which we don't fully understand, and I don't know if you all fully understand it either, do you think those people would fall away if she allowed a vote? And, is it really delay it until after the election because the AFLCIO won't support Democrats at the election unless you do?

MR. ANTHOLIS: And then this gentleman here.

MR. STRAWBRIDGE: Hi. Jamie Strawbridge from Inside U.S. Trade. A question for Senator Grassley as well. Colombia seems to be tied up due to the priorities of Chairman Balkus behind TAA, talks are ongoing on TAA to try to find a compromised agreement going forward, can you elaborate a little bit on what specific concerns you have with TAA reform as envisioned by the Chairman, and what specific items you are going to be working with him on, to kind of see where a compromise can be on those provisions? Thanks.

SENATOR GRASSLEY: If I can answer the –

MR. ANTHOLIS: You bet. I'll remind you of the ones that you don't.

SENATOR GRASSLEY: Number one, maybe the size of the package dollar amount, but without putting a specific amount on, I think I want – and secondly, I want to make sure it doesn't duplicate unemployment compensation. And third, the extent to which it expands into services. Now a year ago I would not have been for any expansion to the services. As long as the relationship between trade and a lost job is kept in place, as it has been for manufacturing over 40 years, I am willing to consider services.

MR. ANTHOLIS: Some other questions that we have –

SENATOR BOND: I –

MR. ANTHOLIS: Please.

SENATOR BOND: All right. Well, I would defer to our leader on the Finance Committee on TAA. I think he makes a good point. With respect to the substantive issues, obviously we are concerned if the Africans in Colombia are not getting a benefit. Unfortunately, we can't really fine-tune an agreement to make sure that all segments of the population participate. We can use moral persuasion, we can encourage them. I think all ships will rise with free trade, and we can express our concern that they deal with those sides. Now, as far as our expert on the Trade Agreement, I appreciate the billion dollar figure, but I came to the United States Senate 22 years ago thinking I didn't understand the House of Representatives. 22 years later, I know darn well I don't understand the House of Representatives. And to ask me what the problem is in the House, as a real outsider, who has lots of fun trying to negotiate with the House, and I'm trying to negotiate a little thing called the Foreign Intelligence Surveillance Act, and as best I can tell, when the Speaker is against something, it doesn't move. And I believe – my belief is if we got an up or down vote on the Colombian Free Trade Agreement, and on the

Senate FISA Bill it would carry in the House, but I am not a vote counter in the House. I've got a constituent from southwest Missouri named Roy Blundt, who if he were here, could give you a lot better read on that.

MR. ANTHOLIS: Maybe we have time for one more question. The woman in the green sweater in the back.

SPEAKER: Hi. I am a student from just across the street from Johns Hopkins. Senators, you both spoke rather extensively about the benefits of the Colombian Free Trade Agreement for America, and I was wondering if you could turn a little bit to the consequences of the Free Trade Agreement for Colombia, specifically the –

SENATOR GRASSLEY: What?

SPEAKER: -- the challenges, the consequences of the Free Trade Agreement for Colombia, specifically, in terms of their agricultural sector and intellectual property rights and raising health care costs, and what implication that would have on the national security issues that you have addressed? I guess, as you know, the agricultural sector in Colombia employs about 23 percent of the work force, so I was wondering if you had any indication or any real reason to believe that opening Colombia's market to our highly subsidized agriculture wouldn't result in significant job losses in that sector and then be destabilizing in the

country? And secondly, with the patents -- Oxfam just published some data that was put out by the economists predicting that by 2020 health care costs could rise in Colombia by somewhere around \$900 million dollars due to compliance with these intellectual property rights laws, and I was wondering if you could speak to that and sort of those effects of the Free Trade Agreement?

MR. ANTHOLIS: I will always be aware of the last question.

SENATOR GRASSLEY: Well, first of all, the impact on the rest of the nation, the way I guess -- I can't second-guess publicly elected people in a country. I assume that nobody is not going to look out for Colombia's interest, if the Government of Colombia doesn't look out for it, and I assume that they are looking out for it. That's an assumption you have to have if you believe in sovereignty. And so, you know, there may be those concerns that you bring up, but I have never seen a country that doesn't look out for its interests at the bargaining table. In fact, the WTO is going so far as to make sure that there is intellectual basis and support for developing countries that may not have an understanding of negotiations and what goes on in those particular countries, and Colombia is more advanced than most of them. So, from the standpoint of intellectual property, if it involves pharmaceuticals, as an example, and it might, because that's what's you hear mostly from Latin America, do the

less prosperous countries in the world want life-saving drugs like we have, you have to have intellectual property or they are never going to be developed. You've got to make up your mind yourself, as a young person, whatever pills you take to keep yourself well and healthy. They are there today because your mother and grandmother were paying for them. You want your children to have the same thing you have. You have to have intellectual property and have protection for it if you are going to have ingenuity to bring it about. So that's what's involved with intellectual property. If you want advancement, you've got to give encouragement and benefit to it, and eventually other countries are going to have it, as you see happening in China right now after 20 years of their free market.

SENATOR BOND: And I would just say that I think Senator Grassley and I would take issue with your assessment that U.S. agriculture is highly subsidized. This Farm Bill that's rolling through here is a massively massive subsidy for nutrition, not for farmers. Yes, there are some things in our Farm Bill that are restrictive. That isn't going to disadvantage farmers in Colombia. If we can – we have an advantage in agriculture because we have the technology. Lowering the export tariffs on American goods will lower the cost of some of this equipment. Protecting an intellectual property will make it easier for the farmers in Colombia to get the seeds perhaps that will meet their needs, the GMOs,

which I happen to be a strong supporter of. They – we can export things to them that will increase the productivity of their agriculture, and we believe that, again, that the Free Trade Agreement will benefit Colombia, as Senator Grassley said, because they negotiated it to get the best advantage for their country, as we negotiated what this fine person from the State Department negotiated that was in our best interest.

SENATOR GRASSLEY: And just as soon as we get a World Trade Organization Agreement, there won't be any trade-distorting subsidies of American agriculture.

MR. ANTHOLIS: Well, I want to thank our two Senators for a terrific and lively discussion, and thank our audience for coming out and asking good questions on a rainy day.

SENATOR GRASSLEY: Thank you, Bill.

SENATOR BOND: A pleasure.

MR. ANTHOLIS: We really appreciate it.

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