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National Association of Manufacturers

Max S. Baucus

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BAUCUS
STATEMENT BY SENATOR MAX BAUCUS
NATIONAL ASSOCIATION OF MANUFACTURERS
MARCH 8, 1984

INTRODUCTION

Thank you, Dick.

I am honored to be here today, to discuss current trade issues. [add something nice about NAM and Larry Fox]

TRADE: A TOP PRIORITY

Trade issues are more important than ever before. Seventy percent of American products now face international competition. As a result, our economy really is the world economy. Jobs in Butte depend on the government policy of Zambia and consumer spending patterns in Taiwan.

How have we adjusted to international competition?

Well, the figures don't look good.

The Commerce Department recently announced that in January our monthly trade deficit hit $9.5 billion. At the rate we're going, in 1984, our annual trade deficit will exceed $100 billion.

What does this mean?
First and foremost, it means U.S. companies are losing sales, at home and abroad. And this means that over 3 million jobs are shifting overseas.

America's Response.

How can we recapture these lost sales and lost jobs?

First, we must excel. Our managers must be the sharpest. Our workers must be the best.

But, let us not kid ourselves. In the real world of today's international marketplace, building a better mousetrap is not enough to recapture.

You can excel through your own efforts of creativity, economy, and hard work. You can make the best products at a fair price.

But, whether you are a steel producer in Pittsburgh, a cattleman in Montana, or a small high tech manufacturer in Silicon Valley, you will be unable to compete if your price is inflated in the world market by an overvalued dollar.

Your best efforts will go unrewarded when your products are barred entry by tariff and nontariff barriers imposed by our trading partners.
So, to compete, we must tighten up our trade policy. Among other things, this means reducing the budget deficit and taking measured retaliation against unfair foreign competition.

**Reducing the Budget Deficit**

Let me talk about the federal budget deficit first, because it is our major trade problem.

The budget deficit is increasing by $22 million an hour, which is keeping interest rates high. And that's keeping the dollar overvalued.

This cuts us with a two-edged sword.

On the one hand, our exporters see their prices artificially hiked 25% or more. This leaves them uncompetitive in many markets abroad. A pound of Montana beef costs the same or less as a pound of Australian beef. But the inflated dollar gives that pound of Australian beef a 25% price advantage.

At home, our firms face strong competition from imports which enjoy a de facto price subsidy because of the inflated dollar. Price-conscious American consumers discover that "Buy American" means "pay more." American manufacturers, for their part, find they cannot compete even for their traditional domestic markets unless they use more imported components for their products.
The danger is clear. Finally, we may be working out the beginning of the solution. I’ve spent the last four months, including most of the last 2 weeks, in Senate Finance Committee sessions, helping Bob Dole draft a deficit-reduction "down-payment" package of about $150 billion, split between spending cuts and tax increases.

It’s been tough. I’ve voted for Medicare cuts I don’t like. And I’ve voted for tax increases I don’t like. But someone has to get the ball rolling, and I’m proud of our work.

To enact a significant consensus deficit reduction package, we need the support of the business community. I hope we’ll have it over the next few critical weeks.
BREAKING DOWN TRADE BARRIERS

The second priority trade issue I have focused on is breaking down the barriers our trading partners have erected against our exports.

When we sit down with the Japanese, Canadians and Europeans, the words "free trade" no longer mean much. Instead, we now bargain over what we call "fair trade."

Some economists refuse to admit that "fair trade" has any meaning. But they are not living in the real world.

Free trade is an ideal; fair trade is an achievable goal.

I define fair trade as reciprocal policies by trading partners that permit broad access for the products these countries produce competitively.

In the case of Japan and the U.S., for example, America already provides broad access for the many manufactured goods the Japanese produce competitively. But the Japanese do not reciprocate.
They limit entry to our agricultural products, communications equipment, and high tech goods that could help reduce our huge trade deficit with Japan.

The figures are striking. In 1983, we exported to Japan $21.9 billion. They exported to us $41.2 billion. Almost double our total.

And yet they persist in keeping our competitive products out of their market.

They claim they have the lowest tariffs of any industrialized country in the world. And, on the whole, that's correct.

But this is where we can separate free trade arguments from fair trade.

While their average tariff level is low, their tariff and non-tariff barriers on goods they do not produce competitively are among the most restrictive in the world.

It is easy for the Japanese to eliminate their tariffs on televisions, pocket calculators, and small cars. There is minimal foreign competition.
But try to get them to drop their barriers on beef, citrus, or high speed communication equipment. They retreat to protectionism every time.

AMERICA NEEDS TO GET TOUGH

We are now in the middle of seemingly endless rounds of talks with the Japanese and the EC on removing trade barriers. We have yet to get tough with the Japanese, and our trade deficit reflects this policy weakness.

When we finally decided to strike a sharp chord with the Europeans, they responded. Our threat of enacting the Wine Equity Act has led the EC to back off on its intention to sharply cut our sizeable exports of corn gluten feed.

Our cycle of retaliation with the Europeans now is at a standstill. The Wine Equity Act has awakened them to the potential damage a full scale trade war could lead to.

We have got to also get tough with the Japanese.

We need to remind them of an old Japanese proverb that says "The sack of a man's patience is tied with a slip knot."
They keep footdragging and we keep paying homage to the threat of retaliation. That won’t work. They think we don’t care, and to some extent they are right.

To show my resolve on an issue that has become a symbol of Japanese unfair trading barriers -- Japanese beef import restrictions -- I have announced my intention to tie my vote on domestic content legislation to the outcome of the Beef Talks.

I reached this decision with great reluctance.

I am convinced now more than ever that it was the right decision. The Japanese are tough negotiators, and they understand only one thing: power. We must show them we have it and will exercise it in the pursuit of fair trade.

A CALL FOR ACTION

We in Congress are prepared to do our part to achieve the goal of fair trade.

But we cannot do it alone.

I have put a lot of effort into tackling the Japanese beef issue. I am proud to say that the support for my efforts came not only from individuals and groups with a stake in the issue, but also from many others who see the importance of a united campaign to remove all Japanese unfair trading practices.
Together we have made this issue top priority for both Japanese and American officials. Together our efforts made a difference.

I call on you today to join your fellow Americans in other sectors of our economy to work actively for fair trade in all products and services.

Before you leave this conference this week, draw up a personal and collective plan of concrete actions to:

1. Put trade issues on the front page of our newspapers, not just the business page.

2. Support efforts to reduce the federal budget deficit. Let us educate America to the lasting damage repeated large deficits will leave in their wake. We must put our elected officials on notice they will be held accountable for their actions this year to address the budget deficit.

3. Press Congress and the Administration to get tougher on our trading partners in the name of fair trade. The American government must be made to act, not just react.
CONCLUSION

It is time to lay aside for now the old free trade coalitions which have lost touch with the realities of the international marketplace.

As a free trade advocate myself, I have found it hard to move away temporarily from the ideals a free trade policy stands for. But it must be done.

The United States must take action to reduce the budget deficit and break down trade barriers abroad are essential elements of a policy designed to make America more competitive in world markets.

America cannot excel if it cannot compete.

Thank you.