

Opening Statement
Senator Richard G. Lugar
SFRC Hearing on
“Navigating a Turbulent Global Economy”
March 3, 2011

I join the Chairman in welcoming Secretary Geithner and thank him for appearing again before the Foreign Relations Committee.

The political upheaval in the Middle East, financial crises in Europe, continuing global food insecurity, rising demand for energy and other commodities; the increasing trade deficit with China; and ballooning foreign ownership of our debt all have implications for the livelihoods of Americans. Today we have the opportunity to learn what the Administration is doing to address these global challenges and strengthen our economy.

Given global financial linkages, we cannot achieve a full economic recovery in isolation from the rest of the world. This is especially true with regard to trade policy. For example, currently, the United States exports roughly 15 percent of our corn production, 45 percent of our soybean production, and 25 percent of our pork production. Exports and investment growth help to sustain high paying jobs in both our farms and factories.

One of the largest employers in Rushville, Indiana, builds compressors for commercial refrigeration. Those compressors are integrated into other products and then sold throughout the world. They are prized over competing European and Asian products in places as far-flung as Iraq for their dependability and superior customer service. Yet few may recognize how the economic health of American communities, large and small, depends on our ability to compete for exports.

China, Europe, and other competitors are working aggressively to secure trade and investment partners. In our hearing yesterday, Secretary of State Clinton twice repeated: “We are in a competition for influence with China.” This is especially true with regard to penetration of foreign markets. The Chinese see such linkages as essential to their economic future.

With this in mind, I am especially concerned that the Obama Administration lacks a sufficient commitment to exports and trade promotion. In the context of a \$14 trillion national debt, trade promotion should be near the top of our economic agenda, because its job creating benefits occur without expensive programs that add to the deficit. I know Secretary Geithner and other officials understand the importance of trade liberalization. I also recognize that the Administration can point to some ongoing trade initiatives. But there is no indication that the President is even considering elevating the type of bold trade vision that could invigorate our economy and help us compete in world markets.

Although the President has committed to sending the trade agreement with South Korea to Congress for its approval, agreements with Colombia and Panama have languished, largely because of opposition expressed to President Obama by U.S. labor unions. Delay of these agreements has already resulted in significant loss of U.S. market share in Panama and Colombia. In Panama, large-scale projects, such as the \$5.25 billion Panama Canal Expansion,

the \$1.5 billion Panama City Metro, and hundreds of millions of dollars in highway expansion contracts, have been awarded to non-American firms. The United States recently lost its position as Colombia's number one agricultural supplier. Total U.S. agricultural exports to Colombia decreased from \$1.8 billion in 2008 to \$827 million in 2010. U.S. market share is being lost to China, Brazil, and other countries in Latin America that benefit from trade accords with Colombia.

What is most troubling is that these agreements are the low hanging fruit of trade expansion opportunities. If the United States cannot complete trade promotion agreements with relatively small nations in our own hemisphere and quickly work through the political issues associated with them, our ability to execute a grander trade strategy is in serious doubt.

Even if issues over the Colombia and Panama free trade agreements were resolved, this would represent progress that is far short of what is needed in a highly competitive world. The President should be accelerating the priority of much broader trade initiatives like the Trans-Pacific Partnership and a revival of the Doha round. If he does not commit the prestige of his office to an aggressive and broad campaign to open markets, he will be weakening chances for sustained economic growth in this country.

A key test of Administration resolve on trade will be the President's upcoming trip to Brazil. President Obama should propose that we initiate negotiations on a market access agreement with MERCOSUL, the Southern Common Market, which is led by Brazil. The export potential of such a landmark agreement could create enormous job growth in the United States and help solidify our political and strategic relations in South America. In addition, the President should work toward ratification of a Bilateral Tax Treaty with Brazil that could greatly expand our economic links with that country.

I thank the Chairman for calling this hearing. I very much appreciate conversations that I have had with Secretary Geithner on global economic topics, as well as his willingness to be here today.