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Southwestern Montana Stockgrowers Association

Max S. Baucus

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STATEMENT OF SENATOR MAX BAUCUS
SOUTHWESTERN MONTANA STOCKGROWER'S ASSN.
May 4, 1984

INTRODUCTION

IT IS A REAL PLEASURE TO BE WITH YOU THIS AFTERNOON TO TALK ABOUT THE JAPANESE BEEF ISSUE.

I'M REMINDED OF THE STORY OF HOW SOME OF THE OLDTIMERS FIGURED OUT HOW TO GET THEIR CATTLE HERDS ACROSS THE MISSOURI.

AS YOU KNOW, THIS WAS BEFORE THERE WERE ANY BRIDGES ACROSS THE RIVER.

AND AS YOU ALSO KNOW, ANY SENSIBLE COW WON'T CROSS THE MISSOURI ON HER OWN. BUT THE OLDTIMERS FIGURED OUT A SOLUTION.

THEY'D ROPE A FEW CALVES AND STICK THEM IN WITH THE FOOD IN THE CHEF'S WAGON.

THE CALVES WOULD START BAWLING AND THEIR MOTHERS WOULD START FOLLOWING THE WAGON ACROSS THE RIVER.

AND THE REST OF THE HERD WOULD FOLLOW.

LIKE THOSE OLDTIMERS WE TOO HAVE A NUMBER OF RIVERS TO CROSS, A NUMBER OF PROBLEMS TO TACKLE.
And like those oldtimers we've got to rely on common sense, genuity, and toughness to get the job done.

We in Montana have those qualities. Because of it, we Montanans have a very special contribution to make to our country.

Japanese Beef Issue

This point was driven home to me, by the special role Montana played in our country's negotiations with Japan on the beef issue.

About a year ago, many of us in Montana realized that unless we organized and fought for a better agreement with Japan, we wouldn't get one.

And Montanans really rolled up their sleeves and joined in the fight:

- The Montana Beef Industry Council,
- The Montana Women Involved in Farm Economics,
- The Montana Cowbelles,
- The Montana Farmer's Union,
- The Montana Cattlemen's Association,
All of them played an important role in our nation's effort to get Japan to buy more American beef:

- They got their national groups actively involved.
- They joined me in hosting a beef bar-b-que for the Japanese Ambassador and other Japanese officials and business leaders.
- They organized a letter writing campaign to Prime Minister Nakasone, urging him to increase Japan's beef purchases.

They all did a magnificent job, and our nation owes them a debt of gratitude for the fight they waged.

I would like to especially commend one Montanan who was instrumental in the beef negotiations; and that's John Morse.

I am especially pleased to see John here with us today. John has indeed played a key role in leading and coordinating our effort to export more beef to Japan.

Our beef with Japan was a simple question of fairness. Americans from all economic sectors understood this message, and support for our cause grew rapidly.

But the Japanese were not about to give up anything without a fight. Last June, when our negotiators arrived in Tokyo for a
ROUND OF TALKS, THEY WERE GREETED BY 10,000 JAPANESE FARMERS SHOUTING ANGRILY THAT AMERICA WAS OUT TO DESTROY JAPANESE AGRICULTURE BY EXPORTING MORE BEEF TO JAPAN.

OUR REPLY WAS SWIFT AND FIRM.

A NATIONAL CONSENSUS FORMS

THE JAPANESE RESPONDED BY DRAGGING THEIR FEET IN THE HOPE THAT THE ISSUE WOULD DISAPPEAR.

BUT IT DIDN'T.

WITH THE SUPPORT OF OUR MONTANA CATTLEMEN, IN LATE SEPTEMBER LAST YEAR, I INTRODUCED A SENATE RESOLUTION CALLING ON THE JAPANESE TO DISMANTLE THEIR BEEF IMPORT BARRIERS. I DID THIS TO SHOW THE JAPANESE THAT THIS ISSUE DID INDEED HAVE NATIONWIDE SUPPORT.

THE RESOLUTION PASSED THE SENATE BY A VOTE OF 92-6. THIS NEAR UNANIMITY WOKE UP THE JAPANESE AND THEY MOVED QUICKLY TO RETRENCH. THEY OFFERED A FEW CONCESSIONS, THINKING WE WOULD SETTLE FOR A FEW OUNCES MORE BEEF PER JAPANESE CONSUMER.

WHEN OUR NEGOTIATORS BALKED AT THEIR OFFER, PRIME MINISTER NAKASONE PLEDGED TO PRESIDENT REAGAN THAT HE WOULD INSURE THAT MORE MEANINGFUL OFFERS WOULD BE MADE "AFTER THE ELECTIONS."
Nakasone suffered an electoral setback. The Japanese appeared ready to claim they could offer nothing further at the beef talks because of Nakasone's poor showing.

We decided not to let this happen. The day after the election, I wrote an open letter to the major Japanese newspapers noting the importance of the beef issue to the people of Montana. I appealed in the name of Japanese-American friendship to resolve this issue to our mutual benefit.

This letter was printed in Japan, and the response was overwhelming. The issue was not allowed to go on the back burner, and the negotiators were soon back at the bargaining table.

Pressing our case to the Japanese

Our pressure did not let up as the deadline on our agreement approached. In late January, the National Cattlemen's Association annual convention adopted a resolution stating that if the Japanese did not open their markets to our beef, our government should raise duties on imports of their products.

At the convention, NCA distributed buttons I had made which read "I have a beef with Japan."

On February 3, Montanans came to Washington to host a Montana Beef Luncheon for the Japanese Ambassador, Japanese
officials and businessmen, and selected U.S. officials, Senators and Congressmen. The event, attended by 120 people, featured Montana beef provided by the Beef Council. Cookbooks were distributed by the Cowbelles and WIFE representatives, and financial support came from the Stockgrowers, Cattlemen and the American Simentol Association.

What was most important was that 25 Montanans sat down with our Japanese friends to talk trade in a friendly atmosphere. No one can be friendlier or more straightforward than a Montanan. The Japanese clearly understood our determination to succeed on the beef issue after talking with our Montana cattlemen and women.

One week later, I was joined by 9 other Senators in representing statements on the beef issue before the Senate. This was followed by a letter writing campaign by Montanans to Prime Minister Nakasone. I handed these letters to Japanese chief negotiator Hiroya Sano when he came to Washington for talks one week before the agreement was due to expire.

THE FINAL PUSH

The Japanese expected us to cave in at the final hour, but we refused to accept any offer just to have an agreement. I requested Senate hearings for April 2, two days after the old agreement expired. Esther Ruud of the Montana Cattlemen's Association was one of the witnesses. Esther said:
"Mr. Chairman, there is something very wrong there. I can go to a Datsun dealer in Billings and buy a nice little pick up truck for an attractive price to serve my needs on the ranch. But when it comes to offering my tasty Montana beef at a very competitive price to the Japanese worker who made the pick up truck, the Japanese government says no.

This just isn't fair.

We Montanans are free traders who believe in straight talk and fair play. We would hope that our word would be enough to persuade the Japanese that they should set aside their unfair trading practices.

I guess our word is not enough. For this reason, we Montanans believe that your Subcommittee should review all options available to our government in moving the Japanese to open their markets. This is the very least we can do. I hope we need do no more."

Esther's words were prophetic. The administration began preparing to file a formal complaint under the General Agreement on Tariffs and Trade. I also urged the administration to consider denying investment tax credits for Japanese imports.

Before enacting these measures, the Japanese came back once more to the bargaining table. An agreement was reached."
Under the new agreement, the annual increase in imports will double!

That increase will mean an additional $300 million worth in new sales for American cattlemen.

Our total beef exports to Japan may exceed 100,000 tons by 1988.

Lessons Learned

This new agreement, while not entirely satisfactory, is a significant step in the right direction.

What's more, the beef negotiations can teach us two important lessons.

First, it pays to hang tough. Even if it means enduring the tension and uneasiness hard bargaining sometimes creates.

Only after the initial beef negotiations broke down, and it became clear that the Administration would file a GATT complaint and consider further retaliation, did the Japanese begin making serious offers.

Second, as a nation we must get behind all our industries. Our economy is so diverse that it's easy for other countries to
PLAY THE "DIVIDE AND CONQUER" GAME. WE MUST GUARD AGAINST THIS.

For example, Japanese negotiators frequently warn U.S. negotiators that if the U.S. takes a tough negotiating position on "politically sensitive" issues like agriculture, the Japanese won't be able to make concessions in other areas, like telecommunications, where more trade is involved. Then they get the other affected industries to complain that America's negotiating position is too tough and may adversely affect them.

Unfortunately, in the past U.S. negotiators have respond to this domestic pressure and softened their position, only to find later that the implied Japanese concessions were not forthcoming.

But during the beef negotiations, this didn't happen.

We didn't relent. We hung tough.

We hung tough because we were standing up against an unfair trade practice -- and we were right.

What's more, the Japanese knew we were right and I bet they respect us more for having stood up for ourselves.

I hope that the beef negotiations will become a model for future negotiations with the Japanese and with others. And I hope we have begun to take a more aggressive approach to all foreign trade barriers.
Montanans played a major role in bringing this new spirit to American trade negotiations.

And we ought to be very proud of the job we Montanans performed.

New Opportunities

The new beef agreement presents new opportunities for Montanans.

I understand some Montanans are already looking into exporting beef to Japan and other Far East nations by air. I recommend this entrepreneurial spirit, and urge others to make bold new initiatives.

But we do have limitations:

0 We rely on the slaughterhouses, packers and big exporting firms located in other states.

0 We face strict Japanese import procedures that force us to go to one agency—the notorious LIPC—to try to sell our beef.

But together we can turn the hard work we have done to get a agreement into long-range benefits for our state.
First, I intend to press our negotiators to make opening up the Japanese beef importing procedures their top priority.

Second, I believe Montana stockgrowers should all sit down and look into ways to establish a direct supply relationship with Japan. I can assure you that our work on the beef issue has made the Japanese well aware of Montana's high quality beef and our desire to sell it to them.

I am prepared to assist in any way to open doors to the Japanese and coordinate talks among ourselves.

Like oldtimers, we too can display ingenuity, determination and toughness. With those qualities and working together, this effort can succeed.

Our work has only just begun.