

Government and Growers



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(An address given at the annual meeting of the California Avocado Society.)

Thank you, (President) Lois (Todd).

Unfortunately, sitting here listening to people talk, you always think of more to say, so my talk may be longer than you want — or I want — but I must take advantage of that. Lois said that I'm from Washington. Not true; I'm from California, from Ventura — was born there. I represent you *in* Washington, but I'm not *from* Washington.

(Referring to his introduction as a member of the Insular Affairs Committee:) You would like to know, Lois, what "an insular affair" is — well, let me tell you what I am told is a true story. One day, one of the members of the Senate — I think it was the Vice President, Hubert Humphrey — was asking someone, how come in the Senate they call the committee that deals with our international relations the "Foreign Relations Committee," whereas in the House, it is the "Foreign Affairs Committee." He was told, the fellows in the Senate are a little bit older; the fellows in the House can still have affairs. I don't know if that's where the name "Insular Affairs" came from. "Insular" means all of the possessions and territories of the United States, and the Interior Committee, strangely enough, has jurisdiction over that. I could give you a long talk about that - there are some very important things going on in that field. Another time, I guess.

I like the way you conducted your election (*viva voce* unanimous election of nominating committee's slate). I also congratulate you on your budget — you have 13% more than you had a year ago. Pretty good; a lot better than the organization I work in. And I really

do congratulate you and wish you a lot of luck with your research program; I think that is really the way to go. And I'll bet you the fifteen thousand bucks that (the Society) spent on research goes a lot further than the many, many times that that comes through the federal government for many of the programs that we have.

I would like to say that what Lois says is true, the avocado prices are *livable*, perhaps; but they're not yet *lovable* — and that's what we've got to get.

She mentioned that we went through some adversity (Hurricane "Gloria") to get here — well, it wasn't quite that bad, although it appeared that it might be for a while there yesterday morning. We got up early, about five o'clock, and drove to the airport. I tried to call to see if our flight was going to be on time, but all I got was some nice music — you've had that problem, I'm sure — so we drove out there, and the airport was open and working and everything was fine. The only trouble was, there weren't any planes there. They'd all flown away. Well, we finally got here last night. You might say that while we didn't really blow in with "Gloria," we kind of blew away from ' 'Gloria." And thank God it turned out to be much less of a danger, and damage was much less than we'd been led to believe.

When Dave Freistadt asked me some time ago to come talk to you today about trade policy, I'm sure neither he nor I had any inkling of how "hot" the topic would be.

Those of us who recognize that agricultural exports are the only segment of our economy showing a surplus in our trade with other nations, have long been aware of the importance of the topic. And people like the Society, the California Avocado Commission, and Calavo have done a terrific job of representing your interests in Washington.

But probably until the President made his speech this week, the average member of Congress probably gave no more thought to the trade imbalance, than to where that water comes from when he turns on the tap — but that's another topic, too....

For today, as the *Washington Post* put it editorially just this week: "The conviction (that 'something's' got to be done about the trade deficit) is now racing through Congress like a freight locomotive, and suddenly everybody with freight to be carried — every lobby, political faction, and ideological splinter — is trying to attach its own boxcar to the train." And that might be a good thing, because if too many box cars are tacked on, the train will slow down and we can take a good look at it.

By now, there are over 300 boxcars, or bills, pending before Congress on this issue — many of which, in my opinion at least, would have devastating effects on existing overseas markets. In fact, it's this danger of overreaction which was one of the main themes of the President's speech — and one of the main reasons, too — and one which I certainly concur in.

What the President is proposing, in effect, is just the opposite of what the protectionists in Congress are clamoring for. They wouldn't say this, but it is true. His goal, and I'm sure it's one that you would agree with, is to expand the overseas markets for U.S. products. At the same time, he wants to make sure that the playing field is level. One of the main points of his program, for example, is to reopen GATT for a new round of talks.

One of the primary items on the agenda should that occur, and I think it will, should be

new multilateral agreements for freer trade in agricultural products. When he tried to do that in France, earlier this year, of course France shot that down. Growers and producers who are subsidized by their government, either directly or indirectly, have an unfair advantage on the world market — no question about that. And countries which arbitrarily exclude imports from their domestic markets, for reasons other than those relating to health or infestation, are not playing on a level field.

Since World War II, while tariffs on manufactured products have been systematically reduced, agricultural trade has been systematically excluded from multilateral trade negotiations, and because the U.S. is a net agricultural exporter, American producers have been particularly penalized by this failure to liberalize agricultural trade.

Now, probably everybody in this country, and especially people in the agricultural industry, know about those particular problems in Japan, for example. Not very many people know, except people in the industry, that we have similar, and in some cases even more hard, or difficult problems with the European Economic Community.

Of course, to be credible on this issue over any long period of time, the U.S. will have to phase out its own domestic price supports on agricultural products, which raise U.S. prices on commodities well above the world market price. But I feel the net gain in overseas markets for American producers will be well worth the effort, to say nothing, of course, of the savings to U.S. taxpayers — and consumers — who wind up footing the bill twice for this form of protectionism.

Until now, the Administration — in fact, all Administrations — have sought to remedy inequities with our trading partners, especially Japan and the European Community, through extended negotiations. While this has resulted in some — and I emphasize "some" — improvements in market access for U.S. products — for example, Japan imported almost \$7 billion worth of U.S. farm products last year — it certainly is not enough. And, those improvements, such as they are, have been overshadowed by our ballooning trade deficit in other areas, especially manufactured products. Politically, if for no other reason, time has run out for such approaches.

Congress, for example, always ready to react to today's headlines, has begun to move protectionist legislation which could severely restrict textile imports from our Pacific Rim trading partners — Korea, Japan, the Peoples' Republic of China, Taiwan, and Hong King (interestingly, the bill proposes no similar restrictions against the European Community or Canada — although, in some areas, the trade imbalance with Canada, per capita, is far worse even than that with Japan). That bill is expected to be on the floor of the House either next week or the week after. Some interesting things have happened there with that bill. Although they had some 290 bill sponsors in the House, its sponsors are beginning to get a little nervous — not about whether they will have the votes to pass the bill, but whether they will have enough votes to override the expected presidential veto. I think there is a little bit of second thinking about that. Congress has also begun consideration of a bill to impose 25% import surcharges on goods from Japan, Korea, Taiwan, and Brazil, starting next year, unless they reduce their trade surplus with the U.S. by 5%.

The danger in such approaches, of course, is that they will provoke retaliation from some of our best trade partners, particularly in the Pacific. Some of you are probably old

enough to remember that this is not just idle speculation. We have done it before, and it has happened before. It is called "Smoot-Hawley." There are a lot of people who think that the Depression of the 'thirties, which didn't really end until World War II, was caused by, or was deteriorated by and extended by, the Smoot-Hawley trade wars. Who would be the most likely industry to be the target of such retaliation? Well, obviously, it has to be agriculture, because that is the only one where we have a surplus. It would be a disastrous thing for everybody! And, of course, it's not just agriculture which would suffer. Our area economy here, and throughout much of the Pacific Rim, is highly dependent on both imports and exports. For example — and this is just one, because we received a lot of letters on this — hundreds of Ventura County residents work at Patagonia Sportswear, where 60% of the materials they use are imported from Asia! So we could bleed from both edges of that sword.

Now you know what President Reagan says about a trade war and some of the protectionist measures. I think you can gather what I say about it, and probably some of you know what people like Jack Kemp say about it. Here's what some other politicians say about it:

"Congress is on the verge of passing legislation that could prompt a major trade war that could set America and its trading partners back 50 years." - U.S. Representative Tom Foley, Majority Whip for the Democratic Party in the House.

A Senator; "In effect, this import surcharge would fire the opening shot of a new trade war, and then send American workers, farmers, and businessmen to do the heavy fighting. The difference is, in a military war, there are sometimes winners. In a trade war, everybody loses." — Senator Gary Hart, not exactly a Reagan supporter.

Here's what *The Washington Post*, not exactly one of the house organs for the Republican Party or the President, had to say: " 'The Democrats are pretty shameless on the trade issue,' says a Democratic congressional staff aide involved in the trade debate. 'They're supporting all kinds of things which they understand are irresponsible and dangerous, in order to bash the president.' "

The New York Times, again not exactly a Republican house organ; "Walter Mondale." they say, "ran as the candidate who wanted to stop the Toyotas at the dock. It didn't work in 1984 and probably won't work in 1988" - a *New York Times* editorial.

One of the Presidents that the Democrats like to quote, and I don't blame them, is President John Kennedy. Here's what he said about it: "There is cause for concern, in short, but I do not believe there is cause for alarm, We should be blind neither to our basic strengths nor to our basic problems. A long-term deficit requires long-term solutions, and we must not be panicked by setbacks of a short-run nature or the inevitable results of a thriving economy which has increased our imports and therefore leaves us in a less favorable position than we might have expected two or three months ago."

The President's trade speech and announced policy initiatives, I think, present a more reasonable alternative to such self-defeating moves. His program will, no doubt, be expanded to include some trade-improving proposals from Congress — I'll speak more about that in a moment; but I strongly support, for example, his call for a \$300 million

export financing "war chest" to counter subsidized financing in countries such as France and Japan, who mix foreign aid and liberalized credit terms to unfairly win markets away from U.S. producers. I think it's time we do that; we are doing some of that, already.

At the same time, the President is moving forward on unfair trade complaints against Japan, Korea, and Brazil. As a matter of fact, as far as I know, it's the first time *any* President has ever filed a case under the 301 provisions. Additional complaints, I am told, are liable to be filed against the EC and Taiwan. And the President called for a "strike force" of federal agencies to identify unfair trade practices and take steps to counter them. He will also step up enforcement and cut through some of the processing delays.

These multi-faceted initiatives, along with a reopening of GATT and a coordinated effort here and abroad to bring the dollar into line with other currencies — that's really key here — hold much better promise of results than the Draconian measures being pushed by many members of Congress. It kind of reminds me of the bill that some of my colleagues on the other side of the aisle had a year or so ago to create jobs. I forget what the figure was... it was something like for five billion dollars we could create 350,000 jobs. We've had many months since that time where the free enterprise economy has created that many jobs a month all on its own. And this kind of reminds me of that same sort of thing. This new round of GATT talks would permit the President to address all areas of trade at the same time without tying his hands on specific actions. And, if these multilateral talks fail to produce results they should, we would then seek to reach satisfactory trading agreements bilaterally or regionally. To some extent this process has already started.

On the Pacific front, the Foreign Agricultural Service and the California Avocado Commission have a matching fund cooperative program, as you know, to develop the Japanese market; and there is interest in trying to crack the Korean market, presently closed to us because of trade barriers. The elimination of the Korean trade barrier on fruits, citrus, and avocados, is something I have been working on for some time.

I would like to read to you some germane quotations from a statement by the House Republican leadership on the Trade Partnership Act of 1985:

"There is need for new direction in the U.S. trade policy — one based on a standard of fairness for the U.S. rather than the U.S. largesse, one that is responsible and effective, rather than politically opportunistic, and one that is workable and effective rather than wishful and regressive....

"The primary elements of our trade problem require that the commitment made by the Congress be a commitment which the Administration can implement and enforce. The Congress alone cannot eradicate a \$150 billion trade deficit by attempting to legislate it away. Addressing the issues of interest rates, monetary reform, currency valuations, and fair and open competition in the marketplace, demands a partnership of ideas and responsibilities between the Legislative and Executive Branches, which can only be achieved through balance and compromise in any legislative approach we take....

"The Trade Partnership Act of 1985 has these principles at its roots.

"The Act proposes initiatives in three major areas:

- (1) Trade Expansion
- (2) Enforcement of international trade laws
- (3) Negotiation of an improved international trade climate"

Finally, there is the "guest worker" provision of the immigration bill which has now passed the Senate. Senator Pete Wilson managed to amend the bill to allow up to 350,000 "guest workers" to come in for up to nine months each year, a figure which could be increased by 20% if needed; but the program was limited to a three-year trial, and the whole idea faces an uncertain future in the House, where hostility to producers is greater. Parenthetically, Pete did one heck of a job. Last year, we were successful in our efforts in the House on this issue, and we will try again. We helped to get the Administration to give support, but we will have to keep working. The opposition will be strong.

I think it is clear that the last thing we want is a trade war, as the President said, and that we are much better off trying to open up overseas markets to U.S. goods. Enactment of many of the bills now pending in Congress would raise costs to U.S. consumers, invite retaliation by our trading partners, rekindle inflation, and strain international relations. Of course, no nation, not even the United States, can by itself insure a free trading system. Our trading partners must recognize their mutual interest in the market and join us in seeking a more open trading system. The bills now pending in Congress may bring some pressure on them to do so, but passage of those bills could bring about collapse of the whole orderly marketing system and throw us into a worldwide depression. Open markets, on the other hand, will give us more jobs, more productive use of our resources, new markets, a higher standard of living, and yes, even national security... since a secure nation must have a strong business economy as its bedrock.

I know you appreciate the job facing your representatives in Washington over the next few months, and I hope I can come back here next year, or sooner, and report that we are much closer to that goal.