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Montana Cattlemen's Association

Max S. Baucus

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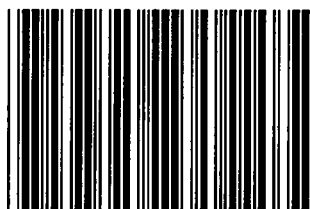
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BAUCUS

STATEMENT OF SENATOR MAX BAUCUS
MONTANA CATTLEMEN'S ASSOCIATION
GREAT FALLS, MONTANA
THURSDAY, DECEMBER 1, 1983

I AM PLEASED TO BE WITH YOU TONIGHT. I WANT TO OFFER A SPECIAL THANKS TO RAY (LYBECK) AND ESTHER (RUUD) FOR THE OPPORTUNITY TO BE HERE.

TONIGHT I WANT TO TELL YOU THAT I RECOGNIZE HOW CRITICAL THE PROBLEMS HAVE BECOME IN THE CATTLE BUSINESS. I WILL OUTLINE WHAT STEPS I AM TAKING TO TURN THE AGRICULTURAL ECONOMY AROUND.

I ALSO WANT TO ENLIST YOUR SUPPORT FOR MY CONTINUING EFFORTS TO BREAK DOWN TRADE BARRIERS THAT THE JAPANESE HAVE MAINTAINED AGAINST U.S. BEEF.

BUT BEFORE I DO....

JIM AROUREZK USED TO TELL A STORY ABOUT HIS CAMPAIGN FOR THE UNITED STATES SENATE IN SOUTH DAKOTA.

IT SEEMS HE WAS DRIVING DOWN THE ROAD TRYING TO GET TO A LUNCHEON IN BLUNT, SOUTH DAKOTA.

HE CAME TO A FORK IN THE ROAD. THERE WAS A SIGN SAYING, "BLUNT -- 26 MILES TO THE RIGHT." AND THERE WAS A SIGN SAYING, "BLUNT -- 26 MILES TO THE LEFT."

WELL, HE DIDN'T KNOW WHAT TO DO, SO HE PULLED HIS CAR OVER TO THE SIDE OF THE ROAD AND HE SAW A FARMER STANDING OUT IN THE FIELD.

HE GOT OUT OF HIS CAR, WALKED OVER TO THE FARMER AND SAID,

"HI! I'M JIM ABOUREZK AND I'M RUNNING FOR THE U.S. SENATE."
THE FARMER DIDN'T SAY A WORD.

"WELL, I'M TRYING TO GET TO BLUNT AND THERE'S A SIGN POINTING RIGHT THAT SAYS, 'BLUNT -- 26 MILES' AND THERE'S A SIGN POINTING LEFT THAT SAYS 'BLUNT -- 26 MILES.' DOES IT MATTER WHICH ROAD I TAKE?"

THE FARMER LOOKED HIM UP AND DOWN REAL CAREFUL AND SAID,
"NOT TO ME IT DON'T."

WELL, THERE ARE A NUMBER OF US IN THE FARM AND RANCHING COMMUNITY THESE DAYS WHO ARE JUST AS SKEPTICAL OF GOVERNMENT AND WHERE IT IS TAKING THE AGRICULTURAL ECONOMY.

WE HAVE A RIGHT TO BE.

I DON'T HAVE TO TELL YOU ABOUT THE DEPRESSED CATTLE PRICES YOU ARE RECEIVING. YOU KNOW BETTER THAN ANYONE THAT 50 TO 60 CENTS A POUND DOESN'T PAY THE BILLS.

IT'S NO WONDER SOME OF YOU HAVE BEEN DRIVEN TO THE CYNICISM OF THE SOUTH DAKOTA FARMER.

BUT ALL OF YOU KNOW THAT CYNICISM WILL NOT HELP IMPROVE CATTLE PRICES. THERE ARE SEVERAL STEPS I BELIEVE WE MUST TAKE TO ACHIEVE REAL IMPROVEMENT IN THE AGRICULTURAL ECONOMY.

EXPANDING EXPORT OPPORTUNITIES

TOO OFTEN WE IN THE AGRICULTURAL COMMUNITY FOCUS ONLY ON DOMESTIC FARM PROGRAMS AND POLICIES.

BUT WE MUST REMEMBER THAT FOREIGN TRADE DRAMATICALLY EFFECTS US.

A STRONG AGRICULTURAL ECONOMY DEPENDS ON INCREASING OUR EXPORTS.

ALTHOUGH THE VOLUME OF OUR EXPORTS HAS INCREASED SIGNIFICANTLY, THE UNITED STATES HAS FALLEN BEHIND OTHER NATIONS' EXPORTING ACHIEVEMENTS.

FOR EXAMPLE, WHILE U.S. EXPORTS OF NON-MILITARY MERCHANDISE INCREASED FROM 4 PERCENT OF GNP IN 1970 TO 8 PERCENT IN 1980, OUR SHARE OF TOTAL WORLD EXPORTS DECLINED FROM 15 PERCENT TO 12 PERCENT. ALSO, WHILE WE EXPORTED 8 PERCENT OF OUR GNP IN 1980, JAPAN EXPORTED 12 PERCENT, WEST GERMANY 23 PERCENT AND CANADA 26 PERCENT.

AS A RESULT, WE NOW HAVE OUR LARGEST TRADE DEFICIT EVER. JUST TUESDAY, THE GOVERNMENT ANNOUNCED A BALANCE OF TRADE DEFICIT OF \$9 BILLION FOR THE MONTH OF OCTOBER. IF THAT TREND CONTINUES, THAT WOULD LEAD TO A BALANCE OF TRADE DEFICIT OF OVER \$105 BILLION ON A YEARLY BASIS.

EVERY \$1 BILLION IN OUR TRADE DEFICIT SIGNIFIES A SHIFT OF ABOUT 30,000 JOBS OVERSEAS. THIS DEMONSTRATES HOW CRITICAL IT IS THAT WE REVERSE THE TREND OF OUR GROWING TRADE DEFICITS.

BARRIERS TO U.S. TRADE

WE FACE THREE MAJOR PROBLEMS THAT KEEP US FROM EXPANDING OUR AGRICULTURAL TRADE. FIRST, SUBSIDIES OFFERED BY GOVERNMENTS OF OUR COMPETITORS THAT MAKE EXPANDING OUR EXPORTS MORE DIFFICULT.

IN 1982, THE EUROPEAN COMMUNITY SPENT \$8 BILLION ON EXPORT SUBSIDIES. THROUGH THE USE OF THESE SUBSIDIES, THE EC HAS BEEN ABLE TO SIGNIFICANTLY BOOST ITS AGRICULTURAL EXPORTS.

IN 1976, THE UNITED STATES HAD NEARLY A TWO-TO-ONE LEAD OVER THE EUROPEAN COMMUNITY IN AGRICULTURAL EXPORTS. BY 1982, HOWEVER, EC EXPORTS HAD SOARED TO NEARLY \$30 BILLION, WHILE U.S. EXPORTS HAD FALLEN TO AROUND \$37 BILLION.

SUBSIDIES HELPED BOOST EC EXPORTS OF BEEF AND VEAL. UNTIL 1973, THE EUROPEAN COMMUNITY HAD BEEN A NET IMPORTER OF BEEF AND VEAL.

THE EC HAS CONTINUED THEIR SUBSIDIES BEYOND THE POINT OF SELF-SUFFICIENCY. THESE CONTINUING SUBSIDIES HAVE TURNED THE EC INTO THE SECOND LARGEST EXPORTER OF BEEF IN THE WORLD.

THE EC IS TAKING TRADITIONAL FOREIGN MARKETS AWAY FROM THE UNITED STATES. WE MUST FIGHT BACK.

O WE CAN EXPAND THE USE OF BLENDED CREDITS THAT ALLOW US TO COMPETE ON A MORE EQUAL BASIS WITH THE EC;

O WE CAN AND MUST EXPAND OUR FOREIGN MARKET DEVELOPMENT EFFORTS THROUGH PROGRAMS LIKE THE FOREIGN AGRICULTURAL SERVICE'S (FAS) COOPERATOR PROGRAM;

O WE CAN BE A MORE RELIABLE TRADING PARTNER. WE CAN OVERCOME OUR REPUTATION FOR IMPOSING EMBARGOES THROUGH THE NEGOTIATION OF MORE LONG-TERM AGREEMENTS; AND

O WE CAN BE MORE AGGRESSIVE IN SETTING UP EXPORT TRADING COMPANIES TO PURSUE NEW FOREIGN MARKETS AND EXPAND ON OUR ESTABLISHED ONES.

JAPANESE QUOTAS

LET ME TURN TO THE SECOND PROBLEM WE FACE: EXPANDING OUR BEEF EXPORTS. QUOTAS ON IMPORT LEVELS OF BEEF, SUCH AS THOSE USED BY JAPAN, PREVENT FREE TRADE. MORE IMPORTANT, THESE JAPANESE QUOTAS DENY U.S. CATTLEMEN NEARLY \$500 MILLION IN POTENTIAL SALES.

WE ARE MAKING SOME PROGRESS. SHORTLY BEFORE PRESIDENT

REAGAN'S VISIT TO JAPAN, THE SENATE PASSED A RESOLUTION I SPONSORED BY A 92-6 VOTE. MY RESOLUTION CALLS ON U.S. NEGOTIATORS TO INSIST THAT THE JAPANESE DISMANTLE THEIR NON-TARIFF BARRIERS TO IMPORTS OF U.S. BEEF. I'M GLAD THE U.S. SENATE HAS GONE ON RECORD IN THIS MATTER.

BUT THAT VOTE IS NOT ENOUGH.

U.S. NEGOTIATORS HAVE ALREADY MET WITH THE JAPANESE.

THUS FAR, THE JAPANESE HAVE SHOWN NO WILLINGNESS TO LIBERALIZE CURRENT QUOTA LEVELS.

JAPANESE PRIME MINISTER NAKASONE HAS CALLED NATIONAL ELECTIONS FOR DECEMBER 18.

I HOPE THAT FOLLOWING THESE ELECTIONS, THE JAPANESE WILL BE WILLING TO NEGOTIATE ON THEIR BEEF QUOTAS.

BUT I DON'T THINK THEY WILL UNLESS WE MAKE THEM UNDERSTAND HOW IMPORTANT THIS ISSUE IS TO US.

THAT IS WHY TONIGHT I AM ASKING YOU TO JOIN ME IN A CAMPAIGN TO CONVINCING THE JAPANESE BY MARCH 31 THAT THEY SHOULD LOWER THEIR BARRIERS TO BEEF.

I WOULD LIKE TO SUGGEST A MOTTO FOR OUR CAMPAIGN: "WE HAVE A BEEF WITH JAPAN."

IN FEBRUARY, I PLAN TO INVITE THE JAPANESE AMBASSADOR IN WASHINGTON AND THE JAPANESE TRADE NEGOTIATORS TO DINNER. I WANT TO SERVE MONTANA BEEF AT THIS DINNER. I NEED YOUR HELP IN PUTTING ON THE EVENT AND SELLING THE AMBASSADOR ON MONTANA BEEF. I BELIEVE THIS DIRECT CONTACT WITH THE JAPANESE WILL IMPROVE THEIR UNDERSTANDING OF THE U.S. CATTLE INDUSTRY AND LEAD TO BETTER TRADE RELATIONS.

I HAVE ALSO SENT A LETTER TODAY TO SENATOR JOHN DANFORTH, CHAIRMAN OF THE INTERNATIONAL TRADE SUBCOMMITTEE ON WHICH I SERVE, CALLING FOR HEARINGS ON JAPANESE TRADE PROBLEMS SOON AFTER THE SENATE RECONVENES.

THESE HEARINGS SHOULD NOT ONLY EXPLORE THE PROBLEM, BUT THEY SHOULD ALSO LOOK AT APPROPRIATE RETALIATORY MEASURES THAT COULD BE TAKEN BY THE UNITED STATES.

EXCHANGE RATES

THE THIRD MAJOR PROBLEM WE FACE IS DISTORTED EXCHANGE RATES. DURING THE PAST TWO YEARS, HIGH INTEREST RATES INFLATED THE DOLLAR'S INTERNATIONAL VALUE. FOR EXAMPLE, SINCE 1980, THE DOLLAR ROSE 41 PERCENT AGAINST THE GERMAN MARK AND 22 PERCENT AGAINST THE JAPANESE YEN.

AN OVERVALUED DOLLAR MAKES EXPORTS MORE EXPENSIVE. THE OVERVALUED DOLLAR, BY ITSELF, HAS IMPOSED, ON THE AVERAGE, A 25 PERCENT SURCHARGE ON FOREIGN SALES OF AMERICAN AGRICULTURAL

PRODUCTS.

TO RESTORE BALANCED EXCHANGE RATES, WE MUST DO TWO THINGS. FIRST, WE MUST CONSIDER REFORMING THE INTERNATIONAL MONETARY SYSTEM SO THAT THE DOLLAR DOESN'T FLOAT ON A SEA OF SPECULATION.

SECOND, AND MORE IMPORTANT, WE MUST REDUCE THE BLOATED FEDERAL BUDGET DEFICIT.

THE FEDERAL DEFICIT

FOR THE FIRST TIME IN THIS NATION'S HISTORY, THE FEDERAL GOVERNMENT HAS ACCUMULATED A DEBT OF \$1.4 TRILLION. ANNUAL FEDERAL DEFICITS ARE PROJECTED TO EXCEED \$200 BILLION A YEAR THROUGH 1988 IF WE CONTINUE DOWN THE SAME PATH.

LET MET PUT THE FEDERAL DEBT INTO A MORE PERSONAL PERSPECTIVE. EVERYONE HERE, AND EVERY MEMBER OF YOUR FAMILY, WOULD OWE \$5,915 TO BALANCE THE FEDERAL BUDGET.

WE MUST FIND A WAY TO REDUCE THE FEDERAL DEFICIT NOW. IT IS ONE OF THE MAJOR BARRIERS TO ECONOMIC DEVELOPMENT IN THE COUNTRY AND IN MONTANA.

CUTTING THE DEFICIT WILL HELP BRING DOWN INTEREST RATES AND WILL PUT MORE MONTANANS BACK TO WORK.

CATTLEMEN KNOW ALL TOO WELL HOW DEVASTATING THE COMBINATION OF HIGH INTEREST RATES AND LOW PRICES CAN BE.

SEVERAL WEEKS AGO, I WAS IN GREAT FALLS SPEAKING BEFORE THE FARMERS UNION.

I SAID THEN -- AND I SAY AGAIN TODAY -- PRESIDENT REAGAN AND TIP O'NEILL ARE DOING US ALL A GREAT DISSERVICE BY NOT GETTING TOGETHER ON A PLAN TO REDUCE THE DEFICIT. NOTHING IS MORE FUNDAMENTAL TO OUR ECONOMIC RECOVERY THAN REDUCING THE DEFICITS.

I HAVE BEEN WORKING IN THE SENATE FINANCE COMMITTEE TO DRAFT A DEFICIT REDUCTION PLAN THAT WILL SAVE THE ECONOMIC RECOVERY.


I DON'T KNOW IF WE WILL SUCCEED. THIS IS A TOUGH JOB. BUT WE MUST FACE THE PROBLEM HEAD ON. THE STAKES ARE TOO HIGH NOT TO TRY.

CONCLUSION

LET ME CONCLUDE BY SAYING AGAIN THAT I RECOGNIZE HOW SERIOUS THE PROBLEMS ARE IN THE CATTLE BUSINESS. THE MONTANA DELEGATION WILL CONTINUE TO WORK TOGETHER ON THE HOST OF DOMESTIC AND INTERNATIONAL ISSUES THAT AFFECT US.

I WILL CONTINUE TO OPPOSE LEGISLATION, LIKE THE DAIRY COMPROMISE BILL THAT CONGRESS RECENTLY APPROVED, THAT ADVERSELY AFFECTS MONTANA'S NUMBER ONE INDUSTRY.

I ALSO WILL CONTINUE TO USE MY POSITION ON THE FINANCE COMMITTEE TO REDUCE THE FEDERAL DEFICIT AND TO PROMOTE THE



EXPANSION OF U.S. TRADE FOR THE BENEFIT OF OUR AGRICULTURAL
ECONOMY.

THANK YOU.

