

TALKING POINTS

KANSAS CONFERENCE ON FEDERAL PROCUREMENT
AND EXPORT OPPORTUNITIES

Sept 2 . 1985

WICHITA, KANSAS

- O THINGS WERE VERY HECTIC IN WASHINGTON WHEN I LEFT. WE WERE JUST FINISHING OUR CONFERENCE ON THE TAX BILL, AND I'M VERY HAPPY TO BE AWAY FROM THE THRONGS OF LOBBYISTS. I THINK WE FOOLED THEM THIS TIME, AND GOT A PRETTY GOOD BILL.

- O I'M NOT SAYING THAT IT'S PERFECT. NO TAX BILL SHOULD MAKE ANYONE HAPPY: WHO WANTS TAXES? BUT I THINK OUR PRESENT TAX SYSTEM HAS BEEN PARTICULARLY AWFUL, AND WE NEEDED SOME REFORMS. I'VE BEEN PRETTY MUCH GUIDED BY THE PHILOSOPHY MAE WEST USED TO EXPRESS: WHEN YOU HAVE A CHOICE BETWEEN TWO EVILS, YOU MIGHT AS WELL PICK THE ONE YOU HAVEN'T TRIED. SO WE'LL GO WITH THIS REFORM SYSTEM FOR A WHILE.

- O THE CURRENT ECONOMIC SITUATION IS SOMEWHAT MYSTIFYING. THERE ARE A LOT OF THINGS HAPPENING WHICH WE WOULD HAVE EXPECTED TO GIVE THE ECONOMY A BOOST: LOWER ENERGY PRICES, LOWER

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INTEREST RATES, A CHEAPER DOLLAR TO HELP OUR EXPORTS. YET THE ECONOMY REMAINS SLUGGISH, AND SOME ARE BEGINNING TO FORECAST A POSSIBILITY OF RECESSION. I DON'T MYSELF SUBSCRIBE TO THAT, BECAUSE I HAVE FAITH THAT WASHINGTON WILL RECOGNIZE THE DANGERS AND BEGIN TO ADDRESS THEM IN TIME.

- O BUSINESS INVESTMENT HAS BEEN DISCOURAGED BY UNCERTAINTY: UNCERTAINTY OVER THE TAX BILL AND THE POSSIBILITY OF REDUCED INCENTIVES TO CAPITAL FORMATION, UNCERTAINTY ABOUT CONTINUING DISINFLATION AND DOWNWARD PRESSURE ON PRICES IN SOME SECTORS, UNCERTAINTY ABOUT THE MEANING OF INCREASING BUSINESS AND CONSUMER DEBT. BUT THE LARGEST UNCERTAINTY HAS BEEN OVER THE BUDGET DEFICIT, AND WHAT CONGRESS IS GOING TO DO ABOUT IT.

- O A GREAT DEAL OF FOREIGN CAPITAL WAS REQUIRED TO FINANCE THE BUDGET DEFICIT. THAT FLOOD OF INVESTMENT FROM OVERSEAS SENT THE DOLLAR UP, MAKING IMPORTS CHEAP HERE, IN TURN PUSHING OUR TRADE DEFICIT TO RECORD LEVELS AND AGGRAVATING DOMESTIC UNEMPLOYMENT.

- O WITH RESPECT TO THE BUDGET DEFICIT, I'M GOING TO BE BACK IN WASHINGTON IN A COUPLE OF DAYS, AND ONE OF OUR FIRST PRIORITIES WILL BE TO LOP OFF ABOUT \$9 BILLION IN SPENDING SO WE CAN MEET OUR GRAMM-RUDMAN TARGETS. IT'S GOING TO TAKE SOME STIFF MEDICINE TO GET THIS DEFICIT BETTER. MEANWHILE, I HAVE BEEN CALLING REPEATEDLY DURING THE YEAR FOR SUCCESSIVE

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REDUCTIONS IN THE DISCOUNT RATE, AND THE FED HAS PRETTY MUCH RESPONDED. WE HAVE TO HOPE THAT THE ECONOMY WILL PICK UP, ESPECIALLY AS BUSINESS BECOMES CONVINCED THAT CONGRESS MEANS WHAT IT SAYS.

- O BUT SINCE THE BUDGET DEFICIT IS NOT GOING TO BE CURED OVER-NIGHT, WE HAVE TO DEAL WITH THE TRADE DEFICIT MORE DIRECTLY. AND I KNOW THAT'S WHAT PARTICULARLY CONCERNS YOU AT THIS CONFERENCE.

- O AND IT GREATLY CONCERNS THE REST OF US, TOO. FIGURES RELEASED LAST WEEK SHOW WE HAVE SET A NEW RECORD: THE MERCHANDISE TRADE DEFICIT FOR THE MONTH OF JULY CAME TO \$18 BILLION, OR \$216 ON AN ANNUAL BASIS. THIS IS FAR MORE THAN PREVIOUSLY THE CASE AND DEMONSTRATES THAT THE SITUATION IS GETTING OUT OF HAND. AGRICULTURE WAS AGAIN IN THE RED, AND CONSIDERABLY MORE THAN IN THE LAST TWO MONTHS, WHICH HAD ALREADY SET RECORDS.

- O OBVIOUSLY THIS IS ANOTHER AREA WHERE CONGRESS CANNOT PROVIDE INSTANT PANACEAS. MUCH OF OUR TRADE PROBLEM INVOLVES FUNDAMENTAL PROBLEMS WHICH HAVE ONLY LONG-TERM SOLUTIONS: IMPROVING THE COMPETITIVENESS OF OUR PRODUCTS; ADJUSTMENT OF EXCHANGE RATES AND PRICES; A PICKUP IN THE RELATIVE ECONOMIC GROWTH RATES OF OUR TRADING PARTNERS.

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- O BUT THERE ARE STILL MANY USEFUL AND INTELLIGENT THINGS THE CONGRESS CAN DO. LET ME SPEAK FOR A MOMENT SIMPLY ABOUT OUR EFFORTS IN OPENING FOREIGN MARKETS, WHICH OUGHT TO BE OF SPECIAL INTEREST.

- O AS YOU KNOW, AVERAGE TARIFF RATES, ESPECIALLY IN THE DEVELOPED WORLD, HAVE BEEN LOWERED GREATLY IN THE COURSE OF SEVEN MULTILATERAL ROUNDS OF NEGOTIATIONS OVER THE LAST COUPLE OF DECADES. THE PROBLEM TODAY IS NON-TARIFF BARRIERS, MANY OF THEM SUBTLE BUT NO LESS OF A PROBLEM FOR OUR EXPORTERS THAN OUTRIGHT QUOTAS OR DUTIES.

- O I AM TALKING HERE ABOUT SUCH THINGS AS DISCRIMINATORY PRODUCT STANDARDS THAT HAPPEN TO APPLY WITH DISPROPORTIONATE SEVERITY TO U.S. PRODUCTS; IMPORT LICENSING PRACTICES WHERE FOREIGN GOVERNMENTS EXERCISE HIGHLY DISCRETIONARY AUTHORITY; LOCAL CONTENT AND PERFORMANCE REQUIREMENTS; EXCHANGE RATE AND FINANCIAL RESTRICTIONS; CUSTOMS PROCEDURES; GOVERNMENT MONOPOLIES; INADEQUATE PROTECTION OF PATENTS AND COPYRIGHTS; OFFSET AND BARTER ARRANGEMENTS; AND GENERAL "TARGETING PRACTICES" WHERE GOVERNMENTS PICK OUT THE INDUSTRIES THEY WANT TO SUCCEED AND PROMOTE THEIR INTERESTS WITH A COLLECTION OF POLICIES THAT EDGE OUT ALL COMPETITION. YOU MAY KNOW MANY MORE EXAMPLES YOURSELVES.

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- O S. 1860, THE SENATE OMNIBUS TRADE LEGISLATION WHICH I AM CO-SPONSORING, WOULD ADDRESS THESE MATTERS BY MAKING CHANGES IN SECTION 301 OF THE TRADE ACT OF 1974, WHICH PERMITS RETALIATION AGAINST OTHER GOVERNMENTS FOR UNFAIR TRADE PRACTICES. IT WOULD SEEK TO BROADEN THE DEFINITION OF ACTIONABLE PRACTICES; TO TRANSFER CERTAIN AUTHORITY TO THE U.S. TRADE REPRESENTATIVE, AND AWAY FROM THE PRESIDENT, SO AS TO ENHANCE NEGOTIATING LEVERAGE; TO SPEED UP THE TIMETABLE FOR RETALIATION AND REQUIRE IT IN CERTAIN CIRCUMSTANCES.

- O OBVIOUSLY NO ONE WANTS TO EXERCISE SUCH POWERS UNNECESSARILY. TRADE WARS CAN BE VIRTUALLY AS DESTRUCTIVE AS REAL WARS, AND NO ONE COMES OUT THE VICTOR. BUT THE U.S. NEEDS TO CARRY A BIG STICK IF IT WANTS TO BE ABLE TO SPEAK SOFTLY AND GET THINGS DONE.

- O LET ME ALSO MENTION WHAT IS HAPPENING ON THE AGRICULTURAL EXPORT FRONT. FARM EXPORTS ARE CURRENTLY AT A NINE-YEAR LOW, PROJECTED TO BE ONLY \$26.5 BILLION FOR FISCAL YEAR 1986, COMPARED TO \$31.2 BILLION LAST YEAR. ALTHOUGH A FARM TRADE SURPLUS IS STILL EXPECTED FOR THE YEAR, FARM EXPORTS FELL INTO THE RED ON A MONTHLY BASIS IN MAY, JUNE, AND JULY. THIS IS TERRIBLE NEWS NOT ONLY FOR FARMERS, BUT FOR THE OVERALL U.S. TRADE SITUATION. OUR AGRICULTURAL EXPORTS HAVE ALWAYS BEEN THE BRIGHTEST SPOT IN OUR TRADE PICTURE.

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- O I AM PLEASED THAT THE PRESIDENT AGREED TO USE THE EXPORT ENHANCEMENT PROGRAM TO BOOST SALES OF OUR WHEAT TO THE SOVIET UNION AS WELL AS OTHER MARKETS. AS YOU KNOW, AN AMENDMENT WHICH I AUTHORED INFLUENCED THIS DECISION. BUT THE PRESIDENT HAS NOT GONE FAR ENOUGH, AND I HAVE TOLD HIM SO. THIS PROGRAM SHOULD APPLY TO ALL OUR AGRICULTURAL COMMODITIES AND SHOULD LAST SO LONG AS IT IS NEEDED.

- O THE EEP SHOULD BE USED AGGRESSIVELY TO WIN MARKETS, ESPECIALLY IF THEY HAVE BEEN TAKEN AWAY BY OTHER NATIONS THROUGH THE USE OF THEIR OWN SUBSIDIZED EXPORT PROGRAMS. I RECOGNIZE THAT FOREIGN GOVERNMENTS MAY COMPLAIN WHEN WE EDGE THEM OUT THROUGH THE USE OF THE EEP, BUT WE DIDN'T COMPLAIN WHEN THEY TOOK OUR MARKETS ORIGINALLY. MAYBE THAT WAS THE PROBLEM: WE DIDN'T STAND UP FOR OUR RIGHTS EARLIER.

- O THE AGRICULTURE DEPARTMENT IS RESPONSIBLE FOR DETERMINING THE LEVEL OF ASSISTANCE REQUIRED TO BRING OUR PRICES INTO LINE WITH THOSE OF THE WORLD MARKET. I'M NOT SURE THEY'RE GOING FAR ENOUGH, AND WE HAVE TO KEEP AN EYE ON THIS. (AMSTUTZ IS TALKING ABOUT \$13 SUBSIDIES, BUT THE INDUSTRY SEEMS TO THINK \$20 MAY BE NECESSARY. USDA ARGUES THAT OUR WHEAT SHOULD BE HIGHER PRICED BECAUSE IT IS BETTER QUALITY, E.G., CONTAINS HIGHER PROTEIN CONTENT. THE USSR HASN'T YET SIGNED UP FOR ITS FOUR MILLION TONS AS WE HAVE BEEN EXPECTING.)

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- O THE TRADE BILL WHICH IS PENDING BEFORE THE SENATE CONTAINS MANY USEFUL NEW REFORMS. BUT WE MUST BE CAREFUL, IN ENACTING ADDITIONAL IMPORT REMEDIES, TO BE AWARE OF POTENTIAL RETALIATION, WHICH COULD TAKE PLACE AGAINST FARM PRODUCTS. WE DON'T WANT TO CUT OFF OUR NOSE TO SPITE OUR FACE. THAT'S WHAT JIMMY CARTER DID WITH HIS GRAIN EMBARGO. WE NEED TO THINK THINGS THROUGH. WE HAVE TO BE TOUGH BUT SHOW SOME COMMON SENSE, TOO, WHICH SOMETIMES MEANS RESTRAINT.

- O EXPORTS REPRESENT THE COIN OF A GREAT NATION. THEY SHOW THE REST OF THE WORLD HOW INVENTIVE, RESOURCEFUL, AND COMPETITIVE WE ARE AS A PEOPLE. YOU ARE THE MAINSTAY OF THIS EFFORT. BUT I WANT YOU TO KNOW THAT I WILL CONTINUE TO TRY MY BEST TO GET WASHINGTON TO HELP YOU OUT A BIT--OR AT LEAST NOT TO HINDER YOU IN YOUR IMPORTANT WORK.