

6-12-2001

## "Agricultural Trade in the Next Decade", Commodity Club

Max S. Baucus

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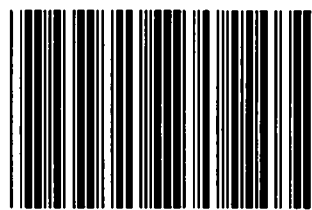
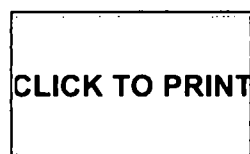
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BAUCUS

# STATEMENT OF SENATOR MAX BAUCUS

Commodity Club

June 12, 2001

## Agricultural Trade in the Next Decade

As a younger man, I hitchhiked around the world.

The trip taught me many lessons that have stayed with me in my life.

It also gave me a real sense of the high degree of connectedness between the United States and far flung parts of the globe. In part because of that trip, I have made international trade a top legislative priority throughout my career in the Senate.

Since I grew up on a ranch in Montana – a state heavily dependent on agriculture – agricultural trade seemed like a natural focus for me.

Many are surprised that the people of Montana would want their Senator to spend much of his time on international trade.

But – as is the case with every state – international trade is increasingly important to Montana's economy.

I continue to work to create international trade opportunities for Montana companies and farmers, but international trade already touches every Montanan.

Just ask the average sawmill worker how important the lumber trade with Canada is to his or her job and economic future.

I suspect that I do not need to remind this audience that international trade also has a huge impact on the farm economy.

About 26 percent of total farm income is now tied to exports.

One of every three bushels of wheat grown in the United States goes to export.

I am proud to say that one of my first personal international trade initiatives was a successful effort to remove the Japanese beef quota. After years of hard work with U.S. trade negotiators, producers, many of my colleagues, and even some interest groups in Japan, this effort has succeeded. With the quota lifted, exports of high quality beef to Japan have earned American farmers billions of dollars. I am committed to continuing that trend by winning further opening of the Japanese market.

Unfortunately, all news is not so good. Due to the Asian economic crisis and other factors, the annual dollar value of farm exports has plunged from highs over \$60 billion in the mid 1990s to lows around \$50 billion. This is one of the prime causes of many of the problems we have seen in the farm economy in the last several years.

Also commodities from beef to sugar have faced pressure from imports.

Finally and unfortunately, many of the problems that have been with us for many years continue to dog us.

As I recently testified before the International Trade Commission, Canada continues to distort wheat markets with its state-trading monopoly, the Canadian Wheat Board. After years of struggle, there are finally some hopeful signs that Canada may be preparing to relent on Wheat Board practices.

Despite winning numerous rounds of litigation, Europe continues to deny American beef meaningful access to its market because of the so-called hormone ban.

European export subsidies, which transformed Europe from the world's largest agricultural importer to the world's largest exporter in the 1970s, continue to distort trade to the detriment of farmers in the United States and around the world. Europe's direct export subsidies – the most trade distorting subsidies applied in the world today – disrupt markets on products from grains to meats.

## OPPORTUNITIES FOR CHANGE

In the next several years, there will be opportunities in writing a new farm bill and in new international trade negotiations to address some of these issues. But, in both cases, progress will not be easy.

In 1994, the Congress and the President chose to try a new experiment in agriculture policy, the so-called freedom to farm policy. That experiment relied heavily upon export growth as a source for farm income.

## DOMESTIC FARM PROGRAMS

When exports were at \$60 billion this strategy seemed to be working. But in subsequent years, floods, droughts, and plunging exports took a toll. The Congress was forced to authorize new payments to farmers to prevent a wholesale agricultural disaster.

Unfortunately, there are budgetary limits on the U.S. farm program even in an era of budget surpluses.

As my colleagues and I write the new farm bill on the Senate Agriculture Committee, I believe we need to be creative in finding ways to boost farm income.

As part of that effort, we need to be willing to fight for foreign markets when our fair share of the market is threatened by European subsidies or the Canadian Wheat Board.

Among other things, this means aggressively employing the Export Enhancement program for wheat and other commodities facing unfair competition. This is why I have long advocated legislation to expand the EEP in the face of European subsidies. Unfortunately, this valuable tool has fallen into disuse in recent years.

I also believe it is time to explore some new ideas. As I argued, some agricultural problems are certainly due to trade problems. As Chairman of the Senate Finance Committee, I am committed to reauthorizing and expanding a program called the Trade Adjustment Assistance program, which provides resources to workers and firms to adjust to trade problems.

I believe this program needs to be expanded creatively to include farmers. In the next few weeks, working with a number of my colleagues, I will unveil a new proposal on TAA, which – among other things – expands coverage to farmers. TAA will not magically solve the problems of farmers, but it can provide needed resources to address surges of imports and provide emergency income.

## INTERNATIONAL TRADE NEGOTIATIONS

As I have already said, a good farm policy is no longer just a question of writing a good farm bill. We also need to look to international negotiations and trade policy to address some persistent problems.

Europe's agricultural export subsidies have to be substantially curbed.

Even though Japan is a large buyer of U.S. agriculture products, the Japanese market for beef, rice, and other products needs to be opened. As I have argued for years, in the face of a \$50 billion trade deficit with Japan the United States has every right to demand that its exports be treated fairly in Japan. If Japanese automobiles are welcomed into the United States, American farmers expect the same treatment in Japan. The same arguments apply with equal force to Korea.

But to achieve these goals we need to negotiate wisely.

If the eventual agreements promote American interests, address labor and environmental concerns, and support American trade laws, I could support new free trade agreement with Chile, Singapore, Taiwan, and perhaps other countries.

If similar conditions are met in a Free Trade Area of the Americas or FTAA, I may also support such an agreement.

But we need to recognize that the real problems we face in agriculture are in Europe and Japan. Disarming or crippling American farm and trade policy tools in other negotiations before Europe and Japan are even at the table is a mistake.

Thus, despite calls by Brazil and others to negotiate agricultural trade barriers in the FTAA, I strongly oppose compromising U.S. negotiating leverage in this context.

Frankly, if the U.S. gave up its best leverage vis-a-vis Europe in this context, it would be a major setback for American farmers. Ultimately, it would also be a setback for farmers in Brazil and Argentina who also suffer because of Europe's subsidies. For this reason, I am forced to question whether those in Brazil that make these calls are really seeking to advance the FTAA or instead merely looking for an excuse to delay or simply kill the FTAA.

But not all farm trade problems need to be addressed through major international trade negotiations.

The Japanese beef problem was addressed through bilateral negotiations and the threat of Section 301 – a U.S. trade law. Given the ongoing Japanese reliance on the U.S. market, if there was political will to do so, the United States could address agricultural market access bilaterally rather than waiting for new WTO negotiations.

Similarly, the problems with the Canadian Wheat Board are now being addressed under Section 301. As I mentioned, there are some encouraging signs that progress can be made on this issue in this context.

## U.S. TRADE LAWS

There is another concern I wish to raise with you today in closing. Because of their interests in trade negotiations, I believe farm groups are sometimes manipulated by our trading partners and other interests that have an agenda far different from that of American farmers.

I have long been irritated when certain corporate interests told us not to push too hard to open the Japanese beef market or challenge the European hormone ban because it might upset their business. In effect these corporate interests were allowing themselves to be used as apologists for foreign protectionism.

I have been similarly concerned when some farm groups argued against taking strong trade action to open markets in Japan and China in various manufacturing or services sectors.

These agriculture groups and agriculture trading companies took this stance even though it was tough trade tactics that opened the Japanese beef market and has created some opportunities in China. I guarantee you that if the United States had pursued a passive trade policy, those markets would remain entirely closed to American farmers today.

Today, I believe some farm and agribusiness groups are being similarly manipulated on the topic of U.S. trade laws and, to a lesser extent, on the issue of including labor and environmental issues in trade agreements.

Preserving the trade laws, specifically antidumping law, countervailing duty law, Section 201, and Section 301, is vital. They provide a minimal assurance of fairness in trade and are critical to winning political support for trade agreements. That is why 62 of my Senate colleagues recently joined me in taking a firm stand against weakening those laws in new trade agreements.

Unfortunately, some in the agricultural community have echoed the arguments of Japan and others that these laws need to be weakened to negotiate new agreements on agriculture and that labor and environmental issues should not be on the agenda.

In my opinion, those calls by trading partners are nothing more than negotiating rhetoric. The U.S. market is the largest and richest in the world. No country can afford to ignore it. Japan and Europe have at least as much interest in a functioning world trading system as does the United States and they both know their trade barriers and subsidies distort trade.

There is no question that opening agricultural markets will require tough negotiation, but by echoing the negotiating claims of those countries, some in the farm community are encouraging division on the U.S. side and actually slowing down progress on farm issues.

It is simply not consistent for the farm community to support a Section 201 investigation on wheat gluten and oppose one on steel.

It is simply not politically possible to support unfair trade cases on beef and pork and oppose them on manufactured products.

Certainly, there are distinctions to be made, but ultimately fair is fair.

More to the point, siding with the Japanese steel industry is not going to open the Japanese beef market or lower European agricultural subsidies. In fact, it is going to make those shared goals harder to achieve.

Similarly, there should be some recognition in all quarters that labor and environmental issues must be meaningfully addressed or there simply will be no congressional authority to negotiate new trade agreements.

Obviously, all of you will take the position on international trade issues that you believe is in the best interest of your groups and I respect whatever position you decide upon. I also recognize that – at least, to a certain extent – your legitimate interests will differ from those of other groups.

In the future, I pledge to continue to work to keep your trade objectives as a top priority for the United States.

But I urge you to take a hard look at the motives of those who urge you to take to those positions and carefully consider whether internecine warfare among U.S. trading interests really advances your agenda.

In trade negotiations and in other things the adage that: “Either we all hang together or surely we will all hang separately” is as true today as it was when Benjamin Franklin uttered it.

This is a time of tremendous challenge and opportunity for agriculture in the trade field. We have had some tough times, but if we learn from our mistakes and stay focused on the real opportunities, we can make progress in a new farm bill and in international trade negotiations.

We may not always agree and the going will not always be easy. But I stand ready to continue working with you. And, as Chairman of the Senate Finance Committee and a member of the Senate Agriculture Community, my door will always remain open to you.