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OVERVIEW OF U.S. TRADE POLICY AND BENEFITS

The Bush Administration's trade policy is to seize every opportunity to open markets and expand trade.

Expanding export opportunities for U.S. entrepreneurs means greater profits for our businesses, new jobs for our workers, lower prices and greater choices for our consumers, and a better standard of living for all Americans.

Trade has been the engine of growth driving the U.S. economy for the past 40 years:

- o The U.S. economy nearly quadrupled between 1950 and 1990, but our exports exploded an extraordinary 700 percent.
- o Jobs related to trade grew three times faster than overall job growth during those four decades.

Today, trade continues to be the lifeblood of the U.S. economy:

- o From 1988 through 1991, U.S. merchandise exports increased from \$322.4 billion to an estimated \$422.4 billion (current), or 31 percent.
- o Preliminary figures for 1991 show that U.S. merchandise exports were 7.3 percent higher than 1990.
- o Since the President took office, U.S. merchandise export growth has contributed 70 percent to the growth of our GDP.
- o These gains (in constant 1987 dollars) are not confined to a single sector over the past three years:

UP 55% Exports of consumer goods (e.g.,
pharmaceuticals, clothing, etc.)

- UP 40% Exports of U.S. capital goods (e.g., medical equipment, oilfield equipment, telecommunications, computers).
- UP 27% Exports of industrial supplies (e.g., lumber, industrial rubber products).
- UP 17% Foods, feeds, and beverages.
- UP 12% Autos and auto parts.

- o At the same time, the merchandise trade deficit (exports minus imports) has been cut nearly in half (-45.4%) since 1988 and now stands at its lowest level in a decade.
- o When you add in the exports of service industries (banks, insurers, engineers, etc.), a sector in which we run a large trade surplus, the combined U.S. trade deficit has been slashed by more than two-thirds since 1988.
- o Indeed, U.S. exports of services have grown from \$102.4 billion in 1988 to an estimated \$144.8 billion in 1991 (current dollars), a increase of 41.4 percent. Our trade surplus in services has grown 242.7 percent since 1988, 33.7 percent from 1990 to 1991.

Opening markets and expanding exports creates jobs:

- o Every \$1 billion in exports generates about 20,000 jobs. Since 1988, an estimated 1.8 million new jobs related to merchandise exports have been created.
- o The growth of U.S. merchandise exports means that today 8 million American jobs are related to exports.
- o Millions of other Americans owe their jobs to exports of U.S. services, the value of which now exceeds one-third of our merchandise exports.

Protectionism is a regressive tax on consumers:

- o Those who would close U.S. shores to foreign

trade would increase prices to consumers. Trade barriers are equivalent to a 23 percent income surcharge on people earning less than \$10,000 a year.

- o U.S. consumers pay \$65 billion annually in higher prices from U.S. trade barriers.

Trade not only yields economic benefits, but also contributes to international peace and stability:

- o Opening markets and expanding trade also will enhance the economic growth, and hence the political stability, of poorer nations, including the emerging democracies of Eastern Europe and Latin America.
- o Without the impetus of a more open trading system, these nations will be drained by the massive costs of protections now imposed on them -- costs that now total two-and-a-half times the aid they receive from the United States and other developed nations.

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BUSH ADMINISTRATION TRADE ACCOMPLISHMENTS

The Bush Administration has completed a great number of market-opening trade agreements throughout the world in its three years in office. All of these are designed to increase job-generating exports with key trading partners:

Trade with Japan

Our negotiations with Japan are designed to open the world's second largest market economy to U.S. exports.

The Bush Administration is working to open the Japanese market by eliminating barriers to in specific sectors using our trade laws and other means, and by lowering structural barriers through the Structural Impediments Initiative (SII). The following agreements have generated, and continue to generate billions of dollars in increased sales to Japan:

- o Telecommunications: The Administration has negotiated four agreements with Japan since 1988 regarding cellular telephones, IVANS and NCTE. These agreements have generated 180% growth in telecom equipment exports since 1988, to about \$735 million in 1991. The 1989 agreement in cellular telephones has resulted in U.S. firms now having more than half of the Japanese market in third party radios. In addition, American partners in two consortia that have applied for licenses to provide cellular services to the Tokyo metropolitan area. Access to the Japanese advanced telecommunications market was expanded under two 1990 agreements. One agreement committed Japan to streamline process for foreign firms to enter Japanese market for such services as voice mail and electronic banking. It also eliminated a burdensome surcharge often placed on U.S. firms by Japan's telecommunications carriers. The second opened Japan's market for telecommunications devices that make computers compatible with a digital telecommunications network.
- o Semiconductor Arrangement: The United States and Japan renewed their 1986 semiconductor agreement in June 1991 which will result in a continuation of the increasing U.S. share of the Japanese semiconductor market. (Foreign market share now 14.3% (3rd quarter 1991), up from 9% in 1986. U.S. sales rose from \$920 million in 1986 to nearly \$2.4 billion in 1990. U.S. sales for 1991 not yet available.)

- o **Construction Major Projects Arrangement:** The 1991 Construction Major Projects Arrangement adds 17 major construction projects to the 1988 agreement to be covered by special measures that facilitate foreign access, with six more that may be added in 1992. The 17 projects are estimated to be valued at \$6.4 billion; the six additional ones are valued at more than \$20 billion. U.S. construction firms will have an opportunity to bid on these contracts. Since 1988, U.S. firms have won \$375 million in contracts; prior to the 1988 agreement, U.S. firms had won virtually none.
- o **Satellites:** Under a June 1990 agreement, Japan has opened government procurement of all satellites, except for genuine R&D satellites. There has been one procurement since the agreement, involving the purchase of two communications satellites. Loral, a U.S. firm won the \$600 million contract.
- o **Supercomputers:** Government purchases of supercomputers were opened to U.S. firms under a June 1990 agreement guaranteeing fair competition based on price and performance. The U.S. share of Japanese government procurements has increased substantially since then. U.S. firms have won 3 out of 8 contracts since agreement, vs. 2 out of 43 in the previous four years.
- o **Wood Products:** In June 1990, the United States reached agreement expanding U.S. exports of wood products to Japan. It streamlined standards and lowered tariffs. Expected to increase U.S. exports of plywood and other processed wood products by over \$1 billion annually.
- o **Amorphous Metals:** An agreement covering amorphous metal electrical transformers was signed in September 1990. Japanese utilities are now ahead of schedule in purchasing amorphous metal transformers. (Since agreement, Japanese utilities have committed to buy 32,000 amorphous metal transformers by 9/92 for testing. The dollar figure is proprietary.)
- o **Structural Impediments Initiative:** Through the SII process, Japan has made specific commitments to increase investments in public sector infrastructure, more vigorously enforce

its antimonopoly laws, liberalize the retail sector, and increase shareholder rights, among others. All of these changes in Japan are making it easier for U.S. firms to operate and sell in Japan. For example, SII has resulted in an amendment to Japan's restrictive large retail store law. As a consequence, Toys R US opened its first store in December 1991.

- o Government Procurement of Computers: As a result of the President's trip to Japan in January 1992, the \$9 billion government market for computers and related services was opened to foreign bidders. U.S. industry projects the agreement may result in increased sales of \$3.5 billion to \$5.5 billion by 1995, when the government market is projected to approach \$16 billion.

Trade with Asia and the Pacific

We are working intensively in Asia to ensure that its growing market is open to U.S. exports. Some of our accomplishments since taking office include:

- o **Korean Beef Agreement:** A 1990 agreement resulting in an immediate five-fold increase in U.S. exports of beef to Korea. During the first year of the agreement, U.S. exports reached \$120 million.
- o **Korean Telecommunications:** Three Memoranda of Understanding concluded since 1989 have radically opened the Korean telecomm market to U.S. exports. U.S. firms are now able to compete in the 12th largest telecomm market in the world valued at more than \$2 billion in 1991 and growing at a rate of almost 5 percent a year.
- o **Association of Southeast Asian Nations:** In December 1990, the United States signed a memorandum of understanding with the six ASEAN governments (Malaysia, Thailand, Indonesia, Philippines, Singapore, and Brunei) to expand trade and investment. U.S. exports to ASEAN grew nearly 50 percent over the past three years. Sectors benefitting include aircraft, electronic products, chemicals, pharmaceuticals, plastics, computers and office equipment, and telecommunications equipment.
- o **Singapore:** In October 1991, we signed the U.S.-Singapore Trade and Investment Framework Agreement. It establishes a new consultative mechanism and provides for negotiations on such issues as intellectual property protection and investment conditions.
- o **Thailand:** A bilateral agreement concluded in 1991 provides non-discriminatory access to the Thai cigarette market, valued at \$160 million annually.
- o **Taiwan:** Negotiated reductions in Taiwan tariffs covering over one-half of the total tariff schedule and bringing Taiwan's average tariff level to a rate of 10 percent annually to its current level of \$9 billion.

Trade With Latin America and the Caribbean

In addition to launching the President's Enterprise for the Americas Initiative, the Bush Administration also has negotiated a number of agreements with countries in the region including:

Argentina

- o Under a 1991 bilateral investment treaty (BIT), Argentina agreed to allow greater foreign investment. U.S. foreign direct investment in Argentina was nearly \$3 billion in 1990.
- o Discussions between the U.S. and Argentina led to the introduction of legislation in 1991 to comprehensively revise Argentina's patent law. The U.S. pharmaceutical industry alone estimated its losses at over \$10 million annually which will decrease when the law is passed and implemented.

Brazil

- o A 1990 agreement with Brazil to revise its patent, trademark, industrial design, and utility model law in 1991. The U.S. pharmaceuticals industry alone estimated its losses in Brazil from inadequate patent protection at over \$30 million annually which will decrease when the law is passed and implemented.
- o An agreement with Brazil to introduce and pass legislation to reduce barriers to imports and investment no later than October 1992 regarding computers and digital electronics equipment. This new law will eliminate a number of barriers to U.S. exports, including a ban on certain computers and related products, and help open up a market of over \$5 billion.
- o A 1990 agreement with Brazil to eliminate certain restrictive elements of its import licensing regime, including a list of over 1,200 manufactured and agricultural products. The Brazilian import licensing regime now requires that such licenses be granted automatically within 5 days, thus substantially increasing U.S. export opportunities.
- o Through bilateral discussion, the Bush Administration has encouraged Brazil to open its market to motion pictures and videos. In addition, video piracy has been reduced from over 90 percent of the market to less than 50 percent of the market. Legislation has been passed by the Brazilian Congress in 1991 further reducing barriers in the motion picture industry. Brazil represents the largest market for U.S. motion picture exports in South America.

Chile

- o A 1991 agreement with Chile under which it significantly improved its protection of patent, trademark, utility model, and industrial design law. The U.S. pharmaceutical industry alone estimated its losses in Chile stemming from inadequate patent protection at \$7.5 million annually which will now decrease.

Trade with North America

Canada

Our negotiations with Canada build upon the U.S.-Canada Free-Trade Agreement (CFTA).

The CFTA entered into force on January 1, 1989 and established the world's largest and most comprehensive bilateral free trade area. The combined total of the value of goods and services which flow between the two countries is approximately \$200 billion. We have had significant success:

- o Bilateral trade in goods reached \$167 billion in 1989, an increase of approximately 9 percent over 1988. For 1990 trade equalled \$174 billion, an increase of 4.2 percent over 1989, despite a slowdown in both economies.
- o Duties on products with a \$3 billion trade value were eliminated immediately on January 1, 1989.
- o Virtually all tariffs between the U.S. and Canada will be eliminated by January 1, 1998.

The following agreements have generated, and continue to generate these billions of dollars in increased sales to Canada:

- o Accelerated tariff negotiations (May 1990, September 1991): In the first round of accelerated tariff negotiations, the tariffs on 400 products with a bilateral trade value of \$6 billion were eliminated. In the second round, the tariffs on over 250 products with a bilateral trade coverage of \$2 billion were eliminated. We are currently beginning the third round of this widely supported exercise.

U.S.-CANADA BILATERAL TRADE RELATIONS

The U.S.-Canada Free-Trade Agreement (CFTA) established the world's largest and most comprehensive bilateral free trade area. The combined total of the value of goods and services which flow between the two countries is approximately \$200 billion. The CFTA entered into force on January 1, 1989, and its implementation has proceeded smoothly over the past three years. Traders and investors on both sides of the border have moved to take advantage of the many opportunities opened by the progressive reduction and elimination of trade and investment barriers. The many bilateral institutional mechanisms of the CFTA have proven useful in resolving a number of issues before they could become serious disputes. The outlook is for further growth as the staged removal of impediments continues during the ten-year phase-in period.

One of the most acclaimed successes of the CFTA is the accelerated elimination of tariffs, accomplished at the initiative of the private sector and with the concurrence of the Congress. In May 1990 the first round of tariff acceleration was concluded, covering over 400 products valued at almost \$6 billion. In September 1991, the second round of negotiations produced accelerated elimination of the tariffs on over 250 products with a bilateral trade coverage of \$2 billion. The Administration initiated late in 1991 a third round of this trade liberalizing exercise widely supported on both sides of the border.

Other areas of achievement in 1990 include: the establishment by the Canadian Copyright Board of royalties to be paid to copyright holders of TV and radio programming produced in the United States; the removal of Ontario Provincial Government restrictions on the ability of U.S. manufactured super-trailers to use provincial highways; a negotiated agreement providing interim access for U.S. exports of hatching eggs and chicks; and a change in Canadian uranium processing policy permitting the export of Canadian unprocessed uranium to the United States for upgrading in U.S. plants.

In the area of inter-governmental dispute settlement under Chapter 18 of the CFTA, only two cases have been adjudicated by panels to date. These disputes involved Canadian restrictions affecting salmon and roe herring and U.S. minimum size requirements for lobsters. In both instances the CFTA panels ruled in favor of the U.S. position.

In 1991, as a result of provisions of the CFTA, the Canadian Wheat Board eliminated its import licensing for U.S. wheat and wheat products, as it had in 1989 for U.S. oat and oat products. As a result of USTR intervention, in September the Government of Ontario decided to abandon plans for a provincially-run monopoly for auto insurance which would have negatively impacted U.S. insurance interests. As the result of the Canadian termination of the Softwood Lumber MOU in October of 1991, the Administration took decisive steps to insure that domestic interests were not adversely impacted. In defense of U.S. trade rights under the GATT as well as U.S. exports interests in Canada, the United States brought a GATT dispute settlement case against Canadian provincial restrictions against U.S. beer exports. In September 1991, the GATT panel ruled in the U.S. favor and we are working with the Canadian Government on the implementation of the panel's findings.

Mexico

Our negotiations with Mexico are designed to further open the our third largest trading partner to U.S. exports and investment.

The Bush Administration is working to open the Mexican market

by negotiating a North American Free Trade Agreement (NAFTA) which will eliminate barriers to the flow of goods, services and investment, and strengthen protection of intellectual property rights.

- o Since Mexico joined the General Agreement on Tariffs and Trade (GATT) in 1986, U.S. exports have more than doubled, growing from \$12.4 billion to \$28.4 billion.
- o Consumer goods exports from the United States to Mexico have tripled since 1986, rising from \$1 billion to \$3 billion.
- o U.S. exports of capital goods have grown from \$5 billion in 1986 to about \$9.5 billion in 1990.

Trade with the Former Soviet Union

President Bush and President Gorbachev signed the historic U.S.-Soviet commercial agreement on June 1, 1990. It provided for improved access to each countries markets; facilitated business by easing restrictions on commercial activities; and offered strong intellectual property protections.

With the break up of the Soviet Union into 11 independent republics, the United States has begun a process of negotiating new commercial agreements based on the U.S.-Soviet model.

Trade with Eastern Europe

The Bush Administration has made a major effort to bring the emerging democracies of Eastern Europe into the international trading system. Not only will better trade relations with these countries help them secure their hard-won freedoms, but also they will increase U.S. exports of essential goods and services to the region.

- o Bulgaria: In October 1990, the United States negotiated a trade agreement with Bulgaria which extended most favored nation tariff treatment to products of Bulgaria and to U.S. exports there. The Administration also negotiated a bilateral investment treaty with Bulgaria.
- o Czechoslovakia: In November 1990, the Administration implemented the U.S.-Czechoslovakia Trade Agreement extending MFN treatment to Czechoslovakia in return for MFN treatment of U.S. goods entering Czechoslovakia. We also have concluded a bilateral investment treaty.
- o Hungary: The Administration
- o Poland: In March 1990, the United States signed a Business and Economic Relations Treaty which was ratified by the Senate in October 1990. In 1991, we ratified a bilateral investment treaty with Poland.
- o Eastern and Central European Countries: In 1991, the Bush Administration developed and began implementation of the Trade Enhancement Initiative for Eastern and Central European Countries.
- o Extended MFN to Estonia, Latvia, and Lithuania in 1991. GSP benefits were extended to the Baltics in February 1992.

Eastern Europe and the Soviet Union

- o Bilateral Investment Treaties (1991): Signed bilateral investment treaty (BIT) with Czechoslovakia (not yet ratified); initialed BIT with Bulgaria; and ratified BIT with Poland. Signed, ratified and implemented a bilateral trade agreement with Bulgaria which, among other things, provided for MFN

treatment.

- o Negotiated Bilateral Economic and Business Treaties (1991): Obtained ratification and implementation of a bilateral economic and business treaty with Czechoslovakia. Treaty with Poland was also ratified (not yet implemented because we are not satisfied that Poland has complied with all IPR obligations).
- o Extended Trade Benefits to Eastern and Central European Countries (1991): Extended MFN and GSP (Generalized System of Preferences) treatment to Czechoslovakia. Extended MFN treatment to Estonia, Lithuania, and Latvia. Developed and initiated implementation of the Trade Enhancement Initiative (TEI) for Eastern and Central European Countries.

Trade with Europe

Under the Single Market Program, the twelve members of the European Community (EC) are seeking by the end of 1992 to remove all barriers to the free flow of goods, services, capital and people throughout the Community.

The United States supports this effort, but is closely monitoring developments to ensure that American products are treated fairly. The United States has intervened to guarantee that our commercial interests are not harmed.

- o In 1990, U.S. exports to the EC totalled over \$98 billion, an increase of over \$20 billion since 1988.
- o The United States has transformed a \$9.2 billion trade deficit with the EC in 1988 into a \$6.1 billion trade surplus in 1990.
- o U.S. manufactures exports rose over 32 percent between 1988 and 1990, reaching \$81.3 billion.

In addition, the United States has negotiated away a number of EC trade barriers, including the following:

Western Europe

- o Financial Services (1989): The U.S. strongly opposed a proposed EC requirement that would have discriminated against U.S. financial service companies. EC changes in its proposal lessened these concerns and better safeguard the rights of U.S. financial firms.
- o Canned Fruit (1989): In June 1989 the United States clarified an earlier agreement with the EC on canned fruit. As a result, the EC cut its subsidy for canned fruit exports.
- o Apples (1989 and 1990): Sweden and Finland, in response to U.S. pressure, eliminated their seasonal import bans on apples and pears in 1989 and 1990, respectively.
- o Enlargement (1990 and 1991): We succeeded both years in persuading the EC to provide a one-year extension of the agreement compensating the U.S. for trade impairments caused when Spain and Portugal joined the EC. The compensation under the agreement has a trade value of about \$420 million.
- o Computer Software Copyright Protection (1990):

The U.S. mounted an extensive and ultimately successful campaign to persuade the EC to provide adequate copyright protection for computer software in a directive it recently adopted.

- o Rules of Origin (1990): We succeeded in dissuading the EC from adopting a rule of origin for printed circuit boards based on percentage of content. Such a rule would have proven costly to U.S. exporters and would have caused significant trade distortions.
- o Airbus (1991): Initiated GATT dispute settlement procedures against the EC for its Airbus subsidies. Received a favorable ruling regarding German Government exchange rate support for Deutsche Airbus, the German partner in the four nation European aircraft consortium Airbus Industrie.
- o Greek Government Procurement (1991): Obtained commitment from Greece to implement GATT Government Procurement Code.
- o Corn Gluten Feed (1991): Successfully resolved a customs classification issue with the the EC which was disrupting U.S. exports of corn gluten feed valued at about \$600 million a year.
- o Wine (1991): Obtained the temporary continuation of the EC's derogation for certain U.S. winemaking practices that otherwise would not have been permitted in the EC. U.S. wine exports to the EC totaled nearly \$40 million.

Mediterranean Countries

- o Removed Import Barriers (1991): Achieved major changes in Israeli tax and import licencing systems which had operated to discriminate against U.S. exports.
- o Eliminated Machine Tool Circumvention (1991): Negotiated agreement which eliminated circumvention by Israeli firms of our machine-tool VRA with Taiwan.

MAJOR BUSH ADMINISTRATION TRADE INITIATIVES

The Bush Administration has for the past three years deployed a three-prong strategy to open markets and expand trade throughout the world for U.S. goods, services, and agriculture:

- o First, we are working to achieve a successful conclusion of the Uruguay Round of global trade talks, held under the auspices of the General Agreement on Tariffs and Trade (GATT);
- o Second, we are launching broad-based, market-opening negotiations with our key trading partners; and
- o Third, we are using the strength of our domestic market to open specific sectors in foreign markets.

The Uruguay Round

The Uruguay Round of global trade talks is being held under the auspices of the General Agreement on Tariffs and Trade in Geneva. 108 countries, representing more than 90 percent of world trade, are working to:

- o Reduce tariffs and non-tariff barriers by a third, thereby pumping \$5 trillion into the global economy over the next decade. The U.S. share of this increased output would be well over \$1 trillion, which would be like writing a check for \$17,000 to every American family of four, payable over 10 years;
- o Cut the \$60 billion lost annually through theft and counterfeiting of America's patents, copyrights, and trade marks -- our best ideas;
- o Create new export opportunities for America's service industries -- like construction, accounting, and insurance -- which export \$115 billion annually and create 9-out-of-10 new jobs;
- o Increase opportunities for international investment, which generates more than \$240 billion of U.S. exports, or two-thirds of total U.S. exports in goods;
- o Expand trade for U.S. farmers, already the world's most productive with more than \$40 billion in annual exports.

- o Ensure the full participation of developing countries in the global trading system, which could increase U.S. exports by half between now and the year 2000.

North American Free Trade Agreement (NAFTA)

The reasons for our interest in a North American Free Trade Agreement are plain: Canada is our largest trading partner; Mexico is our third largest trading partner. Linking our complementary economies through free trade will strengthen these economic bonds and increase regional political stability.

The North American Free Trade Agreement will create one of the world's largest markets with 360 million producers and consumers and \$6 trillion in annual output and so generate new opportunities and new jobs for America.

- o Already we have seen the benefits of liberalizing trade with Mexico. Since 1986, when Mexico joined the General Agreement on Tariffs and Trade, and reduced its tariff protections from 100 percent to a high of 20 percent, U.S. exports to Mexico have more than doubled, rising from \$12.4 billion to an annualized rate of \$28.4 billion in 1990. This doubling of U.S. exports created 264,000 U.S. jobs.
- o Today, our exports to Mexico are growing twice as fast as compared with our exports to the rest of the world. Mexico buys a full 35 percent more from us per person than does the far more affluent European Community.
- o A free trade agreement in North America would not only lock in these gains, but also create new openings for U.S. industry. The agreement will improve access for U.S. exports to a market which is expected to have 100 million Mexican consumers by the year 2000.

The Enterprise for the Americas Initiative

The Bush Administration has been more active and successful than any previous Administration in opening markets for U.S. goods, services, investment, and encourage market-oriented economic reform in Latin America and the Caribbean. Our major economic policy effort is the President's Enterprise for the Americas Initiative (EAI) launched in June 1990. The EAI contains three elements, investment, debt, and trade.

The trade element of the EAI envisions a hemispheric zone of free trade stretching from Alaska to Argentina that would generate new economic activity and increased prosperity throughout the hemisphere and at home.

- o The groundwork for this hemispheric free trade area has been laid by 15 trade and investment framework agreements designed to encourage additional market opening for U.S. firms have been negotiated with all but 3 Latin American and Caribbean countries (a total of 30 countries, excluding Mexico). These agreements contain a declaration of sound trade and investment principles, a commitment to consult on a regular basis, and an initial agenda for our consultations.

The EAI is designed to encourage the dramatic transformation ongoing in Latin America and Caribbean towards open economies, free trade, and a more limited role for government in the economy. Virtually every significant economy in the region has reduced barriers to trade and investment, including in some cases significant reductions in tariffs and previously rigid import licensing and quantitative restrictions.

Total U.S. exports to Latin America and the Caribbean (excluding Mexico) have risen from almost \$31 billion in 1986 and have risen to \$53 billion in 1990, including an increase of \$10 billion from 1988 to 1990 alone.

Trade with Japan

Our negotiations with Japan are designed to open the world's second largest market economy to U.S. exports. The Bush Administration is working to open the Japanese market by eliminating barriers to in specific sectors using our trade laws and other means, and by lowering structural barriers through the Structural Impediments Initiative (SII). This policy is working:

- o Since 1988, U.S. merchandise exports to Japan have risen by an astounding 30 percent to \$49 billion.
- o Since the Bush Administration took office, U.S. merchandise exports to Japan have grown 50 percent faster than U.S. exports to the rest of the world. As a result, American exports to Japan in 1990 were greater than our exports to West Germany, France and Italy combined. In fact, our exports to Japan are about 35 percent greater on a per capita basis than our exports to all of Europe.
- o In manufactures, U.S. export growth since 1988 has been particularly strong to Japan: up 45

percent to \$30.1 billion in 1990.

We are encouraged by the fact our exports to Japan are growing. But there is still much work to be done. The Bush Administration is working to reinvigorate the SII process and on a number of bilateral issues.

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FACSIMILE COVER SHEET

**OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
CHIEF TEXTILE NEGOTIATOR****Executive Office of the President
Washington, D.C. 20506**

Date

3/19/92

Number of Pages Excluding Cover

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As per Telecon

Commerce - numbers nowhere close

EXPORTS AND EMPLOYMENT BY STATES
By Region and State
Estimated 1991
(Millions of Current Dollars)

State and Region	est. 1991 Exports			Employment	
	Direct	Indirect	Total	1987	est. 1991
New England					
Connecticut	8376.9	5645.9	14033.8	127500	187842
Maine	1423.4	1457.4	2880.7	23800	35125
Massachusetts	11273.9	10421.9	21696.1	190600	282251
New Hampshire	2037.5	2655.9	4693.5	34900	50353
Rhode Island	1215.3	1441.2	2768.5	30800	47004
Vermont	1124.9	1275.9	2384.4	19600	31112
Mideast					
Delaware	843.6	943.6	1786.4	14300	19151
District of Columbia					
Maryland	3515.5	3410.4	6766.8	67000	100511
New Jersey	6838	10317.8	17154.5	184400	269091
New York	21360.8	19733.4	41094.4	391700	595848
Pennsylvania	12156.1	19942.1	32098.8	272700	419502
Great Lakes					
Illinois	15148.5	19443.2	34593.2	277400	410845
Indiana	9259.3	15080.5	24328.3	155200	246185
Michigan	22735.5	17061.3	39862.3	267800	400337
Ohio	23634.8	24451.3	48086.5	311700	472167
Wisconsin	71015	8297.2	15395	135400	196435
Plains					
Iowa	4370.2	3216.8	7561.3	60700	87028
Kansas	3124.1	2585.3	5706.6	52000	72489
Minnesota	7914.7	5950.7	13852.5	121200	170468
Missouri	9457.3	6090	15548.1	110900	168169
Nebraska	1269.5	1382.9	2662.2	26100	37930
North Dakota	355.3	184.2	535.4	8800	11605
South Dakota	468	377.6	846.6	11100	16148
Southeast					
Alabama	3927	7159.5	11066.7	79400	122676
Arkansas	2304.5	3372.5	5715.9	44700	66149
Florida	8263.4	7274.5	15547.8	213600	307001
Georgia	6332.5	7777.8	14131.3	114400	170283
Kentucky	5146.3	5906.6	11047.9	65300	97776
Louisiana	5582.6	7236.9	12819.5	57200	77349
Mississippi	2990.2	2963.2	5931.3	43300	63783
North Carolina	10537.6	12761.1	23299.7	163500	252494
South Carolina	5728.9	6222.7	11939.2	86900	127964
Tennessee	6402	7070.2	13972.2	99600	149125
Virginia	6281.2	5788.1	12080.1	101600	146873
West Virginia	1909.7	2744.4	4655.6	29600	43921
Southwest					
Arizona	3742.2	5491.4	9233.7	76500	119374
New Mexico	395.1	991.1	1309.2	12900	19876
Oklahoma	2404.3	2669.7	5120.5	49500	72041
Texas	23960.3	27970.1	51930.5	347200	498152
Rocky Mountain					
Colorado	3113.3	2649.6	5756.4	62200	89361

120,000
150,000

Idaho	1280.3	774.8	2056.8	20400	28603
Montana	220.5	619.6	835.7	8400	11470
Utah	1043	1457.5	2492.4	25000	38086
Wyoming	65.4	249.3	314.8	4500	6166
Far West					
California	40968.9	38522.3	79470.8	726700	1080873
Nevada	285.2	332.3	617.3	10200	15021
Oregon	3656.6	3342.2	6998.8	70400	101320
Washington	6776.4	5182.5	11923.4	111800	160192
Alaska	1374.7	230.4	1610.2	9000	11501
Hawaii	289.7	259.7	546.9	6900	9674

Source: U.S. Department of Commerce, Bureau of the Census and USTR.
 Latest available data for 1987 were in the Census' Analytical
 Report Series: Exports From Manufacturing Establishments: 1987.

Methodology: Estimation of 1991 exports was conducted by multiplying the national percentage growth of each SIC two-digit category from 1987-1991 by the given 1987 export data in each state two-digit SIC category. The total, direct, and indirect exports given are the sum of all twenty SIC two-digit categories constituting manufactures.

Export related employment was estimated by dividing manufacturing jobs per export earnings to determine a ratio in 1987, and then multiplying that ratio by the estimated 1991 total exports. Nonmanufacturing jobs related to exports in 1987 were then multiplied by the growth rate for manufactured export related employment from 1987-1991 to yield a 1991 estimate. This was then included in the total export related employment estimate. The 1991 total export related employment number was then deflated 18.7 percent to account for productivity gains and price inflation. This reduction was estimated from data provided from the Office of the Chief Economist, U.S. Department of Commerce.

Direct exports refer to manufactured goods sold directly to a foreign country with the knowledge of the manufacturer. Indirect exports refer to manufactured goods which are shipped to other manufacturers, whether in the home state or another state, to be included in a manufactured good to be exported with the manufacturers knowledge.

*copy Walter
research*

DATE: 4/6/92

TO: SEE BELOW

FROM: CLAYTON YEUTTER
Counsellor to the President for
Domestic Policy

Some good background material
from David Walters of USTR.

DISTRIBUTION:
OPD Sr. Staff

S. Rollins	D. Darman
E. Holiday	N. Brady
M. Boskin	D. Demarest
L. Martin	.

Question:

What basic industries are stronger today than they were 10 years ago?

Answer:

Summary:

- o Over the 10 most recent years for which data are available (1979-1989), most U.S. basic industries (manufacturing) have expanded.
- o Overall, the output growth of the U.S. manufacturing sector has slightly outstripped the growth of the overall economy.
- o Within the manufacturing sector, production in some industries has surged -- particularly those in which high-technology products are found -- while production in others has declined.
- o In many regards, the data reflect the type restructuring of the manufacturing sector that one might expect in the case of an advanced industrial economy like that of the United States. Many industries characterized by high-tech products have expanded their share of U.S. manufacturing output while other manufacturing industries have seen their share decline.
- o Despite the strong rate of growth of output, manufacturing employment fell 7.6 percent over the ten-year period, due to rapid improvements in manufacturing productivity.
- o Employment growth outside the manufacturing sector has more than taken up the slack with the increases in non-manufacturing jobs 15 times greater than the loss of jobs in manufacturing.
- o Rapid growth of U.S. exports was a principal contributor to the strong growth of U.S. manufacturing output.

Trends in Manufacturing Output (1979-1989)

Manufacturing output has grown faster in the United States than in the rest of the world: As Chart 1 shows, according to World Bank data,¹ U.S. output of manufactures grew at an average compound rate of 3.8 percent between 1980 and 1989, while world manufacturing production grew at the somewhat slower rate of 3.5 percent. (For the sake of comparison, the World Bank reports that in the earlier period 1965 to 1980, U.S. manufacturing output grew a slower 2.5 percent average annual rate. The World Bank does not report comparable figures for world manufacturing output growth for the 1965-80 period.)

U.S. manufacturing output grew somewhat more rapidly than the average growth for non-manufacturing sectors of the U.S. economy: Between 1979 and 1989², the real (constant dollar) output of U.S. manufacturing increased by 30.4 percent (average rate of 2.7 percent per year.) (See Chart 2.) This rate slightly exceeded the growth rate for non-manufacturing sectors of the U.S. gross national product (GNP) which rose 28.6 percent (average annual rate of 2.5 percent) over this period. As a result, the share of manufacturing in U.S. constant-dollar GNP rose from 22.3 percent in 1979 to 22.6 percent in 1989.

Restructuring within the U.S. Manufacturing Sector

While U.S. manufacturing overall has experienced substantial growth, changes in output for individual industries in the manufacturing sector have varied widely: Machinery has been the fastest growing U.S. manufacturing industry with production more than doubling in 10 years (Chart 3 and Table 1). Exceptionally strong growth was also recorded for petroleum and coal products, up 80.3 percent, transportation equipment other than motor vehicles (air craft inter alia), up 79.2 percent, rubber and plastic products, up 56.3 percent and electric and electronic equipment, up 50.8 percent.

At the other end of the spectrum, manufactures of tobacco declined by slightly more than two-thirds, of leather and products by 31.0 percent, and of primary metals by 30.0 percent.

Although production of motor vehicles and equipment dropped by 8.3 percent, production for the transportation sector as a whole grew at a rate (26.1 percent), almost in line with manufacturing overall. As a result, transportation equipment other than motor vehicles has grown to exceed the size of the motor vehicle transportation sector: other transportation rose from roughly 70 percent of the motor vehicle sector in 1979 to 135 percent in 1989.

Changes in industry shares of total U.S. manufacturing output:
Table 2 shows the share of total manufacturing output accounted for by each manufacturing industry in 1979 and 1989 (as well as their rank order in each year). The largest single change has been the rise in share of machinery from 12 percent of U.S. manufacturing in 1979 to 18.8 percent in 1989. The largest single decline in share was for primary metals, down from 7.4 percent of output in 1979 to 4.0 percent in 1989.

Chart 4 shows the change in share of U.S. manufacturing output between 1979 and 1989 for each of the 21 manufacturing industries. It is striking that U.S. manufacturing sectors gaining share tend to be those where one would expect the production of higher technology products are located: machinery, electric and electronic equipment, non-automotive transport equipment (aircraft in particular) and chemicals and allied products. These four sectors, in fact, increased their collective share of U.S. manufacturing output from 33.6 percent of total in 1979 to 43.7 percent in 1989.

In contrast, in many, but not all, cases, the U.S. manufacturing industries losing share were more traditional in nature and/or those reflecting the U.S. natural resource endowment. For example, leather and products, tobacco manufactures, lumber and wood products, stone, glass and clay products, and primary metals have seen their collective share of U.S. manufacturing decline from 15.7 percent in 1979 to 9.9 percent in 1989.

Trends in Manufacturing and Overall Employment

Between 1979 and 1989, employment in the United States increased by 23.4 million (Charts 5 and 6) or an average annual rate of 2.1 percent. The composition of employment, however, changed. Jobs in manufacturing industries fell 1.6 million to a total of 19.4 million in 1989. Jobs outside of manufacturing increased by 25.0 million to a total of 104.4 million in 1989.

On a composition basis, manufacturing jobs fell from 21.0 percent of U.S. total employment in 1979 to 15.7 percent in 1989. The drop in the manufacturing share of U.S. employment stands in sharp contrast to manufacturing production which grew slightly faster than total GNP between 1979 and 1989, increasing its share of GNP, as stated earlier, from 22.3 percent of GNP to 22.6 percent of GNP.

The explanation for declining share of U.S. employment in manufacturing in face of manufacturing's rising share of U.S. production is found in the strong labor productivity growth in the manufacturing sector. Manufacturing labor productivity rose some three times faster between 1979 and 1989 than the rate of labor productivity growth for the overall U.S. economy.

Successful industrialized countries have, like the United States, generally experienced stronger productivity growth in the manufacturing than in other sectors and declining shares of manufacturing in total employment. This pattern has supported the growth in real U.S. output on a per worker basis (average annual rate of 1.0 percent, 1979 to 1989) as well as a per capita basis (annual average rate of 1.7 percent³).

Trends in Exports

Export expansion has aided the growth of U.S. manufacturing output: Between 1979 and 1989, U.S. real non-agricultural exports (90 percent of which are manufactures) rose at an average annual compound rate of 4.6 percent (Chart 7) compared to a 2.5 percent growth rate in real gross domestic product (GDP)⁴. As a result, non-agricultural exports rose ~~to~~ from 5.1 percent of constant-dollar GNP in 1979 to 6.4 percent in 1989.

Although data for 1990 and 1991 are not currently available for real manufacturing output, they are available for real exports. In the last two years non-agricultural exports have increased by another 17 percent. The ratio of real non-agricultural exports to GDP ratio from 6.4 percent in 1989 to 7.5 percent in 1991. As for this year and beyond, practically all major forecasts of the U.S. economy expect that strong export growth to be a significant contributor to the U.S. manufacturing growth, as well as to overall U.S. GDP growth.

1. Data drawn from the World Bank's World Development Report of 1991

2. The most recently available data in the U.S. National Income and Product Accounts (NIPA) on constant dollar gross U.S. product by manufacturing industry appeared in the January and April 1991 issues of the Survey of Current Business. The data are reported on the basis of constant 1982 dollars through 1989, the most recent year for which these data are available. The Bureau of Economic Analysis (BEA) at the Commerce Department is in the process of revising and rebasing all NIPA tables to constant 1987 dollars. This has been done for many GNP/GDP components. The latest series for gross product by manufacturing industry, however, remains on the constant 1982 dollar base. A BEA spokesperson reports that gross product by manufacturing industry series, based on constant 1987 dollars and extended to calendar year 1990 will be available in September or October of this year.

The selection of the years 1979 and 1989 as the basis of U.S.

domestic comparisons reflects the ten-year period indicated in the Member's question, as well as the absence of data availability beyond 1989. It should be noted, however, that 1979 and 1989, being years at or close to similar points in different business cycles (peaks in economic activity), are particularly appropriate points of comparison. The much stronger growth in manufacturing output reported in the World Bank comparison of 1980 to 1989 reflects in part the cyclical downturn for economic activity from 1979 to 1980.

3. Data on per worker and per capita U.S. output have been drawn are from the Office of Productivity and Technology, Bureau of Labor Statistics, U.S. Department of Labor.

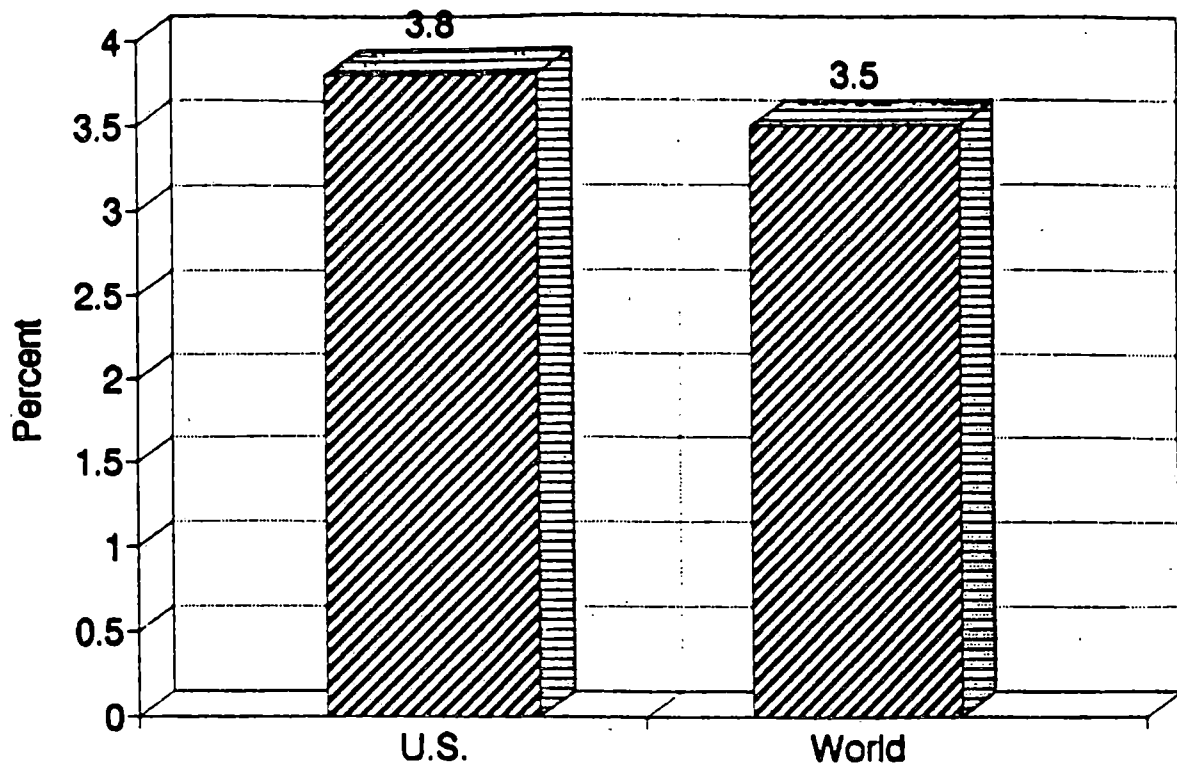
4. Because of significant changes to the NIPA-based export data when moving from a 1982 to a 1987 constant-dollar series, the export and GDP series reported here are on the new constant 1987 dollars basis. When gross product for manufacturing industry in 1987 constant dollars is released in October of this year, it will be possible to do a closer analyses of exports and the growth of manufacturing output than current data allow.

USTR/3/31/91

Annual Average Growth Rate for Manufacturing Output: 1980 to 1989

Source: World Bank (See Text)

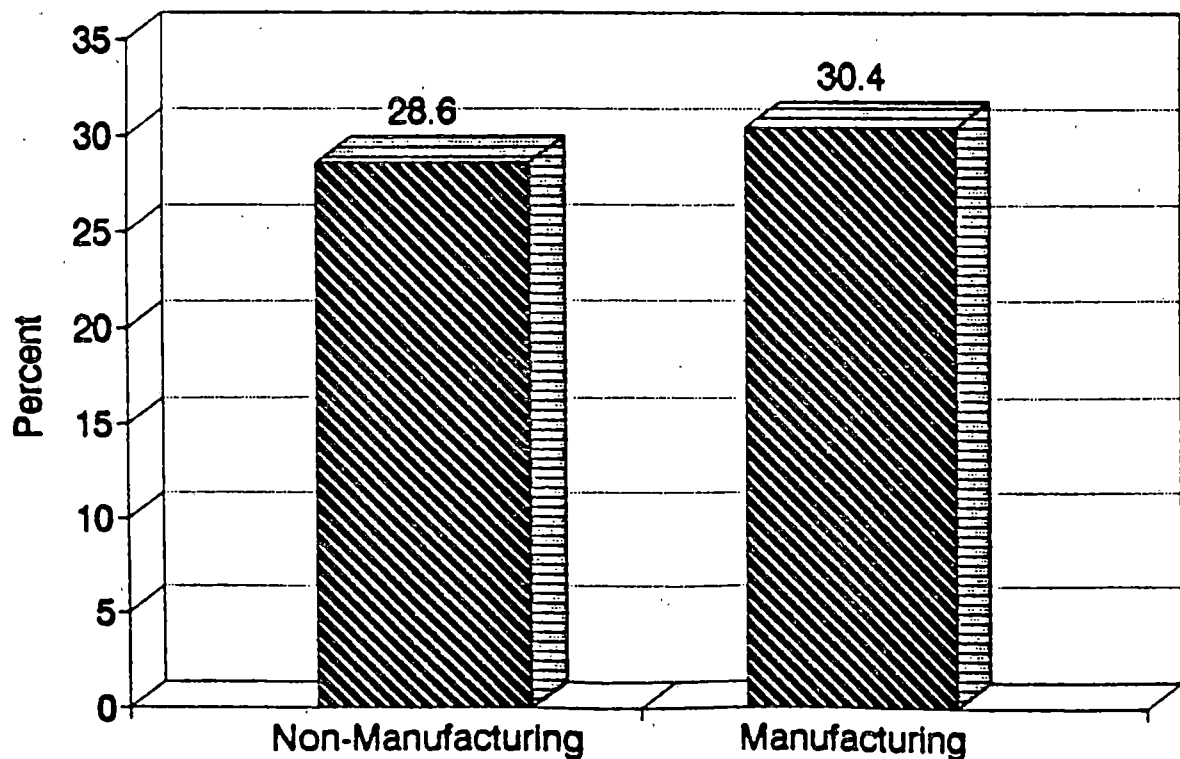
Chart 1



Growth of Real U.S. GNP 1979 to 1989

Source: See Text

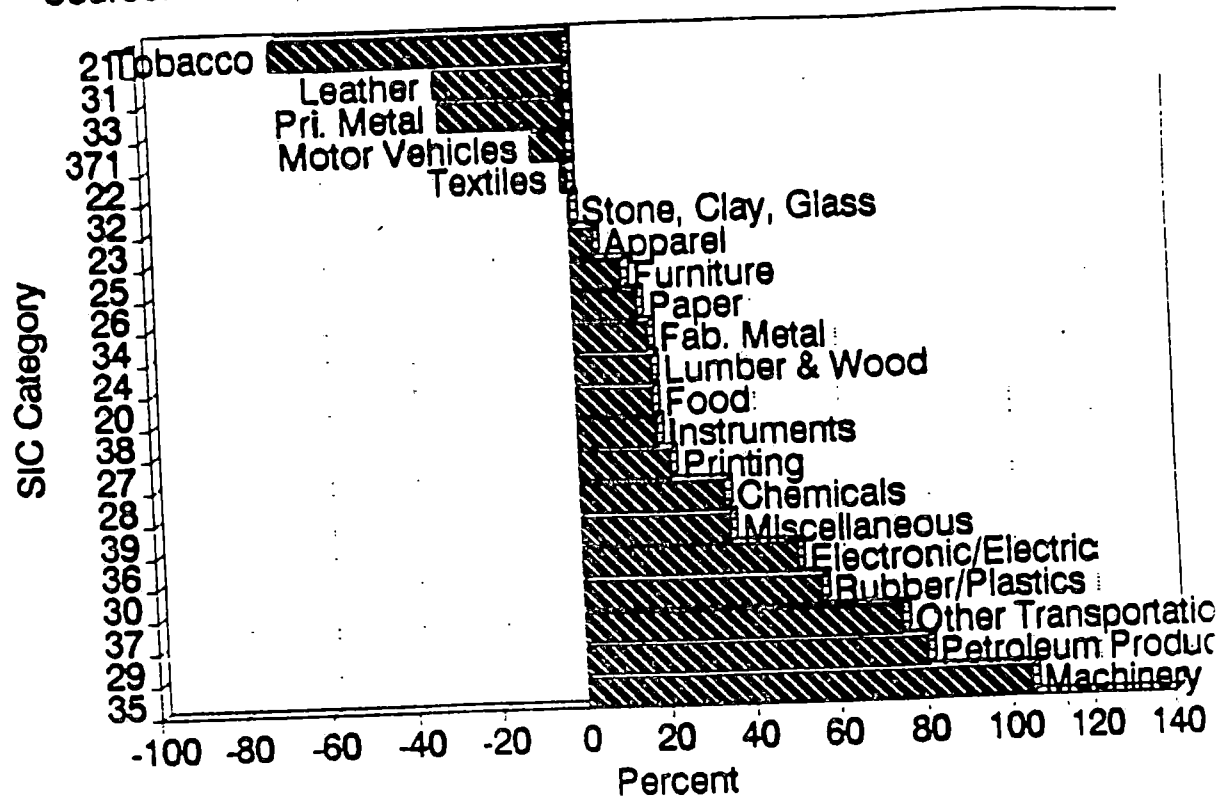
Chart 2



Growth of U.S. Manufactu

by SIC Category: 1979 to 1989

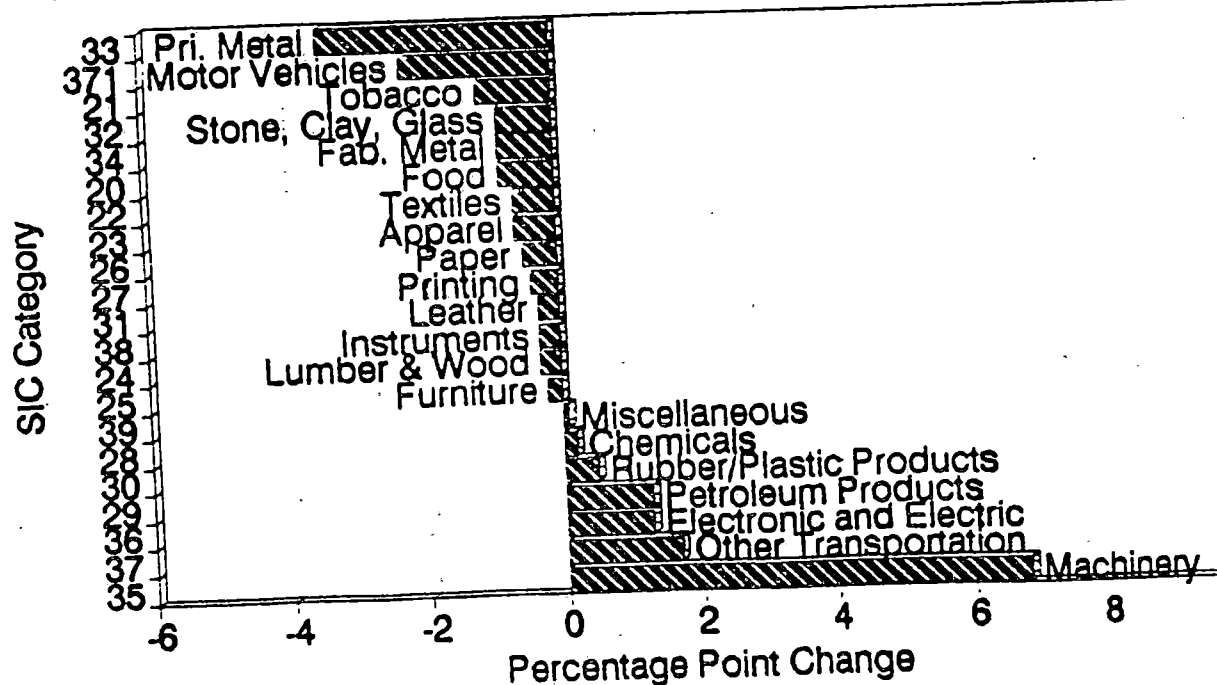
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Change in Share of U.S. Manufactur

Output 1979 to 1989: 21 SIC Categories

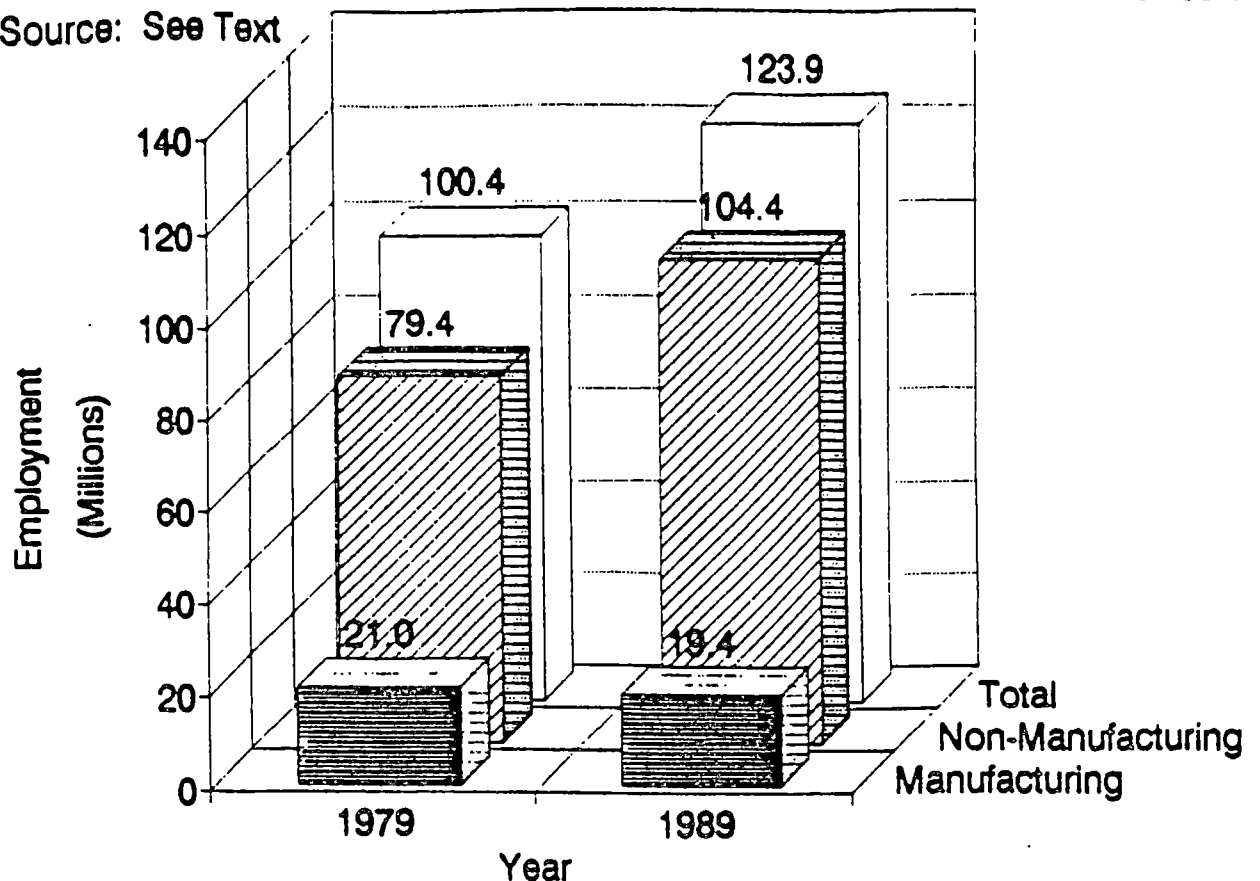
Source: See Text



U.S. Employment

Chart 5

Source: See Text



Change in Employment 1979 to 1989

Source: See Text

Chart 6

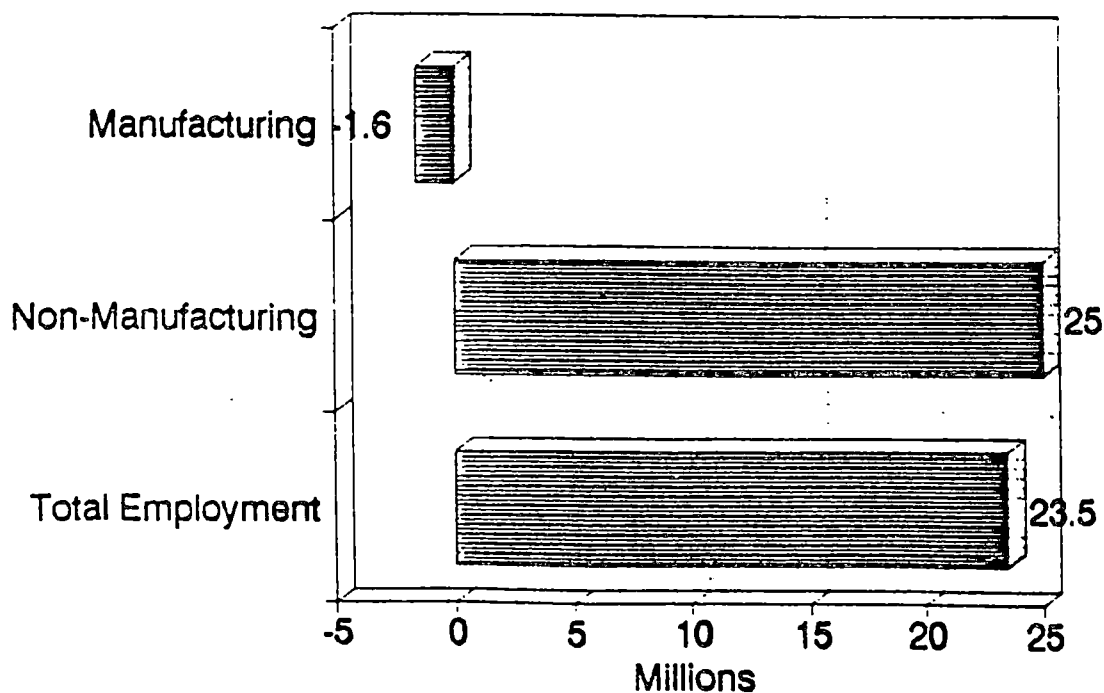


Table 1

	Percent Change 1979 to 1989	1989 (\$Billions Constant 1982)	1979
Gross National Product	29.0%	4,117.7	3,192.4
Non-Manufacturing	28.6	3,188.7	2,480.2
Manufacturing	30.4	929.0	712.2
Durable Manufactured Goods	34.8	583.7	433.1
Lumber and Wood Products	18.0	25.6	21.7
Furniture and Fixtures	11.9	12.2	10.9
Stone, Clay and Glass			
Products	0.4	23.6	23.5
Primary Metal Industries	- 30.0	36.9	52.7
Fabricated Metal Products	17.5	65.8	56.0
Machinery, except Electrical	104.3	174.9	85.6
Electric and Electronic			
Equipment	50.8	90.8	60.2
Motor Vehicles and Equipment	- 8.3	47.3	51.6
Other Transportation Equipment	79.2	63.8	36.5
Instruments and Related			
Products	18.8	26.6	22.4
Miscellaneous Manufacturing			
Industries	35.0	16.2	12.0
Nondurable Manufactured Goods	23.4	345.4	279.0
Food and Kindred Products	18.2	70.3	59.5
Tobacco Manufactures	- 68.7	3.1	9.9
Textile Mill Products	- 1.8	16.7	17.0
Apparel and other Textile			
Products	5.2	22.4	21.3
Paper and Allied Products	15.0	33.0	28.7
Printing and Publishing	21.6	45.1	37.1
Chemicals and Allied			
Products	34.2	76.1	56.7
Petroleum and Coal Products	80.3	44.9	24.9
Rubber and Miscellaneous			
Plastic Products	56.3	30.8	19.7
Leather and Leather Products	- 31.0	2.9	4.2

Annual Average Change in GDP Components

Constant Dollar Basis: 1979-1989

Source: See Text

Chart 7

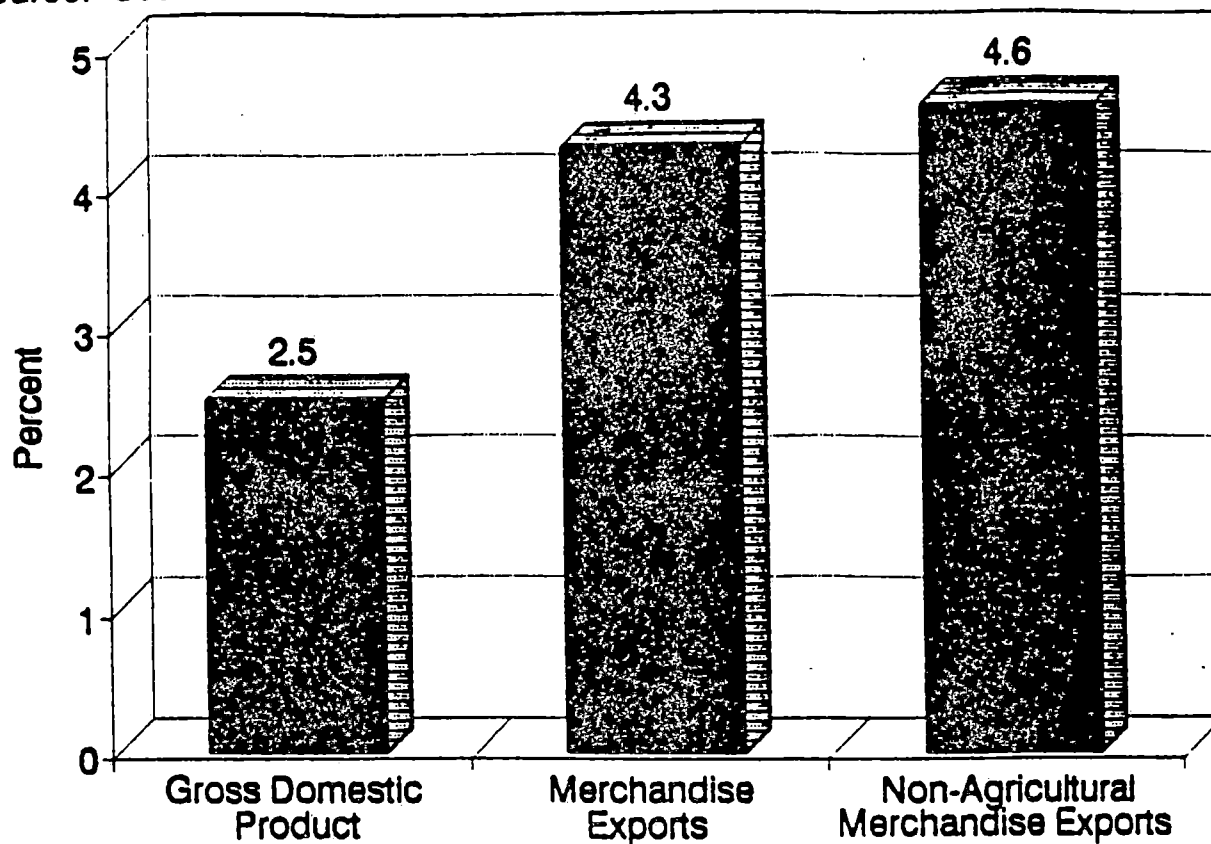


Table 2

Industry Rank
in 1989 (and
Share of Total
Production of
Manufactures

Industry Rank
in 1979 (and
Share of Total
Production of
Manufactures

(100.0%)	ALL MANUFACTURING INDUSTRIES	(100.0%)
1. (18.8%)	Machinery, except Electrical	1. (12.0%)
2. (9.8%)	Electric and Electronic Equipment	2. (8.5%)
3. (8.2%)	Chemicals and Allied Products	4. (8.0%)
4. (7.6%)	Food and Kindred Products	3. (8.4%)
5. (7.1%)	Fabricated Metal Products	5. (7.9%)
6. (6.9%)	Transportation Equipment, except Motor Vehicles	9. (5.8%)
7. (5.1%)	Motor Vehicles and Equipment	7. (7.2%)
8. (4.9%)	Printing and Publishing	8. (5.2%)
9. (4.8%)	Petroleum and Coal Products	11. (3.5%)
10. (4.0%)	Primary Metal Industries	6. (7.4%)
11. (3.6%)	Paper and Allied Products	10. (4.0%)
12. (3.3%)	Rubber and Misc. Plastic Products	16. (2.8%)
13. (2.9%)	Instruments and Related Products	13. (3.1%)
14. (2.8%)	Lumber and Wood Products	14. (3.0%)
15. (2.5%)	Stone, Glass and Clay Products	12. (3.3%)
16. (2.4%)	Apparel and Other Textile Products	15. (3.0%)
17. (1.8%)	Textile Mill Products	17. (2.4%)
18. (1.7%)	Misc. Manufacturing Industries	18. (1.7%)
19. (1.3%)	Furniture and Fixtures	19. (1.5%)
20. (0.3%)	Tobacco Manufactures	20. (1.4%)
21. (0.3%)	Leather and Products	21. (0.6%)

FACSIMILE COVER SHEET

**OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
CHIEF TEXTILE NEGOTIATOR**

Executive Office of the President
Washington, D.C. 20506

Date

4/21

Number of Pages Excluding Cover

5

TO:	AGENCY:	PHONE #:	FAX #:
Jennifer	W. H.	()	() 6218
	Speech	()	()
	Writing	()	()
		()	()
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		()	()

FROM: ~~AMBASSADOR RONALD J. SORINI~~PHONE: ~~(202) 395-3026~~

FAX #: (202) 395-5639

CONTACT:

David Walters

SUBJECT:

X 3583

April 21, 1992

Jennifer:

Attached is our read out of the latest trade data for the first two months of 1992 and the Business Week article on the exports of small U.S. companies.

I did finally get an answer from the Commerce Department on the number of U.S. companies that export. That number in 1987 was 104,564. Commerce has nothing more recent than 1987. However, given the explosion in U.S. exports since 1987, it would not be surprising for the number of exporting firms to be significantly higher today.

Also, we checked and cleared a raft of U.S. trade data today in the draft of fact sheets sent to us by Paul Korfonta (spelling?) at Cabinet Affairs. I assume this material with all the agencies' comments is heading back your way. I believe it contains most of what you are looking for.

David Walters
USTR/395-3583

***** FEBRUARY 1992 MERCHANDISE TRADE RELEASE *****

April 16, 1992

AMBASSADOR HILLS:

Trade data for February 1991 were released this morning showing a sharp decline of \$2.6 billion from January's deficit level. A preliminary February merchandise trade deficit of \$3.4 billion (seasonally adjusted) was reported -- down 43.1 percent from January's revised deficit of \$5.9 billion. FEBRUARY'S WAS THE LOWEST MONTHLY U.S. MERCHANDISE TRADE DEFICIT SINCE MARCH 1983.

Annualized on the basis of two months, the trade deficit for 1992 is running at a rate of \$56.0 billion, or 15.5 percent lower than 1991's deficit of \$66.3 billion.

Exports rose 6.8 percent from the previous month, reaching \$37.8 billion in February. EXPORTS IN FEBRUARY SET A NEW MONTHLY RECORD AND WERE ABOVE \$37 BILLION FOR ONLY THE SECOND TIME EVER. On an annualized basis, exports are running at a rate of \$439.3 billion, and were 4.2 percent ahead of 1991's full-year level of \$421.6 billion.

Imports declined slightly from \$41.4 billion in January to \$41.2 billion in February. On an annualized basis, imports are running at a rate of \$495.3 billion, 1.5 percent ahead of 1991's level of \$487.9 billion.

Of note: Exports to Japan rose from \$3.7 billion in January to \$4.4 billion February. However, the year to date trade deficit was up 2.4 percent in the first two months of 1992 compared to the same period of 1991.

Exports to the EC rose from \$8.5 billion in January to \$9.4 billion in February. The year to date U.S. surplus with the EC was 57.8 percent higher in the first two months of 1992 compared to the same period of 1991. Exports to Mexico rose slightly from \$3.1 billion in January to \$3.2 billion in February. However, the U.S. recorded a \$1.2 billion trade surplus with Mexico in the first two months of 1992, compared to a surplus of just \$40 million in the comparable period of 1991.

U.S. exports of advanced technology products surged to a near record level of \$4.1 billion in February. On an annualized basis, the U.S. is running a \$46.6 billion surplus in such products in the first two months of 1992, compared to a \$36.7 billion surplus for the full year 1991.

D.Walters/P.Von Elling

cc: AMBASSADOR KATZ
AMBASSADOR MOSKOW
S.FARRAR/G.EDSON/Senior Staff

ela Brodie puts it this way: "He immediately started acting as though he had a mandate to push forward wild-eyed schemes that were not economically viable." In addition to his water-pipeline idea, he advocated building a new port in Anchorage—despite studies saying it was not needed. He also put the \$11 billion gas pipeline on the front burner. His most controversial move was to push through a big road project on public land despite a lack of federal approval. That enraged Brodie and other environmentalists largely because it dumped debris into a fishing river.

WHOSE LAND? Later in 1991, a state-appointed prosecutor charged that his 12% Yukon Pacific stake was a conflict of interest. He was forced to divest. When several of his appointees also faced censure or were forced to resign because of perceived ethical lapses, many Alaskans got fed up. Some 20,000 of them have signed a recall petition, citing incompetence. In response, Hickel has backed off some of his more controversial projects, including the port and the water pipeline. The road project will be submitted for federal approval.

All the controversy hasn't stopped Hickel from planning a salvo of lawsuits against the federal government charging the feds with usurping Alaska's right to develop its oil properties, fisheries, and mineral resources. And he's pushing full throttle on the gas

pipeline. The motivation for all this: When the price of oil fell from \$21 to \$15 a barrel last year, the state's projected oil income plunged by more than a third. North Slope oil production is expected to fall to half its 1988 peak level by the year 2000. Some propose a state income tax to make up for a budget deficit that is expected to double to \$435 million in fiscal 1993, but Hickel doesn't like the idea. "We're not poor" he intones. "But we'll be poor if we're not allowed to have access to our land."

Critics would at least like to see him reduce spending—something he hasn't done, despite his campaign promises. Even his fans are concerned by the fiscal situation. "He is truly a visionary," says Michael J. Burns, CEO of Key Bank of Alaska. "But he sees the next 20 years much more clearly than the next 20 months."

Alaskans love pioneers. They also like government handouts: Oil brings a \$930 annual "dividend" check for every citizen, and state spending that is six times the U.S. average. Hickel aims to find a new gravy train. But if his big projects fail to show promise before his term ends in 1994, he'll have trouble convincing Alaskans he's more than just an expensive dreamer.

By Dori Jones Yang in Juneau

ALASKA'S OIL SLOWDOWN



Industries

EXPORTERS

LITTLE COMPANIES, BIG EXPORTS

Armed with faxes and phones, small companies are going global

Tiny Ohio-based Vita-Mix Corp. has been grinding and blending for 70 years. It rarely sold its high-powered blenders outside the U.S., relying instead on Americans' appetites for fresh-baked bread and vegetarian delights. But last year, with stagnation haunting the Midwest, the third generation of Barnard family owners went global. They hired James L. Smith, a Combustion Engineering veteran, as international sales manager. Now, exports account for 20% of the company's \$15 million a year in sales, and blenders are leaving the company's plant for 20 countries. Faxes from Venezuela to Norway pour in.

Vita-Mix's good fortune also shines on Olmsted Falls, a quaint town of 15,000 on the outskirts of Cleveland. While the region has hemorrhaged jobs, Vita-Mix has added 63 new ones in the past year, for a total of 113 employees. Its folksy headquarters is bustling as banks of telephone operators take 800-number calls from customers seven days a week. "Exporting is the salvation for our standard of living and the security of our workers," says Smith. "It makes me proud as heck."

Vita-Mix is one of thousands of hot new exporters helping to sustain U.S. export growth. To be sure, it takes a lot of \$495 blenders to equal one \$135 million Boeing 747 or one \$550,000 Caterpillar hydraulic excavator. And no one knows for certain how much of America's \$400 billion a year in exports comes from small companies with sales of \$5 million to \$300 million a year. Perhaps only 1 in 10 of these companies in America's rendition of the German *Mittelstand*, or middle sector, now exports, experts believe.

NICHE PLAYERS. This huge, uncharted area of the U.S. economy is now vital to sustain growth in exports. After years of double-digit increases in the late 1980s, U.S. exports grew at only 7.5% in 1991 and actually declined in November, December, and January. Now, it's up to the small fry to keep ex-

ports headed upward. "It's clear that the export growth has come by bringing new entrants into the market. It's not just the majors expanding," says David L. Blond, director of international trade forecasting for DRI/McGraw-Hill in Washington, D.C.

The biggest growth is coming in such items as medical products, scientific instruments, environmental systems, and consumer goods, where thousands of companies have carved niches. Some 87% of the 51,000 exporters tracked by Cognetics Inc. of Cambridge, Mass., employ fewer than 500 workers. "We know that the majority of exporters are small," says founder David Birch, a leading authority on small companies. These companies typically are private, closely held, or family-owned.

America's small companies are discovering, too, that the economics of exporting have changed, for good. Once, it was an article of faith that such companies would lose money for three to five years. Now, small makers of everything from potato peelers to pumps are using fax machines, 800 numbers, and overnight air express services to shave the once formidable costs of going global.

Other forces are also reshaping the export culture. Americans are now low-cost manufacturers after a long decline in labor costs and the dollar and a rise in productivity. They also find themselves with a trove of high-quality products that are often known around the world. English has

AMERICA'S EXPORTS

FOREIGN APPETITES ARE GROWING...

Countries accounting for the most growth of U.S. exports

COUNTRY	Billions of dollars		
	1986	1991	PERCENT INCREASE
CANADA	\$55.0	\$85.1	55%
JAPAN	26.6	48.1	80
MEXICO	12.4	33.3	168
GERMANY	10.4	21.3	105
BRITAIN	11.3	22.1	95
KOREA	5.9	15.1	155
FRANCE	7.2	15.4	114
TAIWAN	5.2	13.2	154

spread as the *lingua franca* of global business, which lowers language barriers. Small business also gets an international edge since many immigrants entering the U.S. take key jobs in smaller export companies. At the same time, downsizing at bigger companies has created a steady stream of U.S. executives taking their experience to smaller companies.

LIFE AND DEATH. This all shapes up as a structural shift in the U.S. economy—one that's not likely to be reversed if the value of the dollar edges up modestly. In effect, the core of the U.S. economy is gradually being internationalized. Five years ago, 7.5% of America's gross domestic product came from exports. Now, DRI estimates it will reach 12.2% by the end of 1994, largely as a result of newcomers.

That still would be low compared with Germany or Holland. But because of the size of the U.S. economy, it means the U.S. export boom could still be in its early stages, not at its rump end.

This proliferation of smaller U.S. exporters provides America with some insulation against the slowdown in growth in Europe, Canada, and Japan—America's largest markets. The small guys often key in on Latin America, Eastern Europe, and East Asia, all still growing. The major Hispanic population in the U.S. and the proximity to Latin America are thrusting many smaller players southward. Strong Ukrainian, Polish, and Lithuanian links give companies in Chicago, Milwaukee, and Cleveland an edge in Eastern Europe. And the presence of so many Asian high-tech entrepreneurs on the U.S. West Coast helps their companies crack the Pacific Rim.

This export "movement" is occurring with little help from state and federal governments. Unlike European or Asian export powers, the American infrastructure for spurring exports remains poorly funded and badly organized. In some cases, it is even being cut back. The State of Illinois,

Royal
Appliance
CEO John
Balch: Exports
could equal
U.S. sales



which once boasted one of the country's most successful models, is cutting its export activities by 22% this year because of a budget crunch.

The U.S. Commerce Dept. gets high marks for its sponsorship of trade fairs and matchmaking programs in faraway capitals. But at the grass-roots level, a budget squeeze has forced the government to retreat from helping new-to-export companies. Altogether, some 18 federal agencies are involved in exports, and they rarely coordinate with each other. The major money-center banks in the U.S. also turn a cold shoulder to newcomers that are in need of export financing.

HIGH-TECH HOOKUPS. Even in the absence of a well-defined export campaign, small exporters are helping themselves, plugging into the technological revolution. The fax machine, in particular, has given grass-roots exporters a chance. "There's only one thing greater than the airplane, and that's the fax," says John Kirchgeorg, CEO of Life Corp., a maker of emergency-oxygen kits. With under \$5 million in sales, Kirchgeorg's company, located in the faded tannery district of Milwaukee, ships specially designed oxygen kits to 43 countries, mostly by air. He tries to respond to most faxed

inquiries the day he gets them. Then, he sends off videotapes of his products by air express—a far cry from the era of clunky telexes and overseas mail.

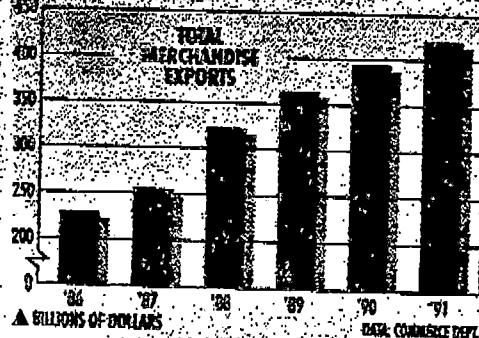
Exporters also are using the telephone like never before. They set up toll-free 800 numbers that encourage foreign customers to call frequently. To help overcome the linguistic hurdle, American Telephone & Telegraph Co. has begun offering a 24-hour phone line that allows English-speaking Americans to make international calls with a translator. AT&T, MCI, and Sprint offer phone hookups that allow small U.S. exporters to send electronic-mail messages into their distributors' computers. Even tiny \$8 million-a-year Sharper Finish Inc. of Chicago, a maker of commercial laundry equipment, can keep in ready contact with 300 distributors in 30 countries. The result: Exports account for 60% of sales.

Bigger companies rely on satellite computer hookups. Royal Appliance Manufacturing Co. in Cleveland, a \$273 million-a-year maker of the Dirt Devil handheld vacuum, ties its computers to its European subsidiaries by satellite. Each day's sales in Europe are monitored and fed back to Cleveland. "It works like a champ," says CEO John A. Balch. Royal hopes its still-

PHOTOGRAPH BY GIAN SIMON/OUTLINE

EXPORTS ARE SURGING

AND THE FLOW OF U.S. GOODS IS RISING



INDUSTRIES

Industries

small foreign sales can eventually match its domestic revenues.

Other technologies are just beginning to be tapped. One is advertising on Cable News Network and other satellite-television channels. Likewise, the expansion of U. S. credit-card companies encourages foreign customers to buy products on the telephone with their card numbers. Perhaps the ultimate expression of technology's role is AT&T's new "The Export Hotline," a 24-hour-a-day data base that allows a potential exporter to call 1-800-USA-XPORT and get free export information by fax. All this technology has "substantially lowered the barriers of entry into the game," says Birch. "You can enter the international game with much fewer resources than was required 10 years ago."

Of course, technology alone won't do the trick. Americans also have to make good products at the right price. The surprise is that the small guys—even consumer-goods makers—do just that. Small and midsize U. S. companies are exporting rice cookers and high-quality china to Japan and cutlery to Germany. Sports gear such as motorized surfboards and racing motorcycles are in big demand. Treatment Products Ltd., a \$5 million-a-year company in Chicago, ships its high-end car wax to 15 countries.

Surprisingly, a lot of these pint-size Americans are taking on Japan. Midwest Tropical Inc., a \$5.5 million-a-year company in Chicago, sends designer aquariums to Japan and other countries. Its six-foot-tall vertical units, with fluorescent lighting and rounded corners, are a hit with Japanese whose homes are too small for bulkier tanks. The aquariums' prices: up to \$1,200. **MODEST COSTS.** Run by a husband-and-wife team, Kenneth and Susan Burnett, Midwest Tropical found Japanese distributor Shimada International, thanks to a State of Illinois export officer. Shimada insisted that Midwest Tropical adapt its product to Japanese quality standards—which meant new heaters and lights, for example. The Burnetts did everything Shimada asked. As a result, sales of about \$230,000 in 1990 doubled in 1991 and are growing again this year by 30%. "You have to say: 'I want into this country real bad. What do I have to do?'" says Ken Burnett.

In making these consumer-goods exports, the Americans boast a cost and quality advantage that stems from the modest cost of labor and highly automated production. That's



Invacare CEO Mal Nixon:
"We're just getting started"

one reason Invacare Corp., a \$263 million-a-year company in Elyria, Ohio, can boast of sales of wheelchairs and other home medical equipment to 40 countries. It projects \$75 million in international sales this year, including some \$24 million worth of goods exported from the U. S. These exports are growing at a 26% clip.

For its mass-produced chairs, it can drive

costs down to a minimum. Average hourly labor costs are \$13, including benefits. And Invacare relies on just-in-time manufacturing systems and automated systems that punch diodes and transistors into boards for the computerized controls. New carbon-fiber composites are used to make the chairs light and maneuverable. "We're just getting started" in world markets, says CEO A. Malachi Nixon III.

STAYING POWER. Of course, for every smallish U. S. exporter that has made it, there are others that have failed or lacked basic information. American businesspeople still have much to learn about exporting. But hard times at home, combined with new technologies and better manufacturing abilities, are propelling them outward. Unlike Detroit's Big Three, they are quick to adapt to foreign tastes, and they're willing to sort through the thicket of safety standards and health codes in such tough markets as Japan and Germany. "We see wide-open blue skies," says George W. Sanborn, CEO of Sanborn Inc., a Wrentham (Mass.) maker of centrifugal equipment used in pollution-control efforts. Sanborn says he's counting on prospects in Czechoslovakia for a big boost, as much as 10% of an estimated \$25 million in sales this year.

Many abroad can't help but wonder: Will it last? Americans have a record of exporting when it's easy, then retreating when conditions shift. These new exporters, however, have a feel of permanence. At Vita-Mix, for example, President and CEO Grover Barnard, who learned Russian in the U. S. Army, has created a corps of employees who speak German, Spanish, French, and Arabic. He insists that the company's culture is being transformed from that of a small stay-at-home to a global player. "We're going to be thinking that we're part of the world," he says.

The reason is simple. With the domestic U. S. market stagnant and competition from bigger U. S. and foreign companies intense, it's the only way to stay in business. "If you don't go overseas and don't know what's happening, you're not going to be ready for those people to come here and work you over in your backyard," says Barnard. "You have to take the battle out there." More and more Americans across the heartland are taking up the call.

By William J. Holstein in Cleveland, with Kevin Kelly in Chicago, and bureau reports

A SAMPLING OF SMALL U.S. EXPORTERS

Name	Product	Total sales/Exports as share Millions of U.S. dollars
CONSUMER GOODS		
INVACARE Elyria, Ohio	Wheelchairs, home medical equipment	\$263/10%
ROYAL APPLIANCE Cleveland	Dirt Devils	\$273/4%
MIDWEST TROPICAL Lincolnwood, Ill.	Aquariums	\$5.5/25%
LIFE CORP. Milwaukee	Emergency oxygen kits	Under \$5/50%
TREATMENT PRODUCTS Chicago	Auto wax	\$5/25%
CAPITAL GOODS		
UNITED AIR SPECIALISTS Cincinnati	Air cleaners	\$30/40%
AQUA-AEROBIC SYSTEMS Rockford, Ill.	Wastewater-treatment systems	\$28/12%
JOSEPH INDUSTRIES Bedford Heights, Ohio	Lift truck transmissions	\$6/10%
SHARPER FINISH Chicago	Laundry/ironing equipment	\$3/60%

DATA: BW

RADINOT

--IMPORTANCE OF TRADE:

- o our merchandise exports support 7.2 million American jobs -- a forty-two percent rise since only 1986.
- o keep in mind radio's general audience: 'not just in the port towns/coastal cities -- but all across America.' How many jobs does trade support where you live? Here's just a few examples: Colorado -- almost 90 thousand jobs; almost 90 thousand in Iowa; Arizona -- 1.2 million jobs; Tennessee -- 1.5 million jobs. The critics that want Americans to hide from trade are themselves hiding from the facts. Also: "it's not just for the Fortune 500 companies, but for the small businesses, etc."
- o Expanding free trade means expanding opportunity

--NAYSAYERS:

- o Yes, there are voices that urge a retreat to the shuttered world of protectionism. There have always been such voices, and perhaps there always will be. But _____, and fear won't lead us to the future.
- o some say we can't cut it, tell us to call it a game.

--GOOD NEWS:

- o we've turned up the heat with our exports -- we're burning down the deficit
- o we're more competitive in manufacturing exports than we were just a decade ago -- today, those exports are a larger part of the economy than a decade ago. Labor productivity has gone up significantly from a decade ago. We're beating the Japanese and the Germans in capital good exports. Remember -- America is the leading exporter in the world.
- o We're not just beating the competition in exporting goods -- we've taken the lead in exporting services. From telecommunications to food services to data processing -- whether it's At&T in Italy or Kentucky Fried chicken in China: America ____.

--WE'RE FIGHTING TO CRACK OPEN FOREIGN MARKETS:

- o Uruguay Round: we've got a way to go, just met with the European Community leaders to continue to push for an agreement that's good for our economy, good for our

workers, good for our country. An agreement means more than just freer trade abroad, it means a better standard of living at home.

- o NAFTA: we've already got a trade surplus with Mexico. During my presidency, 45 out of our 50 states have increased their exports to Mexico. Clearly -- if we get an agreement on NAFTA, we'll export more there than ever before. A North American Free Trade Agreement would create over 360,000 American jobs. It could increase our trade with Mexico by \$10 billion. Win-win situation.

--bust open the barriers

--I will continue my fight to bust open trade barriers, because when trade is free and fair, America beats the competition -- fair and square.

--level the playing field for the power of "Made in America." I will fight against protectionism -- policies that would have our industry stagnate in the stale air of government shelters rather than brave the bracing winds of international competition.

--Trade metaphors?

--trade touches companies you wouldn't even think of as traders.

--WHAT WE'VE GOT TO DO IN THE FUTURE:

- o I don't think we've even begun to reach our export potential.
- o Today's global marketplace is smaller, faster, more competitive than even a few short years ago. The marketplace of tomorrow will hold few jobs for those who can't read or write or make simple educations ----> job training, Am 2000

--ANDY PARAPHRASED:

- o Last week, we received more good economic news: all around the world, more and more people are buying American. Our exports shot up 7% in February to a record high of almost \$38 billion dollars. Manufacturing exports leading the way, and leading the world.

Once again, this news reminds us that if we want to succeed economically at home, we need to lead economically abroad. Open markets and free trade means more jobs and more growth. Over the past 4 decades,

trade-related jobs in our country have grown three times faster than overall American job creation.

We must build on this astounding success

----->NAFTA, trade with Mexico

-----> Uruguay trade round

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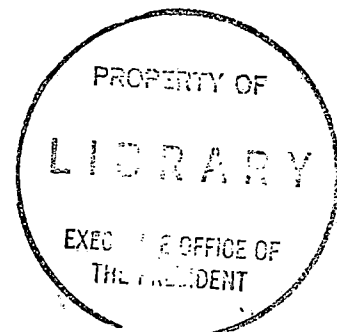
Simpson's Contemporary Quotations

Compiled by
James B Simpson

Foreword by
Daniel J Boorstin



Houghton Mifflin Company
Boston 1988



RADIO & TELEVISION

ALISTAIR COOKE

- 1 People in America, when listening to radio, like to lean forward. People in Britain like to lean back.
Quoted in Cleveland Amory and Earl Blackwell eds *Celebrity Register* Harper & Row 63

- 2 It's an acting job—acting natural.
On his television commentaries, *New York* 17 Dec 79

- 3 [I] talk to my typewriter . . . and that is what I've been working on for 40 years—how to write for talking.

Christian Science Monitor 5 Sep 86

WALTER CRONKITE, CBS News

- 4 And that's the way it is, March 6, 1981.
Sign-off line on his last night as anchor

- 5 Everything is being compressed into tiny tablets. You take a little pill of news every day—23 minutes—and that's supposed to be enough.

On superficiality of television news, *Newsweek* 5 Dec 83

- 6 Television [is] a high-impact medium. It does some things no other force can do—transmitting electronic pictures through the air. Still, as an explored, comprehensive medium, it is not a substitute for print.

NY Times 18 Jul 84

- 7 The great sadness of my life is that I never achieved the hour newscast, which would not have been twice as good as the half-hour newscast, but many times as good.

ib

PHIL DONAHUE

- 8 In order to keep this feather in the air—and that's what it is—my people have to *stay on fire* creatively.
On moving his long-running interview show from Chicago to New York, *60 Minutes* CBS TV 24 Feb 85

- 9 I see all those Solomons out there, I can't wait to hear your wisdom.

Hosting program on adoption, NBC TV 9 Jan 86

SAM DONALDSON, ABC News

- 10 News conferences are the only chance the American public has to see Ronald Reagan use his mind.

NY Times 27 Sep 86

- 11 The questions don't do the damage. Only the answers do.

On presidential press conferences, *Hold On, Mr President!* Random House 87

- 12 Call me a braggart, call me arrogant. People at ABC (and elsewhere) have called me worse. But when you need the job done on deadline, you'll call me.

ib

JIMMY DURANTE

- 13 Good night, Mrs Calabash, wherever you are!
Sign-off line referring to nickname of his late wife, recalled on his death, *Time* 11 Feb 80

LINDA ELLERBEE

- 14 We call them Twinkies. You've seen them on television acting the news, modeling and fracturing the news while you wonder whether they've read the news—or if they've blow-dried their brains, too.

"*And So It Goes*" Putnam 86

- 15 Some of my colleagues want to be The Anchorman on the Mount. Others see themselves as the Ace Reporter. Because of *60 Minutes*, there's a whole herd of them determined to be The Grand Inquisitor and . . . a heady number want only to be The Friendliest Anchor on the Block. At least one wants to be Jesus.

ib

- 16 When the anchorman is wearing a colonel's uniform, it tells you something.

On countries where "good" news is presented regularly on television, *ib*

- 17 The new national campfire—radio.

Our World: The Year 1938 ABC TV 30 Oct 86

AVA GARDNER

- 18 For the loot, honey, for the loot.

On why she came out of retirement to appear on a prime time soap opera, *People* 10 Jun 85

JACKIE GLEASON

- 19 I only made \$200 a week and I had to buy my own bullets.

On his early film career, recalled on his death, *NY Times* 26 Jun 87

- 20 How sweet it is!

Stock phrase used in his television programs, *ib*

- 21 One of these days, Alice. Pow! Right in the kisser!

Line from his 1950s series *The Honeymooners*, quoted in *People* 13 Jul 87

MAX HEADROOM (Matt Frewer)

- 22 I think it was Shakespeare who once said:

"Blipverts may come
And blipverts may go
But the laziness upon which they breed is with us
always."

Actually, that's quite good; perhaps it was *me* who said it.

As computer-generated television character, quoted in *Newsweek* 20 Apr 87

GARRISON KEILLOR

- 23 I want to resume the life of a shy person.

On retiring after 13 years as the host of his radio show *Prairie Home Companion*, quoted in *US News & World Report* 2 Mar 87

TED KOPPEL, ABC News

- 24 I have the necessary lack of tact.

On interviewing guests on *Nightline*, quoted by Nancy Collins "The Smartest Man on TV" *New York* 13 Aug 84

- 25 Emotions get in the way [but] they don't pay me to start crying at the loss of 269 lives. They pay me to put some perspective on the situation.

ib

- 26 In the days of Caesar, kings had fools and jesters. Now network presidents have anchormen.

People 17 Dec 84

- 27 I think we're glazing eyes all across America.

Interrupting a long-winded guest, *Nightline* ABC TV 13 Feb 87

KENNETH BILBY

- 1 [He] had come to view [television] as a force of nearly preternatural dimensions, life-transforming in its impact.

The General: David Sarnoff and the Rise of the Communications Industry Harper & Row 86, quoted by Charles Fountain *Christian Science Monitor* 10 Dec 86

MICHAEL BOBICK

- 2 You get these small-town feuds because people don't have cablevision. You don't have anything else to do.

On warring factions in Pine Hill NY, *NY Times* 20 Nov 84

DANIEL J BOORSTIN, Librarian of Congress

- 3 Nothing is really real unless it happens on television.

NY Times 19 Feb 78

JIMMY BRESLIN

- 4 Why something in the public interest such as television news can be fought over, like a chain of hamburger stands, eludes me.

NY Daily News 8 Mar 87

- 5 The only reason this country is different from any place else is that once in a great while, this huge, snobbish, generally untalented news reporting business stops covering stories of interest only to itself and actually serves the public.

ib

- 6 If a man, for private profit, tears at the public news, does so with the impatience of one who thinks he actually owns the news you get, it is against the national interest.

ib

JOHN MASON BROWN

- 7 Some television programs are so much chewing gum for the eyes.

Recalled on his death 16 Mar 69

LES BROWN

- 8 Unlike productions in the other arts, all television shows are born to destroy two other shows.

Harper's Mar 85

- 9 When a show fails to destroy the competition—and it can fail while attracting 20 million viewers—it is itself destroyed.

ib

ART BUCHWALD

- 10 Every time you think television has hit its lowest ebb, a new . . . program comes along to make you wonder where you thought the ebb was.

Have I Ever Lied to You? Putnam 68

WARREN E BURGER, Chief Justice, US Supreme Court

- 11 It is not possible to arrange for any broadcast of any Supreme Court proceeding, but when you get the Cabinet meetings on the air, call me.

Reply to Mutual Broadcasting System's request for live radio coverage, quoted in *International Herald Tribune* 24 Mar 86

VINCENT CANBY

- 12 When Uncle Bob (or Ted or Ray) promised to send a shooting star over the house to mark a young listener's birthday, the young listener, who had hung out the window for an hour without seeing the star, questioned not Uncle Bob (or Ted or Ray), but his own eyesight.

On the Golden Age of radio, *NY Times* 30 Jan 87

- 13 Radio wasn't outside our lives. It coincided with—and helped to shape—our childhood and adolescence. As we slogged toward maturity, it also grew up and turned into television, leaving behind, like dead skin, transistorized talk-radio and nonstop music shows.

ib

LILLIAN CARTER

- 14 I'm not a homosexual and I don't smoke pot, so what would I say?

On being asked to appear on Phil Donahue's talk show, *60 Minutes* CBS TV 24 Feb 85

HUGH CASSON, President, Royal Academy of Art

- 15 Strangers often come up to me and say, "I saw you on television." To them it's a sort of confirmation that I exist.

Architectural Digest Dec 85

CHARLES, Prince of Wales

- 16 That's called a microphone. It's a big sausage that picks up everything you say—and you're starting early.

To his two-year-old son Prince William at his first press conference, *Newsweek* 25 Jun 84

FRANCIS X CLINES

- 17 Delegates crane their gaze at overhead screens. The producers, using fast-cutting close-up shots, have added the narcissistic touch of allowing delegates to watch themselves watch themselves at a convention of people watching them.

On televised proceedings of Democratic National Convention in San Francisco, *NY Times* 18 Jul 84

- 18 Britain's gnawing hunger for retrospection is of Proustian proportions; historical confections of past glory are always being sugared up and nibbled at somewhere in the land.

On 50th anniversary of BBC's first telecast, *ib* 9 Nov 86

- 19 The grand institution, at once hoary and ethereal, that some call Auntie and others call the Beeb, and that most, it seems, must call controversial.

ib

- 20 The wine and special video samplings of five decades of funny, nostalgic programs—Benny Hill so young and foolish, Elizabeth so young and regal, Joan Collins so young and vampy—had a number of the mass pack of TV writers chuckling or at least struck glassy-eyed by mortal identity with the grainy ghosts of TV past.

ib

- 21 The earnest weatherman is even more hilarious than in America because his forecasts of change are even more unchanging, and his wondrous maps are always pocked with countless rain cloud symbols that seem permanently rooted across the beloved isle.

ib

1 Radio invented a new kind of drama called soap opera, a form of serial in which the main rule was, "Don't let anything happen!"—because if something happened on a Wednesday and you were at the dentist, on Thursday you wouldn't know what the hell was going on and you'd get mad and switch soap operas, and soap, too.

ib

2 Radio tried everything, and it all worked. It invented a new kind of singer whose voice wasn't even loud enough to carry across a hotel bedroom, and Americans, as it turned out, would rather hear these "crooners" than any big-bellied tenor who ever shook an opera house chandelier.

ib

NATIONAL COMMISSION ON CAUSES AND PREVENTION OF VIOLENCE

3 Children are inclined to learn from television [because] it is never too busy to talk to them, and it never has to brush them aside while it does household chores.

On influence of violent television programs, quoted in *NY Times* 25 Sep 69

4 Unlike their preoccupied parents, television seems to want their attention at any time, and goes to considerable lengths to attract it.

ib

NEWSWEEK

5 Almost from the moment the horror occurred, television changed. It was no longer a small box containing entertainment, news and sports; suddenly, it was a window opening onto violently unpredictable life in Washington and in Dallas.

On coverage of President John F Kennedy's assassination, 9 Dec 63

6 More than a hundred million Americans watched the late president's funeral, but the funeral did not take place in Arlington Cemetery alone. It took place in a living room in Los Angeles, in Grand Central Terminal in New York, in kitchens and offices across the United States. John F Kennedy's casket did not ride down Pennsylvania Avenue only. It rode down Main Street.

ib

NEW YORK TIMES

7 His fans eat it up, along with their toast and morning coffee.

On 25th anniversary of John Gambling's radio show, 20 Oct 84

8 Radio let people see things with their own ears.

Editorial, 30 Jan 86

9 Once upon a time—from 1974 to 1977, to be precise—Sunday night went like this: After you washed the dishes and put the kids to bed and made sure you had enough cigarettes (lots of us were smoking then, remember?) and maybe poured yourself a little something, you sat down in front of the television set and thought of England.

On return of PBS series *Upstairs, Downstairs*, 15 Mar 87

10 There is now a good reason to live through March.

ib

RICHARD M NIXON, 37th US President

11 I knew if I continued to look around . . . it would be difficult for me to contain my own emotions. So I turned away from the red eyes of the crowd and looked only at the red eye of the camera, talking to all the nation.

On his departure from the White House. *RN: Memoirs of Richard Nixon* Grosset & Dunlap 78

12 In the television age, the key distinction is between the candidate who can speak poetry and the one who can only speak prose.

After 1984 presidential campaign between Ronald Reagan and Walter F Mondale, *New York* 19 Nov 84

MARTIN F NOLAN

13 [Television executives] are afraid to advertise condoms that could save lives, but do not blush about telecasting a National Geographic special on President Reagan's pelvic plumbing.

Boston Globe 9 Feb 87

14 If the Barons of Bad Taste known as network executives believe in chastity as an anti-AIDS measure, it doesn't show on the soaps, night or day.

ib

JOHN J O'CONNOR

15 [They are] the video equivalent of junk food.

On miniseries, *NY Times* 16 Nov 78

16 Silly sitcoms are designed to attract juveniles of all ages.

News summaries 31 Dec 79

17 Benito Mussolini is being put through the grinder of a television biography and . . . the result resembles Italian sausage—of the spicy variety.

On NBC TV's three-part presentation *Mussolini*, *NY Times* 22 Nov 85

TERRENCE O'FLAHERTY

18 No wonder the audiences for the late-night talk shows are growing. Who can get to sleep after hearing the 11 PM news?

Reader's Digest Nov 72

MIKE PETERS

19 What do you want to watch tonight? The president's enlarged prostate on 2, his benign polyp on 4 or a colonoscopy on 5?

Cartoon caption on obsessive coverage of President Ronald Reagan's health, *Newsweek* 12 Jan 87

IVER PETERSON

20 Eighty channels in the sky, offering a glimpse of anything from sunrise prayers to soft-core pornography.

On satellite dishes used to pick up programs without charge, *NY Times* 15 Jan 86

RONALD REAGAN, 40th US President

21 I usually never walk by a microphone.

On abiding love of broadcasting, *NY Times* 31 Mar 85

NELSON A ROCKEFELLER, Governor of NY

22 Others looked at radio and saw a gadget; his genius lay in his capacity to look at the same thing . . . but to see far more.

On David Sarnoff, *Newsweek* 27 Dec 71

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MORROW'S
**INTERNATIONAL
DICTIONARY OF
CONTEMPORARY
QUOTATIONS**

COMPILED BY
JONATHON GREEN

WILLIAM MORROW AND COMPANY, INC.

NEW YORK • 1982

ANONYMOUS ACTOR*quoted in Manchester Guardian 1959*

Television is summer stock in an iron lung.

ANONYMOUS CANADIAN TV REPORTER*Esquire 1971*

Reporting the news on television is like writing with a one-ton pencil.

ANONYMOUS HIJACKER*quoted by Dr. David Hubbard, writing on hijacker psychology, quoted in Esquire 1977*

Television is a whore. Any man who wants her full favours can have them in five minutes with a pistol.

JAMES T. AUBREY JR.
President CBS-TV 1961

I don't want any seamy sociological scripts. Goddamit I want happy endings. I can't communicate with the creative people. They just won't listen. The trouble with the creative people is that they don't know the people. The people out there don't want to think. I come from out there.

CLIVE BARNES
British critic*New York Times 1969*

Television is the first truly democratic culture – the first culture available to everybody and entirely governed by what the people want. The most terrifying thing is what people do want.

GENE BARRY
American TV star*Esquire 1976*

A year in TV is a lifetime in movies ... it's the golden rut, a repetition exercise.

cf. Budd Schulberg 'What Makes Sammy Run?' 1941

It was right in the groove that Hollywood has been geared for, slick, swift and clever. What Kit calls the Golden Rut.

PETER BLACK
British journalist 1974*retiring after 22 years as TV critic*

I began in 1952 by thinking of television as a window on the world, then as a

mirror in the corner, finally as the biggest aspidistra in the world.

ROBERT BLAKE
American T.V. actor*Esquire 1976*

There are maybe two or three good directors in television. The rest are atmosphere.

MARSHALL BRICKMAN
American TV talkshow producer*Esquire 1971*

It's a little weird when you have the whole country watching a couple of people doing what they should be doing themselves.

HIMAN BROWN*Newsweek 1974*

TV just feeds you. Radio involves you.

JOHN MASON BROWN
American essayist 1955

Some television programmes are so much chewing gum for the eyes.

ART BUCHWALD
American humorist 1959

Television has a real problem. They have no page two.

RICHARD BURTON
Welsh actor 1967

TV is an evil medium, it should never have been invented, but since we have to live with it, let us try to do something about it.

ROBERT CARSON*quoted in 'Filmgoers Book of Quotes' ed. L. Halliwell 1973*

Television ... the longest amateur night in history.

SHAUN CASSIDY
American pop and TV star

There's no way anybody's going to take you seriously if you're on a TV show.

RAYMOND CHANDLER
American novelist*letter to Charles W. Morton 1950*

Television is just one more facet of that considerable segment of our society that never had any standard but the soft buck.

FREDERIC RAPHAEL

British writer

'The Language of Television' 1980

Television . . . offers a banal vision of heaven.

LORD REITH

British broadcasting executive

quoted in BBC Official Biography 1963

Our responsibility is to carry into the greatest number of homes everything that is best in every department of human knowledge, endeavour and achievement and to avoid the things which are or may be hurtful. It is occasionally indicated to us that we are apparently setting out to give the public what we think they need, not what they want. But few people know what they want and very few what they need. There is often no difference. In any case it is better to over estimate the mentality of the public than under estimate it.

KENNETH ROBINSON

British journalist

The Listener 1978

Television is like a station bookstall. Something we might pick up to titillate the brain very gently ought not to be observed with the same critical standards as something designed to feed the mind.

NATHALIE SARRAUTE

French writer

Television has . . . lifted the manufacture of banality out of the sphere of handicraft and placed it in that of a major industry.

DANIEL SCHORR

American broadcaster

On television. . .

A nightly national seance.

Esquire 1977

Television is a medium made to order for those with aptitudes for stage acting and synthetic sincerity. It has encouraged the development of thespian talents where none had been previously known to exist.

ROD SERLING

American television producer

Drama on television must walk tiptoe

and in agony lest it offend some cereal buyer from below the Mason Dixon line. . . Now prejudice is alike down at its ugly roots, and all prejudice is indeed a universal evil. But you don't conquer intolerance by disguising it, by clothing it in different trappings, by slapping at it in a wispy parable.

BISHOP FULTON J. SHEEN

American clergyman 1956

Spiritually, radio and TV are beautiful examples of the inspired wisdom of the ages. Radio is much like the Old Testament, inasmuch as it is the hearing of wisdom without seeing it; TV is like the New Testament, because in it the wisdom becomes flesh and dwells among us.

ANTHONY SMITH

British TV director

'The Shadow in the Cave' 1975

The neutrality of broadcasting . . . does make it fearful of being the first to report material likely to change the course of events.

Broadcasting . . . grew up as the first institution in history, apart from the Church, which could deliver the whole of a society complete to a communicator.

H. ALLEN SMITH

American journalist

'Let the Crabgrass Grow' 1960

Some performers on television appear to be horrible people, but when you finally get to know them in person, they turn out to be even worse.

WOLFMAN JACK SMITH

American disc jockey

Newsweek 1973

Radio is a creative theatre of the mind.

JOHN STEVENSON

British journalist

The Listener 1978

Television is the best gauge we have of our decay.

Time 1976

The symbiosis between audience and show makes soap opera unique, the most powerful entertainment on or off television.

Ref.
PN6081
.C27
WH

The Harper Book of AMERICAN QUOTATIONS

Gorton Carruth and Eugene Ehrlich

A Hudson Group Book



1817

Harper & Row, Publishers, New York
Cambridge, Philadelphia, San Francisco
London, Mexico City, São Paulo, Singapore, Sydney

229. TELEVISION & RADIO

546

2 Television pollutes identity.

NORMAN MAILER, *St. George and the Godfather*, 1972.

3 When television is good, nothing—not the theater, not the magazines or newspapers—nothing is better. But when television is bad, nothing is worse. I invite you to sit down in front of your television set when your station goes on the air and stay there without a book, magazine, newspaper, profit-and-loss sheet, or rating book to distract you, and keep your eyes glued to that set until the station signs off. I can assure you that you will observe a vast wasteland.

NEWTON MINOW, in a speech to the National Association of Broadcasters, May 9, 1961.

4 Television is not so effective now as it was in 1952. The novelty has worn off. There is a very early point of diminishing returns in using television. Both parties did too much of it in the 1956 campaign. People probably got tired of seeing favorite programs thrown off for political speeches.

RICHARD M. NIXON, quoted in Earl Mazo, *Richard Nixon: A Political and Personal Portrait*, 1959.

5 I guess television just has more power than any of us know.

RONALD REAGAN, in *Sincerely, Ronald Reagan*, 1976.

6 I have long had a suspicion that an entire generation of Americans grew up feeling inferior to just the *names* of the guys on the radio. Pierre André. Harlow Wilcox. Vincent Pelletier. Truman Bradley. Westbrook Van Voorhees. André Baruch. Norman Brokenshire. There wasn't a Charlie Schmidlap in the lot.

JEAN SHEPHERD, *In God We Trust, All Others Pay Cash*, 1966.

7 There is no boredom or misery to equal the pursuit of distraction alone. We do not slip into happiness. It is strenuously sought and earned. A nation glued to the television screen is not simply at a loss before the iron pioneers of the new collective society. It isn't even having a good time.

ADLAI E. STEVENSON, in an address to the National School Boards Association, San Francisco, California, January 26, 1959.

8 Remember please, for the next day or so, the terrible lesson you learned tonight: That grinning, glowing, globular invader of your livingroom is an inhabitant of the Punkin Patch, and if your doorbell rings and nobody's there, that was no Martian—it's Halloween!

ORSON WELLES, concluding remarks on the Mercury Theater of the Air radio production of "The War of the Worlds," October 30, 1938.

9 One of the chief pretenders to the throne of God is radio itself, which has acquired a sort of omniscience. I live in a strictly rural community, and people here speak of "The Radio" in the large sense, with an over-meaning. When they say "The Radio" they don't mean a cabinet, an electrical phenomenon, or a man in a studio, they refer to a pervading and somewhat godlike presence which has come into their lives and homes.

E.B. WHITE, "Sabbath Morn," February, 1939.

10 Chewing gum for the eyes.

Attributed to Frank Lloyd Wright, describing television.

230. TENNESSEE

1 Agriculture and Commerce.

Unofficial state motto, from the wording on the state seal. (In 1965 the Tennessee legislature adopted "Tennessee—America at Its Best" as the state's official slogan.)

2 Tennesseans' lives are unhurried. Though they may complain about weather, poor crops, bad business and politics, beneath all is a certain feeling of security. The farmer will leave his plowing, the attorney his lawsuit, the business man his accounts, for a moment's or an hour's conversation with stranger or friend. With his good-tempered easiness of manners, the Tennessean has a democratic feeling of equality. His mind, unlike his bed, does not

THE WHITE HOUSE

Office of the Press Secretary

Embargoed For Release
until 9:00 A.M.,
Saturday, April 18, 1992

REMARKS BY THE PRESIDENT
IN RADIO ADDRESS ON JOB TRAINING 2000

9:00 A.M. EDT

THE PRESIDENT: This past week I spent some time in the town of Fraser, Michigan. I met with workers at a major machine tool factory and talked with them and local business leaders about a program I call Job Training 2000. Thursday, I was in Allentown, Pennsylvania, in the Lehigh Valley -- one of the first communities to take up our America 2000 crusade to revolutionize this nation's schools.

In Michigan and in Pennsylvania, I announced specific proposals, legislative initiatives aimed at helping people with two of the real building blocks of opportunity: advancing their education and sharpening their job skills. If acted on by Congress, these initiatives will make a real impact on the way people live -- not just in Fraser and in Allentown, but all across America.

Let me start with a concept I call the Lifetime Education and Training Account -- a package of grants and line of credit worth \$25,000 dollars to every eligible American to use to further their education or acquire new job skills to make the most of their abilities. It's a new way of thinking about an old idea known as student aid. And it's based on this simple fact: Education does not end with graduation.

How will this Lifetime Education Account help real families? Think of a single mother, struggling to balance her responsibility for her family and for her job against her own hopes for the future. Her dream is to set aside one night a week and take one college course at a time. But money's tight, and under present federal rules as a part-time student, she doesn't qualify for the grant or loan that would help pay tuition.

That just doesn't make sense. Here's a woman willing to work hard to better herself stopped short by a program that works against her. With our lifetime line of credit, all that would change. The woman would be able to go to school, bring that distant dream another day closer. When government can help people help themselves, that's the kind of government we need.

And the other proposal I announced was a new Apprenticeship Initiative -- a companion program to our Job Training 2000. To see what kind of difference this initiative can make, take that same family -- the working mother I mentioned earlier, this time with a 17-year-old-son, a senior in high school. He's made the decision that it's time for him to enter the working world, to help out by bringing home a paycheck. Right now, he faces a tough choice -- juggling school and a job. He's trying to do both, and both are suffering. He doesn't want to close the door on college, but he's feeling pressure to drop out.

Our Youth Apprentice Act can help that young man stay in school, keep his job, and keep his options open. It will let him sit down with his school and his employer, put together a course of study and a job schedule that will keep him on track for graduation. And later on, if that young man wants to change careers or go to college,

he's got a skill certificate to show future employers and a diploma that really means something.

Each one of these initiatives begins with the same question: What can government do to open the doors of opportunity to every American? As the President, I've made it my mission to preserve and advance three legacies close to all our hearts: a world at peace, an economy with good jobs, a nation of strong families. The initiatives I've talked about today can help Americans make those legacies their own.

Thank you for listening today. And as so many of you celebrate Passover or prepare for Easter Sunday, may God bless the United States of America.

END

Duggan/Simon
April 20, 1992
Draft Two
Hispanic

PRESIDENTIAL REMARKS: TELECONFERENCE WITH
HISPANIC JOURNALISTS ASSN.
FRIDAY, APRIL 24, 1992
[TIME]

It's a pleasure to speak with you. May I salute the hundreds of women and men who inform and enliven our great country through the Hispanic press and broadcast media. I look forward to answering questions on any topic. But first I wish to recount highlights of a speech I delivered yesterday about United States relations with our half a billion Hispanic neighbors in Mexico, in the Caribbean, in Central and South America.

In the audience were hundreds of business and civic leaders from throughout the hemisphere. And I stressed that a top priority of my presidency is to consolidate the peaceful revolution that has taken place in Latin America over the past decade -- the movement toward democracy and free markets.

Democratic neighbors are peaceful neighbors. Experience teaches us that. And I'm determined to keep working to promote and protect democracy in Latin America. In Venezuela and Peru, we support democracy and oppose those who attempt to undermine it. In Cuba, we envision a new birth of freedom and democracy. And that day cannot be far off. I expect one day soon -- after the inevitable fall of the Castro dictatorship -- to be the first President of the United States to visit the free soil of Cuba.

Also vital is liberating the markets of the Western Hemisphere. I want a free trade agreement to open Mexico's

economy to Canada and the United States. Some politicians seem to address this issue from both sides of their mouths. Some suggest that we can hide in a cocoon of protection and still benefit from the fresh air of competition. Well, that is simply not possible. You can pander to the protectionists -- or you can promote free trade. You can't have it both ways. I will fight to tear down economic barriers with Mexico and throughout the hemisphere -- I'll oppose any special interest that tries to stand in our way. The North American Free Trade Agreement will create over 360,000 American jobs -- and it could increase our trade with Mexico by \$10 billion. I'll keep working with my good friend President Salinas -- who is a bold and imaginative leader. Already in just three years I believe we have made U.S.-Mexican relations the best they have ever been -- and we'll keep working to make them better still.

And we won't stop with Mexico. My Enterprise for the Americas Initiative will encourage open trade and job-creating investment from Alaska to Argentina. I've asked Congress repeatedly for funds to assist the brave reformers who are now leading many of the Latin American nations -- and Congress has done nothing. We must not stand for this lack of foresight. If we can aid the transformation of the former Soviet Union -- and we must -- we can and we must also help our closest neighbors who are trying to consolidate their own revolution for freedom and prosperity. Now, I'd be happy to answer any questions.

#

(Ferguson/Aarhus)
April 20, 1992
Draft Four
YPO

PRESIDENT REMARKS: YOUNG PRESIDENTS ORGANIZATION
ROOM 450
TUESDAY, APRIL 21, 1992
2:00 PM

[Acknowledgments]

I am pleased to be with you today. This afternoon I'd like to briefly address a few issues of concern to all Americans, but particularly to those of you in the business world. Your creativity and know-how are the fuel that creates our country's wealth and provides rewarding and fulfilling jobs for our communities.

The role of government in free enterprise is to allow your creativity to flourish. And that translates into growth. For the past three years I have promoted sensible policies that will help you expand your businesses and create jobs. Let me assure you: we will continue to fight for our economic growth agenda.

Last week, as you know, we had some more heartening news about the economy. All around the world, consumers and companies buy American goods and services in ever greater amounts, despite the sluggish performance of some of their own economies. U.S. exports are experiencing a surge, rising 7 percent in February to a record high of almost \$38 billion. And once again, manufacturing exports are leading the way.

This good news underscores a fundamental truth about American competitiveness: If we are to succeed economically at home, we must succeed economically abroad. The evidence is

indisputable: open markets and free trade mean jobs for American workers and growth for American companies. Over the past four decades, trade-related jobs in our country have grown three times faster than overall American job creation.

We must build on this astounding success. Already, over the past six years, our exports to Mexico have nearly tripled, creating more than 300,000 jobs here at home. We want to lock in those gains with a North American Free Trade Agreement -- NAFTA. With Canada and Mexico, NAFTA will establish one of the world's largest trading areas, a \$6 trillion market from the Yukon to the Yucatan. That will mean hundreds of thousands of new jobs for U.S. workers.

And tomorrow I will meet with Jacques Delors, president of the EC Commission, and Prime Minister Cavaco Silva, president of the European Council, to discuss the Uruguay round of GATT, the world trade negotiations. Over the next decade, a successful conclusion of the Uruguay Round could pump \$5 trillion into the global economy. The U.S. share of this growth would top \$1 trillion. No one should doubt my resolve to preserve and expand the worldwide regime of open trade. GATT must be preserved, for this reason: American workers and companies deserve the jobs and opportunities these open markets offer.

I know that there's still much we can do to make America even more competitive. One of our serious economic problems right now is the cost of capital. It's too high. That's why I will continue to fight for a cut in the tax rate on capital

Jennifer-

Highlighted are the
only mentions of
trade in the speech
on pgs 172 + 174

Thank you very much for letting me pop in.

Note: The President spoke at 2:05 p.m. in Room 450 of the Old Executive Office Building. In his remarks, he referred to Bob Martinez, Director of the Office of National Drug Control Policy.

Memorandum on Export-Import Bank Services for Latvia, Lithuania, and Estonia

January 28, 1992

Presidential Determination No. 92-11

Memorandum for the Secretary of State

Subject: Presidential Determination under Subsection 2(b)(2)(D)(i) of the Export-Import Bank Act of 1945, as Amended—Latvia, Lithuania, and Estonia

Pursuant to subsection 2(b)(2)(D)(i) of the Export-Import Bank Act of 1945, as amended (12 U.S.C. 635(b)(2)(D)(i)), I determine that it is in the national interest for the Export-Import Bank of the United States to guarantee, insure, extend credit, and participate in the extension of credit in connection with the purchase or lease of any product by, for use in, or for sale or lease to Latvia, Lithuania, and Estonia.

You are authorized and directed to report this determination to the Congress and to publish it in the *Federal Register*.

George Bush

Address Before a Joint Session of the Congress on the State of the Union

January 28, 1992

Mr. Speaker and Mr. President, distinguished Members of Congress, honored guests, and fellow citizens:

Thank you very much for that warm reception. You know, with the big buildup this address has had, I wanted to make sure it would be a big hit, but I couldn't convince Barbara to deliver it for me. [Laughter]

I see the Speaker and the Vice President are laughing. They saw what I did in Japan and they're just happy they're sitting behind me. [Laughter]

I mean to speak tonight of big things, of big changes and the promises they hold, and of some big problems and how, together, we can solve them and move our country forward as the undisputed leader of the age.

We gather tonight at a dramatic and deeply promising time in our history and in the history of man on Earth. For in the past 12 months, the world has known changes of almost Biblical proportions. And even now, months after the failed coup that doomed a failed system, I'm not sure we've absorbed the full impact, the full import of, what happened. But communism died this year.

Even as President, with the most fascinating possible vantage point, there were times when I was so busy managing progress and helping to lead change that I didn't always show the joy that was in my heart. But the biggest thing that has happened in the world in my life, in our lives, is this: By the grace of God, America won the cold war.

I mean to speak this evening of the changes that can take place in our country, now that we can stop making the sacrifices we had to make when we had an avowed enemy that was a superpower. Now we can look homeward even more and move to set right what needs to be set right.

I will speak of those things. But let me tell you something I've been thinking these past few months. It's a kind of rolloccall of honor. For the cold war didn't end; it was won. And I think of those who won it, in places like Korea and Vietnam. And some of them didn't come back. Back then they were heroes, but this year they were victors.

The long rolloccall, all the G.I. Joes and Janes, all the ones who fought faithfully for freedom, who hit the ground and sucked the dust and knew their share of horror. This may seem frivolous, and I don't mean it so, but it's moving to me how the world saw them. The world saw not only their special valor but their special style: their rambunctious, optimistic bravery, their do-or-die unity unhampered by class or race or region. What a group we've put forth, for generations now, from the ones who wrote "Kilroy was here"

on the walls of the German stalags to those who left signs in the Iraqi desert that said, "I saw Elvis." What a group of kids we've sent out into the world.

And there's another to be singled out, though it may seem inelegant, and I mean a mass of people called the American taxpayer. No one ever thinks to thank the people who pay a country's bill or an alliance's bill. But for half a century now, the American people have shouldered the burden and paid taxes that were higher than they would have been to support a defense that was bigger than it would have been if imperial communism had never existed. But it did; doesn't anymore. And here's a fact I wouldn't mind the world acknowledging: The American taxpayer bore the brunt of the burden and deserves a hunk of the glory.

And so now, for the first time in 35 years, our strategic bombers stand down. No longer are they on 'round-the-clock alert. Tomorrow our children will go to school and study history and how plants grow. And they won't have, as my children did, air raid drills in which they crawl under their desks and cover their heads in case of nuclear war. My grandchildren don't have to do that and won't have the bad dreams children had once, in decades past. There are still threats. But the long, drawn-out dread is over.

A year ago tonight, I spoke to you at a moment of high peril. American forces had just unleashed Operation Desert Storm. And after 40 days in the desert skies and 4 days on the ground, the men and women of America's Armed Forces and our allies accomplished the goals that I declared and that you endorsed: We liberated Kuwait. Soon after, the Arab world and Israel sat down to talk seriously and comprehensively about peace, an historic first. And soon after that, at Christmas, the last American hostages came home. Our policies were vindicated.

Much good can come from the prudent use of power. And much good can come of this: A world once divided into two armed camps now recognizes one sole and pre-eminent power, the United States of America. And they regard this with no dread. For the world trusts us with power, and the world is right. They trust us to be fair and re-

strained. They trust us to be on the side of decency. They trust us to do what's right.

I use those words advisedly. A few days after the war began, I received a telegram from Joanne Speicher, the wife of the first pilot killed in the Gulf, Lieutenant Commander Scott Speicher. Even in her grief, she wanted me to know that some day when her children were old enough, she would tell them "that their father went away to war because it was the right thing to do." And she said it all: It was the right thing to do.

And we did it together. There were honest differences right here in this Chamber. But when the war began, you put partisanship aside, and we supported our troops. This is still a time for pride, but this is no time to boast. For problems face us, and we must stand together once again and solve them and not let our country down.

Two years ago, I began planning cuts in military spending that reflected the changes of the new era. But now, this year, with imperial communism gone, that process can be accelerated. Tonight I can tell you of dramatic changes in our strategic nuclear force. These are actions we are taking on our own because they are the right thing to do. After completing 20 planes for which we have begun procurement, we will shut down further production of the B-2 bombers. We will cancel the small ICBM program. We will cease production of new warheads for our sea-based ballistic missiles. We will stop all new production of the Peacekeeper missile. And we will not purchase any more advanced cruise missiles.

This weekend I will meet at Camp David with Boris Yeltsin of the Russian Federation. I've informed President Yeltsin that if the Commonwealth, the former Soviet Union, will eliminate all land-based multiple-warhead ballistic missiles, I will do the following: We will eliminate all Peacekeeper missiles. We will reduce the number of warheads on Minuteman missiles to one and reduce the number of warheads on our sea-based missiles by about one-third. And we will convert a substantial portion of our strategic bombers to primarily conventional use. President Yeltsin's early response has been very positive, and I expect our talks at Camp David to be fruitful.

I want you to know that for half a century, American Presidents have longed to make such decisions and say such words. But even in the midst of celebration, we must keep caution as a friend. For the world is still a dangerous place. Only the dead have seen the end of conflict. And though yesterday's challenges are behind us, tomorrow's are being born.

The Secretary of Defense recommended these cuts after consultation with the Joint Chiefs of Staff. And I make them with confidence. But do not misunderstand me: The reductions I have approved will save us an additional \$50 billion over the next 5 years. By 1997, we will have cut defense by 30 percent since I took office. These cuts are deep, and you must know my resolve: This deep, and no deeper. To do less would be insensible to progress, but to do more would be ignorant of history. We must not go back to the days of "the hollow army." We cannot repeat the mistakes made twice in this century when armistice was followed by recklessness and defense was purged as if the world were permanently safe.

I remind you this evening that I have asked for your support in funding a program to protect our country from limited nuclear missile attack. We must have this protection because too many people in too many countries have access to nuclear arms. And I urge you again to pass the Strategic Defense Initiative, SDI.

There are those who say that now we can turn away from the world, that we have no special role, no special place. But we are the United States of America, the leader of the West that has become the leader of the world. And as long as I am President, I will continue to lead in support of freedom everywhere, not out of arrogance, not out of altruism, but for the safety and security of our children. This is a fact: Strength in the pursuit of peace is no vice; isolationism in the pursuit of security is no virtue.

And now to our troubles at home. They're not all economic; the primary problem is our economy. There are some good signs. Inflation, that thief, is down. And interest rates are down. But unemployment is too high, some industries are in trouble, and growth is not what it should be. Let me tell you right from the start and right from the heart, I

know we're in hard times. But I know something else: This will not stand.

In this Chamber, in this Chamber we can bring the same courage and sense of common purpose to the economy that we brought to Desert Storm. And we can defeat hard times together. I believe you'll help. One reason is that you're patriots, and you want the best for your country. And I believe that in your hearts you want to put partisanship aside and get the job done because it's the right thing to do.

The power of America rests in a stirring but simple idea, that people will do great things if only you set them free. Well, we're going to set the economy free. For if this age of miracles and wonders has taught us anything, it's that if we can change the world we can change America. We must encourage investment. We must make it easier for people to invest money and create new products, new industries, and new jobs. We must clear away the obstacles to growth: High taxes, high regulation, redtape, and yes, wasteful Government spending.

None of this will happen with a snap of the fingers, but it will happen. And the test of a plan isn't whether it's called new or dazzling. The American people aren't impressed by gimmicks; they're smarter on this score than all of us in this room. The only test of a plan is: Is it sound, and will it work?

We must have a short-term plan to address our immediate needs and heat up the economy. And then we need a longer term plan to keep combustion going and to guarantee our place in the world economy. There are certain things that a President can do without Congress, and I'm going to do them.

I have, this evening, asked major Cabinet departments and Federal agencies to institute a 90-day moratorium on any new Federal regulations that could hinder growth. In those 90 days, major departments and agencies will carry out a top-to-bottom review of all regulations, old and new, to stop the ones that will hurt growth and speed up those that will help growth.

Further, for the untold number of hard-working, responsible American workers and business men and women who've been forced to go without needed bank loans, the banking credit crunch must end. I won't ne-

glect my responsibility for sound regulations that serve the public good, but regulatory overkill must be stopped. And I've instructed our Government regulators to stop it.

I have directed Cabinet departments and Federal agencies to speed up progrowth expenditures as quickly as possible. This should put an extra \$10 billion into the economy in the next 6 months. And our new transportation bill provides more than \$150 billion for construction and maintenance projects that are vital to our growth and well-being. And that means jobs building roads, jobs building bridges, and jobs building railways.

And I have, this evening, directed the Secretary of the Treasury to change the Federal tax withholding tables. With this change, millions of Americans from whom the Government withholds more than necessary can now choose to have the Government withhold less from their paychecks. Something tells me a number of taxpayers may take us up on this one. This initiative could return about \$25 billion back into our economy over the next 12 months, money people can use to help pay for clothing, college, or to get a new car. Finally, working with the Federal Reserve, we will continue to support monetary policy that keeps both interest rates and inflation down.

Now, these are the things I can do. And now, Members of Congress, let me tell you what you can do for your country. You must pass the other elements of my plan to meet our economic needs. Everyone knows that investment spurs recovery. I am proposing this evening a change in the alternative minimum tax and the creation of a new 15-percent investment tax allowance. This will encourage businesses to accelerate investment and bring people back to work.

Real estate has led our economy out of almost all the tough times we've ever had. Once building starts, carpenters and plumbers work; people buy homes and take out mortgages. My plan would modify the passive loss rule for active real estate developers. And it would make it easier for pension plans to purchase real estate. For those Americans who dream of buying a first home but who can't quite afford it, my plan would allow first-time homebuyers to withdraw savings from IRA's without penalty and provide a

\$5,000 tax credit for the first purchase of that home.

And finally, my immediate plan calls on Congress to give crucial help to people who own a home, to everyone who has a business or a farm or a single investment. This time, at this hour, I cannot take no for an answer. You must cut the capital gains tax on the people of our country. Never has an issue been more demagogued by its opponents. But the demagogues are wrong. They are wrong, and they know it. Sixty percent of the people who benefit from lower capital gains have incomes under \$50,000. A cut in the capital gains tax increases jobs and helps just about everyone in our country. And so, I'm asking you to cut the capital gains tax to a maximum of 15.4 percent.

And I'll tell you, those of you who say, "Oh, no, someone who's comfortable may benefit from that," you kind of remind me of the old definition of the Puritan who couldn't sleep at night, worrying that somehow, someone somewhere was out having a good time. [Laughter] The opponents of this measure and those who have authored various so-called soak-the-rich bills that are floating around this Chamber should be reminded of something: When they aim at the big guy, they usually hit the little guy. And maybe it's time that stopped.

This, then, is my short-term plan. Your part, Members of Congress, requires enactment of these commonsense proposals that will have a strong effect on the economy without breaking the budget agreement and without raising tax rates.

While my plan is being passed and kicking in, we've got to care for those in trouble today. I have provided for up to \$4.4 billion in my budget to extend Federal unemployment benefits. And I ask for congressional action right away. And I thank the committee. Well, at last.

And let's be frank. Let's be frank. Let me level with you. I know and you know that my plan is unveiled in a political season. [Laughter] I know and you know that everything I propose will be viewed by some in merely partisan terms. But I ask you to know what is in my heart. And my aim is to increase our Nation's good. I'm doing what I think

is right, and I am proposing what I know will help.

I pride myself that I'm a prudent man, and I believe that patience is a virtue. But I understand that politics is, for some, a game and that sometimes the game is to stop all progress and then decry the lack of improvement. [Laughter] But let me tell you: Far more important than my political future and far more important than yours is the well-being of our country. Members of this Chamber are practical people, and I know you won't resent some practical advice. When people put their party's fortunes, whatever the party, whatever side of this aisle, before the public good, they court defeat not only for their country but for themselves. And they will certainly deserve it.

I submit my plan tomorrow, and I'm asking you to pass it by March 20th. And I ask the American people to let you know they want this action by March 20th. From the day after that, if it must be, the battle is joined. And you know, when principle is at stake I relish a good, fair fight.

I said my plan has two parts, and it does. And it's the second part that is the heart of the matter. For it's not enough to get an immediate burst. We need long-term improvement in our economic position. We all know that the key to our economic future is to ensure that America continues as an economic leader of the world. We have that in our power. Here, then, is my long-term plan to guarantee our future.

First, trade: We will work to break down the walls that stop world trade. We will work to open markets everywhere. And in our major trade negotiations, I will continue pushing to eliminate tariffs and subsidies that damage America's farmers and workers. And we'll get more good American jobs within our own hemisphere through the North American free trade agreement and through the Enterprise for the Americas Initiative.

But changes are here, and more are coming. The workplace of the future will demand more highly skilled workers than ever, more people who are computer-literate, highly educated. We must be the world's leader in education. And we must revolutionize America's schools. My America 2000 strategy will help us reach that goal. My plan will give

parents more choice, give teachers more flexibility, and help communities create new American schools. Thirty States across the Nation have established America 2000 programs. Hundreds of cities and towns have joined in. Now Congress must join this great movement: Pass my proposals for new American schools.

That was my second long-term proposal, and here's my third: We must make commonsense investments that will help us compete, long-term, in the marketplace. We must encourage research and development. My plan is to make the R&D tax credit permanent and to provide record levels of support, over \$76 billion this year alone, for people who will explore the promise of emerging technologies.

Fourth, we must do something about crime and drugs. It is time for a major, renewed investment in fighting violent street crime. It saps our strength and hurts our faith in our society and in our future together. Surely a tired woman on her way to work at 6 in the morning on a subway deserves the right to get there safely. And surely it's true that everyone who changes his or her life because of crime, from those afraid to go out at night to those afraid to walk in the parks they pay for, surely these people have been denied a basic civil right.

It is time to restore it. Congress, pass my comprehensive crime bill. It is tough on criminals and supportive of police, and it has been languishing in these hallowed halls for years now. Pass it. Help your country.

And fifth, I ask you tonight to fund our HOPE housing proposal and to pass my enterprise zone legislation which will get businesses into the inner city. We must empower the poor with the pride that comes from owning a home, getting a job, becoming a part of things. My plan would encourage real estate construction by extending tax incentives for mortgage revenue bonds and low-income housing. And I ask tonight for record expenditures for the program that helps children born into want move into excellence, Head Start.

Step six, we must reform our health care system. For this, too, bears on whether or not we can compete in the world. American health costs have been exploding. This year

America will spend over \$800 billion on health, and that is expected to grow to 1.6 trillion by the end of the decade. We simply cannot afford this. The cost of health care shows up not only in your family budget but in the price of everything we buy and everything we sell. When health coverage for a fellow on an assembly line costs thousands of dollars, the cost goes into the products he makes, and you pay the bill.

We must make a choice. Now, some pretend we can have it both ways. They call it "play or pay," but that expensive approach is unstable. It will mean higher taxes, fewer jobs, and eventually a system under complete Government control.

Really, there are only two options. And we can move toward a nationalized system, a system which will restrict patient choice in picking a doctor and force the Government to ration services arbitrarily. And what we'll get is patients in long lines, indifferent service, and a huge new tax burden. Or we can reform our own private health care system, which still gives us, for all its flaws, the best quality health care in the world.

Well, let's build on our strengths. My plan provides insurance security for all Americans while preserving and increasing the idea of choice. We make basic health insurance affordable for all low-income people not now covered, and we do it by providing a health insurance tax credit of up to \$3,750 for each low-income family. And the middle class gets help, too. And by reforming the health insurance market, my plan assures that Americans will have access to basic health insurance even if they change jobs or develop serious health problems. We must bring costs under control, preserve quality, preserve choice, and reduce the people's nagging daily worry about health insurance. My plan, the details of which I'll announce very shortly, does just that.

And seventh, we must get the Federal deficit under control. We now have, in law, enforceable spending caps and a requirement that we pay for the programs we create. There are those in Congress who would ease that discipline now. But I cannot let them do it, and I won't.

My plan would freeze all domestic discretionary budget authority, which means no

more next year than this year. I will not tamper with Social Security, but I would put real caps on the growth of uncontrolled spending. And I would also freeze Federal domestic Government employment. And with the help of Congress, my plan will get rid of 246 programs that don't deserve Federal funding. Some of them have noble titles, but none of them is indispensable. We can get rid of each and every one of them.

You know, it's time we rediscovered a home truth the American people have never forgotten: This Government is too big and spends too much. And I call upon Congress to adopt a measure that will help put an end to the annual ritual of filling the budget with pork-barrel appropriations. Every year, the press has a field day making fun of outrageous examples: A Lawrence Welk museum, research grants for Belgian endive. We all know how these things get into the budget, and maybe you need someone to help you say no. I know how to say it, and I know what I need to make it stick. Give me the same thing 43 Governors have, the line-item veto, and let me help you control spending.

We must put an end to unfunded Federal Government mandates. These are the requirements Congress puts on our cities, counties, and States without supplying the money. If Congress passes a mandate, it should be forced to pay for it and balance the cost with savings elsewhere. After all, a mandate just increases someone else's burden, and that means higher taxes at the State and local level.

Step eight, Congress should enact the bold reform proposals that are still awaiting congressional action: Bank reform, civil justice reform, tort reform, and my national energy strategy.

And finally, we must strengthen the family because it is the family that has the greatest bearing on our future. When Barbara holds an AIDS baby in her arms and reads to children, she's saying to every person in this country: Family matters.

And I am announcing tonight a new Commission on America's Urban Families. I've asked Missouri's Governor John Ashcroft to be Chairman, former Dallas Mayor Annette Strauss to be Cochair. You know, I had mayors, the leading mayors from the League of

Cities, in the other day at the White House, and they told me something striking. They said that every one of them, Republican or Democrat, agreed on one thing, that the major cause of the problems of the cities is the dissolution of the family. They asked for this Commission, and they were right to ask because it's time to determine what we can do to keep families together, strong and sound.

There's one thing we can do right away: Ease the burden of rearing a child. I ask you tonight to raise the personal exemption by \$500 per child for every family. For a family with four kids, that's an increase of \$2,000. This is a good start in the right direction, and it's what we can afford.

It's time to allow families to deduct the interest they pay on student loans. I am asking you to do just that. And I'm asking you to allow people to use money from their IRA's to pay medical and education expenses, all without penalties.

And I'm asking for more. Ask American parents what they dislike about how things are going in our country, and chances are good that pretty soon they'll get to welfare. Americans are the most generous people on Earth. But we have to go back to the insight of Franklin Roosevelt who, when he spoke of what became the welfare program, warned that it must not become "a narcotic" and a "subtle destroyer" of the spirit. Welfare was never meant to be a lifestyle. It was never meant to be a habit. It was never supposed to be passed from generation to generation like a legacy. It's time to replace the assumptions of the welfare state and help reform the welfare system.

States throughout the country are beginning to operate with new assumptions that when able-bodied people receive Government assistance, they have responsibilities to the taxpayer: A responsibility to seek work, education, or job training; a responsibility to get their lives in order; a responsibility to hold their families together and refrain from having children out of wedlock; and a responsibility to obey the law. We are going to help this movement. Often, State reform requires waiving certain Federal regulations. I will act to make that process easier and quicker for every State that asks for our help.

And I want to add, as we make these changes, we work together to improve this system, that our intention is not scapegoating or finger-pointing. If you read the papers and watch TV, you know there's been a rise these days in a certain kind of ugliness: racist comments, anti-Semitism, an increased sense of division. Really, this is not us. This is not who we are. And this is not acceptable.

And so, you have my plan for America. And I'm asking for big things, but I believe in my heart you'll do what's right.

And you know, it's kind of an American tradition to show a certain skepticism toward our democratic institutions. I myself have sometimes thought the aging process could be delayed if it had to make its way through Congress. [Laughter] You will deliberate, and you will discuss, and that is fine. But, my friends, the people cannot wait. They need help now.

And there's a mood among us. People are worried. There's been talk of decline. Someone even said our workers are lazy and uninspired. And I thought: Really? You go tell Neil Armstrong standing on the moon. Tell the men and women who put him there. Tell the American farmer who feeds his country and the world. Tell the men and women of Desert Storm.

Moods come and go, but greatness endures. Ours does. And maybe for a moment it's good to remember what, in the dalliance of our lives, we forget: We are still and ever the freest nation on Earth, the kindest nation on Earth, the strongest nation on Earth. And we have always risen to the occasion. And we are going to lift this Nation out of hard times inch by inch and day by day, and those who would stop us had better step aside. Because I look at hard times, and I make this vow: This will not stand.

And so, we move on together, a rising nation, the once and future miracle that is still, this night, the hope of the world. Thank you. God bless you, and God bless our beloved country. Thank you very, very much.

Note: The President spoke at 9:07 p.m. in the House Chamber of the Capitol. The address was broadcast live on nationwide radio and television.

Message on the Observance of National African-American (Black) History Month, February 1992 January 29, 1992

"When I found I had crossed that line, I looked at my hands to see if I was the same person. There was such a glory over everything." With these words, Harriet Tubman described her escape from slavery during the mid-19th century. The glory of which she spoke was nothing less than freedom—and the promise of better days to come.

Although African-American history begins long before the days of Harriet Tubman, who helped to lead thousands of her fellow Blacks out of slavery during the Civil War, it is filled with similar accounts of faith, courage, and triumph in the epic struggle for liberty and justice. This month, through special programs and activities across the country, we honor the many African Americans who have helped to uphold our Nation's declaration "that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty, and the pursuit of Happiness." Just as all Americans should study the words and deeds of our Founding Fathers, so should all Americans learn about the Black leaders who have helped to make the promise of freedom a reality.

The men and women whom we remember this month will long inspire others. In addition to honoring individuals such as Rosa Parks and other heroes of the civil rights movement, we also recall pioneers like George Washington Carver, who made important discoveries in agriculture, and Benjamin Banneker, who served as one of the architects of Washington, D.C., our Nation's Capital. We remember outstanding Black American artists, including legendary singers and musicians such as Marian Anderson, Charlie Parker, and Dizzy Gillespie. Others, we remember for their devoted service to our country: from military heroes such as the Tuskegee Airmen to remarkable international civil servants like Ralph Bunche. The stories of these individuals, together with many other accounts, make up the rich fabric of African-American history.

That history, of course, continues to unfold each day, and I am heartened to know that many parents and teachers will be using this occasion to challenge and to inspire young people. With the past as their guide, Black youth can make their future bright, as they weave their own strands in the rich tapestry of African-American history.

George Bush

Message to the Congress Transmitting the 1992 National Drug Control Strategy January 29, 1992

To the Congress of the United States:

I am pleased to transmit today for the consideration of the Congress and the American people the 1992 National Drug Control Strategy, in accordance with section 1005 of the Anti-Drug Abuse Act of 1988 (Public Law 100-690; 21 U.S.C. 1504).

This is the Fourth National Drug Control Strategy, and it lays out a comprehensive plan for Federal drug control activities for Fiscal Year 1993 and beyond. The principal goal remains unchanged from the previous three strategies: to reduce the level of illegal drug use in America.

We are fighting a two-front war against drugs. The first front is against casual drug use, and I am pleased to report that significant progress is being made here, particularly among our Nation's youth. Casual drug use is still too high, however, and this Strategy rightly continues to stress efforts to reduce it. The second front, against hard-core drug use, poses a more difficult challenge. Progress here is slower. There are still too many neighborhoods, families, and individuals who suffer the consequences of drug use and drug-related crime. To address this problem, the Strategy proposes a variety of carefully targeted and intensified efforts. I urge the Congress to expedite their enactment.

The war on drugs is vital to our country's economy, international competitiveness, and security. Previous Strategies have enjoyed bipartisan political and funding support in the

AFL-CIO Leaders Decide It's Time to Endorse Clinton Pres

By Frank Swoboda
Washington Post Staff Writer

130/20

Organized labor yesterday endorsed Arkansas Gov. Bill Clinton for the Democratic presidential nomination in an effort to put to rest any idea of a brokered convention and allow the party to begin focusing on the general election contest against President Bush.

Top leaders of the AFL-CIO, including a number of union presidents who had been supporting the candidacy of former California governor Edmund G. "Jerry" Brown Jr., voted unanimously to recommend that the 14 million-member labor federation endorse Clinton.

"The committee's vote is a reflection of the feeling across the breadth of labor that

now is the time to act," AFL-CIO President Lane Kirkland said yesterday.

The action came after a telephone conversation yesterday morning between Kirkland and Clinton in which the Arkansas Democrat essentially endorsed the trade position taken by House Majority Leader Richard A. Gephardt (D-Mo.) to provide protections for U.S. jobs and worker rights in any North American free trade agreement.

To the consternation of organized labor, Clinton and Gephardt both endorsed giving the Bush administration "fast-track" authority for approving a trade agreement. But in search of a middle ground to satisfy labor, Clinton has regularly quoted Gephardt's doubts about whether the sort of treaty the administration would negotiate would ad-

equately protect the interests of U.S. workers.

"Everyone breathed a little easier" after the telephone conversation, said a source who was at the meeting. The trade issue has been a major concern of organized labor, particularly among the industrial unions that originally threw their support behind Sen. Tom Harkin (D-Iowa), an opponent of fast-track authority and advocate of an agreement that labor could support.

The AFL-CIO will not officially endorse Clinton until May 5, the next meeting of its 35-member Executive Council, but that will be simply a formality. The federation yesterday ordered its state and local political operations to immediately begin working for the Clinton campaign.

Kirkland said labor decided to act because it is now impossible for Brown to get

enough votes to win the nomination. "I have no sense of there being some white knight out there who would lead us to the promised land," he said.

One union political source said the endorsement was designed to prevent Brown from winning significant union support as the campaign heads into such primary states as Pennsylvania, Indiana and North Carolina. He said it also would help end any serious hope some unions might have that another candidate could be produced by a brokered convention.

Kirkland said labor wanted to help Clinton avoid what happened to Democratic presidential nominee Walter F. Mondale in 1984 when he had to fight for delegates up to the opening of the convention. As a result, Kirkland said, Mondale was unpre-

ers Decide It's Time to Endorse Clinton Presidential Bid

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pared for the convention and "never got a campaign going."

By making the endorsement now, Kirkland said, labor could help "give the candidate a chance to prepare himself for the convention and the campaign. It's important that the candidate be in a position to organize his campaign as soon as possible."

Labor sources said the unions began to lean in the direction of endorsing Clinton after last week's New York primary. "The fact that he won New York showed he had some grit," the source said. "He didn't run from the issues."

Yesterday Kirkland praised Clinton's courage in the campaign. "Governor Clinton has really been through the gauntlet," Kirkland said. "It's the toughest gauntlet I can remember and he's stood up extraordinarily well under it."

03/18/92-5:30pm

BRIEFING BOOK ON U.S. TRADE POLICY AND INTERNATIONAL COMPETITIVENESS

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U.S. INTEGRATION INTO THE WORLD ECONOMY

Overview

- o While the United States was comparatively insulated from international competition for many years, we are now part of a vast global marketplace.
 - Our economic prosperity has become increasingly tied to our ability to compete in world markets.
 - The communications and technological revolutions and the post-War reductions in tariffs under GATT have contributed to a huge increase in international trade and investment flows.
 - An outward-looking and open trade policy promotes U.S. economic growth and strengthens our industrial base. Such policies generate jobs and higher living standards for all Americans.
- o The Administration is committed to free and fair trade.
 - The objective of our trade policy is to open new markets for American products.
 - We are seeking to reduce tariff and non-tariff barriers in the Uruguay Round of multilateral trade negotiations.
 - The North American Free Trade Agreement negotiations is designed to bring together the people, resources, and markets of the United States, Canada, and Mexico. A NAFTA would enable U.S. industry to build new markets in this hemisphere for American goods and to achieve efficiencies that will help us compete worldwide.
 - The Administration has used U.S. trade law aggressively to challenge unfair barriers to American goods and services and unfair trade practices in the U.S. market.
- o Protectionism is an unworkable policy in a global economy that requires staying on top of rapid changes in technology, product design, and manufacturing techniques.
- o The United States has successfully improved its international competitive position since the mid-1980s and lowered its large trade deficits with the rest of the world. This largely reflects rapid manufacturing productivity gains and a much slower rate of increase in unit labor costs than in the other major industrial countries.

- o While there are immense challenges ahead, we should approach the future with confidence in the fundamental ability of American industry and the American worker to compete and win in the global market.
- The Administration is committed to lend a helping hand by providing a hospitable economic environment of low inflation, rapid economic growth, and cost-effective regulation.

Historical Perspective

- o Two world wars and the Great Depression had by 1950 destroyed the highly integrated world economy that existed in the late 19th century. In the immediate aftermath of World War II:
 - Global tariffs and trade barriers were high -- a legacy of the protectionism of the 1930s; and
 - The large and booming U.S. market led many American businesses to concentrate principally on supplying domestic demand.
- o Since 1960, the U.S. has become increasingly integrated into international markets. The industrial nations' barriers to cross-border movements of goods, services, and capital have been largely dismantled; global markets have expanded rapidly.
- o Imports and exports combined equaled 10% of U.S. GDP in 1960. By 1990, the ratio had risen to over 21%.
- o Foreign direct and portfolio investment in the U.S. surged from \$8 billion in 1950 to a record \$1.7 trillion last year.
- o While exports of goods and services account for 10% of our GDP, most other industrialized nations, except Japan, export an average of over 18%.
- o Commerce Department estimates that only 30% of U.S. firms with the potential to export are actually doing so. Many firms have yet to appreciate the opportunities for selling in overseas markets.

COSTS OF TRADE PROTECTIONISM

Trade protection is a poor way to create jobs since it:

- o Imposes enormous costs on consumers. According to a recent study, a job saved in a protected industry is estimated to cost consumers \$212,000 on average.
- o Raises the production costs of industries that are supplied by the protected businesses, thus adversely affecting their ability to compete internationally. The net results are lower exports, reduced domestic job creation, and a lower standard of living.
- o Invites retaliation by other countries that could lead to much lower output and employment, as the experience of the early thirties showed.
- o Undermines U.S. foreign policy objectives, particularly toward the developing countries and the newly emerging democracies in Eastern Europe. These countries need freer trade to help them earn the necessary foreign exchange to meet their international debt obligations and to raise their standard of living. Free and fair trade, not a hand out, is our guiding principle.

The Great Depression of the thirties clearly demonstrated the devastating effects on world output and employment of beggar-thy-neighbor trade policies.

- o When international prices of farm and manufacturing goods began to fall sharply in the late 1920s, trading nations moved to protect their domestic industries through tariffs, quotas, and competitive currency devaluations.
- o Following the 1929 stock market crash, the U.S. Congress enacted the Smoot-Hawley Act of 1930 raising the average tariff level to 59 percent on 887 traded commodities.
- o As other countries retaliated by erecting their own trade barriers, the world trading system collapsed.
 - World trade plunged by 70 percent from 1929 to 1933, and business activity in the leading industrial countries was cut in half.
 - That was a major factor in the extreme severity and length of the world economic depression, whose costly effects persisted for nearly a decade.
- o The consequences for the United States were quite severe.
 - Industrial production plunged 40 percent over the 1929-1933 period, and exports fell 60 percent.

- The overall jobless rate climbed from about 3 percent in 1929 to a staggering rate of 25 percent in 1933.
- o Lessons from the Great Depression can be used to challenge the Administration's critics. Protectionism is no cure for economic hard times.
- Passage of the the 1930 Smoot-Hawley Tariff Act was followed by the Great Depression.
- Advocates of protectionism must face the probability that their policies may lead to a severe recession here and abroad.

Eras of free and open trade are known to spur economic growth, while periods of protectionism retard it. As shown in the table below,

- o Trade growth stagnated in all major industrial countries between 1913 and 1950, and real GDP growth rates fell significantly.

RELATIONSHIP BETWEEN TRADE AND GDP GROWTH
(percent changes, annual averages)

	1870- 1913	1913- 1950	1950- 1973	1973- 1990
<u>Export volume growth</u>				
USA	4.9	2.2	6.3	3.4
Germany	4.1	-2.8	12.4	4.4
Japan	8.5	2.0	15.4	6.8
6-Country Average	4.2	0.5	9.7	4.7
<u>GDP growth</u>				
USA	4.1	2.8	3.7	2.5
Germany	2.8	1.3	6.0	2.1
Japan	2.5	1.8	9.7	3.9
6-Country Average	2.4	1.6	5.5	2.6

Source: Dept. of Labor, IMF, and "Phases of Capitalist Development" by Maddison

- o In the next quarter century, exports surged to a nearly 10 percent rate, while real GDP growth rose to 5.5 percent on average in the six major industrial countries.
- o The underlying trend of both export growth and real GDP growth have decelerated since 1973.

BENEFITS FROM FREE TRADE

Free and Open Trade Promotes Economic Growth

Exports are a vital source of growth in output and employment. The surge in U.S. merchandise exports in recent years has contributed to U.S. economic growth and employment.

- o Merchandise exports are still a relatively small share of the U.S. economy. In 1990, they accounted for 7.2 percent of our Gross Domestic Product (GDP).
- o The strong increase in merchandise exports between 1983 and 1990 contributed a steadily rising proportion of U.S. economic growth. Indeed, from 1986 to 1990, U.S. merchandise exports accounted for 41 percent of the rise in real GDP, with their contribution reaching 88 percent of real GDP growth in 1990 alone.
- o The total number of full-time-equivalent jobs supported by U.S. merchandise exports reached a record 7.2 million in 1990 -- rising 42 percent from the 5.0 million jobs in 1986. The total includes jobs **directly** required to produce the exported products, and those **indirectly** required upstream to produce the inputs and capital goods used in producing exports, and downstream to provide the services and transportation used in moving the goods to the port of exportation.
- o Merchandise exports contributed 25 percent of the growth in U.S. civilian jobs between 1986 and 1990, and 17 percent of that job growth in 1990 alone.
- o An average of 19,100 domestic jobs were supported by each billion dollars of U.S. merchandise exports in 1990.
- o The importance of total merchandise exports to job growth in the U.S. **manufacturing** sector is particularly striking -- contributing **all** of the job growth in U.S. **manufacturing** industries from 1986 to 1990.
- o In 1990, total U.S. merchandise exports to Canada -- the largest U.S. national export market -- supported 1.5 million jobs, and those to Mexico -- the third largest market - - supported 538 thousand jobs. Combined exports to these two countries (our partners in the proposed North American Free Trade Area) accounted for 28% of the total U.S. jobs supported by exports.

The U.S. Benefits from Direct Foreign Investment

Foreign direct investment (FDI) in the United States has grown rapidly in recent years, reaching \$466 billion at the end of 1990. FDI in the United States over the years has clearly redounded to the benefit of U.S. workers and consumers, as shown by a number of key indicators.

- o Without foreign capital inflows, gross investment in the United States in the 1980s would have been lower, interest rates higher, economic growth reduced, and employment growth smaller. FDI has been filling an important role by providing needed capital to U.S. manufacturing and by helping firms retool to meet the challenges of an increasingly competitive global economy.
- o Much of the FDI in new U.S. affiliates, particularly in the past several years, has taken the form of acquisitions (88 percent in 1990) rather than the creation of entirely new operations (12 percent). Even so, many of the newly acquired firms have been increased in size, with added capital investment and employment.
- o At the industry level, foreign direct investment has made noticeable contributions to the growth of the U.S. economy.
 - The gross product of these affiliates reached \$74 billion in 1987;
 - Foreign affiliates spent more on investment in plant and equipment per worker than the average U.S. manufacturing firm -- \$14,990 versus \$8,400 in 1988;
 - Foreign affiliates outpaced other U.S. manufacturing firms in productivity growth, with per employee real gross product rising 42 percent between 1980 and 1987, compared with a 32 percent rise by all U.S. manufacturing firms.
 - These foreign affiliates more than tripled their employment between 1977 and 1989, compared to an increase of one-quarter by U.S. firms generally. The affiliates' employment reached 4.4 million workers in 1989, and accounting for 4.8 percent of total U.S. non-bank business employment.
 - They spent more on R&D than other U.S. firms, with the manufacturing affiliates' R&D expenditures reaching \$8.6 billion in 1989, and with a R&D spending ratio to value added for 1987 of 7.6 percent versus 6.5 percent for all U.S. manufacturing firms.

An open economy and a healthy environment go hand in hand.

- o According to a World Bank study, pollution has grown most rapidly in those developing economies that are relatively closed to the world market.
- o Previous communist nations, such as the former East Germany and Romania, provide striking examples of how economies that are closed to foreign investment, competitive world trade, and technology transfer, fail to protect their environment.
- o A successful Uruguay Round that brings Eastern Europe and other developing countries into the world trading system should give these emerging economies access to modern technology and less environmentally-damaging methods of production. The resulting free trade system will also generate the resources needed to pursue a cleaner environment.

MYTHS ABOUT DE-INDUSTRIALIZATION AND MANAGED TRADE

The premise that the U.S. is "de-industrializing" does not square with the facts.

- o In 1990, manufacturing accounted for 23% of U.S. GDP, a slightly higher percentage than in 1980. Manufacturing employment has fallen because fewer and fewer jobs have been needed to produce a stable share of output, thanks to the relatively rapid improvement in manufacturing productivity.
 - U.S. manufacturing productivity rose by 3.5% a year over the last decade, the best performance since World War II.
- o An OECD study indicates that the U.S. share of industrial output among the OECD nations grew from 36% in 1973 to 39% in 1986.
- o The U.S. share of global high-technology output remained stable at 42% during the 1970s and 1980s.
- o Our share of OECD industrial employment rose from 24% in 1962 to 28% in 1985, while the shares of the U.K., France and Germany fell by 30%, 10%, and 20%, respectively. In short, we managed to create jobs for baby boomers and also for women as they entered the work force. Other nations did not.

The United States does not need managed trade or a "strategic industrial policy" to stay competitive.

- o Industrial policy advocates propose that the U.S. Government supervise, subsidize, and protect selected "strategic" industries. Implementing such a policy, or a managed trade regime, would require detailed government intervention, and would diminish competition.
 - There is no evidence that government officials are better than the marketplace at identifying "winners and losers" among industries, and ample evidence that they would do worse.
- o What the U.S. economy needs is less, not more, government intervention, taxation, and regulation.
- o Recent economic research shows that a "strategic industrial policy" is more likely to lead to a lower level of national welfare than to an increase.

ADMINISTRATION TRADE POLICY: KEY INITIATIVES

The Administration has moved aggressively to open new overseas markets for American businesses and workers. Five important initiatives have been launched.

1. The Uruguay Round: Opening Global Markets

The Uruguay Round is aimed at opening international markets by removing trade barriers and expanding GATT disciplines to cover trade in agriculture, services, investment, and intellectual property.

USTR estimates that reducing tariff and non-tariff barriers in a Uruguay Round agreement would raise U.S. GDP by a cumulative total of \$1.1 trillion over the next ten years, or by \$16,000 for the average American family.

A successful Uruguay Round would have far-reaching benefits for the global economy since over 107 nations are participating in the GATT talks.

While some critics argue that the U.S. should rely principally on bilateral pressure using section 301 to open markets, there is no substitute for clear and enforceable multilateral rules with broad application to all nations for reducing barriers.

The President adhered to his commitment to negotiate a good agreement.

The U.S. business community strongly supports the President's May 1990 statement that in the Uruguay Round "no deal is better than a bad deal".

During the GATT Ministerial meeting in December 1990, the U.S. insisted on real reductions in farm subsidies and protection, and rejected a minimalist compromise.

Contrary to the expectations of many foreign governments and many ex-U.S. trade officials (who predicted we would fold for foreign policy reasons), the U.S. stuck to its position, even though this resulted in an impasse with the European Community.

The refusal to accept a "bad deal" has made it possible to negotiate seriously with the European Community, and helped produce agreement at The Hague to cut farm subsidies and protection by 35% over six years.

Our Uruguay Round goals are ambitious.

- o Improved GATT agriculture rules would boost American farm exports. Until now, agriculture has been exempted from GATT disciplines and the European Community has used massive government subsidies to capture global markets from American farmers.
- o The Administration is seeking to extend GATT disciplines also to services, investment, and intellectual property.
 - The United States exports nearly \$115 billion of services annually.
 - The U.S. International Trade Commission has estimated that global piracy of U.S. intellectual property rights costs American business \$60 billion per year.
 - The GATT estimates that international investment flows increased at an annual rate of 34% during the 1980s, or four times as fast as trade in goods.
- o Past rounds of GATT conferences produced significant tariff cuts and trade benefits. In the Kennedy Round, the average cut in all duties was 36.0 percent, while in the Tokyo Round, the average cut was 29.6 percent.

2. The North American Free Trade Agreement

The NAFTA seeks to create a free trade area covering the United States, Canada, and Mexico.

According to one private study, NAFTA, accompanied by Mexican economic and related policy reforms, will create a net increase of 130,000 jobs and improve the U.S. trade balance by 9.0 billion dollars annually in 1995.

3. The Enterprise for the Americas Initiative

The EAI is a long-term partnership with Latin America aimed at opening markets, expanding investment flows, reducing official debt, and strengthening the environment.

4. U.S. - Japan Trade Policy: Free And Fair Trade

Our objective with Japan is free and fair trade.

- o The Administration has aggressively challenged Japanese trade barriers.
- o The U.S. used Section 301 of U.S. trade law to negotiate agreements to open markets for U.S. supercomputers, forest products, satellites, amorphous metals, construction services, and semiconductors.
- o The Administration prevailed upon Japan to phase out its trade in endangered sea turtles and to end driftnet fishing.

The Administration has faithfully implemented U.S. trade law.

- o In 1989, the Administration designated Japan as a priority country under the Super 301 provision of the Omnibus Trade and Competitiveness Act of 1988.
- o Section 301 has been used aggressively, as a tool to open markets, as contemplated by the 1988 trade act.

We have challenged underlying structural barriers to trade through the U.S. - Japan Structural Impediments Initiative.

- o Instead of the product-by-product confrontations of the past, the Administration has pressed a new approach -- the Structural Impediments Initiative (SII). The SII is aimed at structural changes in Japan's economy that will help open markets on a wide front.
- o The SII deals with obstacles raised by the closed distribution system, keiretsu, inadequate antitrust enforcement, monopolistic pricing, and skewed savings-investment ratios. As part of our structural dialogue, we also looked at U.S. weaknesses, like our educational system and chronic budget deficits.
- o In 1990, after a year of intensive negotiations, agreement was reached on comprehensive structural reforms by both nations to improve trade and balance-of-payment flows. The U.S. and Japan also agreed on a monitoring process to ensure that the commitments are implemented.
- o The result has been more than a doubling of U.S. exports to Japan, making Japan our second largest market.

5. Export Promotion: Helping American Exporters

The Administration has led a comprehensive export promotion effort, including seminars in 30 U.S. cities to explain to American businesses the export opportunities in foreign markets and the promotional services available from the U.S. Government. U.S. exporters are also helped by loans, guarantees and insurance provided by the Export-Import Bank, which totaled \$12 billion in Fiscal 1991.

The Administration established in May of 1990 a Trade Policy Coordinating Committee (TPCC) to integrate and streamline Federal export promotion efforts.

For the first time, the Federal government has a mechanism for coordinating the efforts of the various agencies involved in export promotion, including the Commerce Department (chair), the Small Business Administration, the Export-Import Bank, the Overseas Private Investment Corporation (OPIC), and the Agency for International Development.

- o Lack of coordination had previously undercut U.S. export promotion efforts.
- o The Administration has significantly increased funding for export promotion and for the Export-Import Bank, which provides credits and credit guarantees for American companies that are selling overseas.

The Administration has made export promotion a national priority.

- o The Secretary of Commerce personally led a national export promotion initiative. The heart of the initiative was a series of conferences held in 30 cities throughout the United States.
- o These conferences were designed to help American companies to learn more about the export promotion services available from the Federal government.
- o The TPCC will coordinate the U.S. - Asia Environmental Partnership.

IMPROVED U.S. INTERNATIONAL COMPETITIVENESS

Our long-term competitiveness has been enhanced in recent years by rapid manufacturing productivity gains and by slow growth in unit labor cost.

- o U.S manufacturing productivity growth accelerated from an average annual rate of 2.3 percent in the 1970s to a 3.5 percent rate during the 1980s.
 - In contrast, the rate of manufacturing productivity gain slowed down in both Germany and Japan during this period.
 - The relatively rapid advance in U.S. manufacturing efficiency reflected the significant improvement in our inflation performance and the concerted efforts by major U.S. industries to trim costs and spur technological advances.

MANUFACTURING OUTPUT/HOUR (% change, a.r.)

	1970-- 1980	1980-- 1990
U.S.	2.3	3.5
Japan	5.9	4.1
Germany	3.9	2.5
France	4.5	3.5
U.K.	2.4	4.9
Italy	5.8	3.8
Canada	2.7	2.0

Source: Bureau of Labor Statistics

- o Reflecting these favorable developments, manufacturing unit labor costs rose at an average annual rate of only 1.1 percent from 1980 to 1990, well below the 4.6 percent rate increase for Japan and 3.8 percent for Germany.

UNIT LABOR COSTS
(% change, a.r., in \$)

	1970- 1980	1980- 1990
U.S.	6.5	1.1
Japan	12.3	4.6
Germany	13.5	3.8
France	13.2	1.7
U.K.	15.2	0.9
Italy	9.7	3.9
Canada	6.5	4.5

Source: Bureau of Labor Statistics

This improved competitive position has contributed to a strong U.S. comparative advantage in producing high-technology products.

- o High-technology industries tend to export more and pay higher wages than low-technology industries.
- o High-technology industries, which represent roughly 30 percent of total U.S. merchandise exports, contributed nearly one-half of the rise in all jobs due to manufacturing exports during 1983-1990.
- o The United States needs to continue active involvement in the global economy and to press for open markets around the globe in order to exploit this advantage in high-technology products.

The improved competitive position of recent years has led to an export boom and a marked reduction in U.S. trade deficit with the rest of the world.

- o In 1991, U.S. merchandise exports rose a solid 7.2 percent, a testimony to the improved competitiveness of U.S. industry and agriculture, while imports, affected by soft U.S. demand conditions, declined by 1.5 percent. The result was a sharp drop in the trade deficit, from \$102 billion in 1990 to \$66 billion in 1991.
- o This marks the fourth consecutive year that the U.S. trade balance has improved. As recently as 1987, the deficit registered more than \$150 billion. Trade imbalances with most other industrialized countries also narrowed in 1991. Exceptions, however, include Japan, Taiwan, and China.

- o The U.S. regained its position as the world's largest exporter in 1991, slightly ahead of Germany but well ahead of Japan. U.S. merchandise exports are now almost twice the level that they were in 1985.

As the U.S. economic recovery strengthens this year, leading the world out of recession, we may witness a modest widening of the merchandise trade imbalance from the relatively low trade deficit of 1991.

- o Relative to a growing value of our domestic output (GDP), the trade imbalance in 1992 is likely to be slightly higher than in 1992, but significantly below the ratios reached in the mid-1980s.
- o Our traditional industrialized markets should gradually emerge from their own slowdown later this year, allowing a substantial pickup in export demand in 1993.
- o Moreover, as progress continues in breaking down barriers to trade, through GATT, through bilateral and multilateral free trade agreements, and by the opening of previously centrally controlled economies, trade opportunities should continue to expand.

THE U.S. AND JAPAN: A COMPARISON

While Japan's per capita real GDP has increased sharply with the revaluation of the yen, Japanese living standards lag behind the United States and some other industrialized nations.*

- o During the mid-1980s, the IMF surveyed development indicators of member countries. Per capita comparisons between the U.S. and Japan are revealing.

(per thousand citizens)

	<u>U.S.</u>	<u>Japan</u>
Automobiles.....	572	235
Telephones.....	641	535
Television sets...	377	250

- o Because of high land and housing prices, Japanese banks are forced to offer 90-year mortgages that cover three generations. With an apartment in Tokyo costing over \$300,000, many Japanese workers commute 1-1/2 to 2 hours each way.
- o Protectionism has dramatically raised the cost of food in Japan. A pound of beef costs over \$7.

Overall U.S. productivity still far exceeds Japan's.*

- o According to the Labor Department, in 1990 U.S. productivity was the highest in the industrial world -- with \$45,165 of GDP per employed worker.
- o Japan was ahead of the U.K. and close to Germany with \$34,711 output per worker.

* Measured in terms of purchasing power parity.

In 1989, a Japanese Government agency found Japan's infrastructure inferior to that of the U.S., U.K., France, and Germany.

- o Japan's percentage of paved roads was 65% of the average of all five countries.
- o Japan's miles of roadways per auto was about 35% of the average.
- o The percentage of homes connected to sewer systems was about 50% of the average.

While Japan made incredible economic strides in the 1980s, it is unlikely to repeat this performance in the 1990s.

Japanese growth was fueled by high investment rates that were linked to low capital costs and an incredible surge in the asset value of physical capital. Recent developments have increased costs and have narrowed the disparity in the cost of financial capital between the U.S. and Japan.

- o Borrowing costs, measured by real interest rates, have declined since the mid-1980s in the U.S., for both short and long-term debt. In Japan, real rates have declined more modestly. In Germany, they have increased under the pressures of reunification.
- o The cost of equity-financed investment has increased in Japan as stock prices have declined by nearly 39 percent since 1990, and price-earnings ratios have fallen to levels more typical of other industrial countries.
- o The price of the S&P 500 index relative to the Nikkei average has more than doubled since 1989, adjusted for exchange rate changes.
- o Land prices have also peaked in Japan, with declines of 30 percent reported in some urban areas.
- o Stable macroeconomic policies and an above average rate of saving and investment will continue to contribute to high productivity growth in Japan. But the disparity in economic growth rates between Japan and the U.S. is likely to diminish as Japanese markets are further integrated with world financial markets and financial capital costs converge.

GLOBAL MARKETS: FUTURE IMPLICATIONS

The movement toward more integrated global markets is likely to continue.

- o Innovations in communications and transportation technology continue to reduce the economic significance of national borders.
- o U.S. firms recognize that they must compete in Europe and Asia to stay abreast of global technology, product, and management innovations.
 - Exports and foreign investment in the United States diminish the fluctuations in the U.S. business cycle.
 - Some U.S. firms in basic industries, including steel, textiles, and machine tools, are now aggressively seeking export markets.
- o Global trade, investment, and capital movements continue to increase at higher rates than world output. In the last 45 years, global trade has increased at an annual rate of 6.2%, compared to 4.1% annual growth for the overall global economy. The GATT estimates that during the 1980s global investment flows increased at an annual rate of 34%, or four times the rate of increase in trade in goods.

The challenges of competing in an international economy help to explain certain trends in American society.

- o Competition from foreign countries, particularly LDCs, may account for the growing disparity between the wages of U.S. skilled and unskilled workers.
- o The Reagan Revolution triggered a worldwide movement toward lower taxes and deregulation, e.g., Europe 1992. High tax rates and unnecessary regulations weaken a nation's competitive position by pricing its industries out of international markets.
- o Labor unions dominated U.S. heavy manufacturing in the 1950s and 1960s, but global competition has sharply diminished the ability of such industries to pass on the costs of higher wage rates and restrictive work rules, particularly if unionization does not increase productivity.

- o Competing in a global economy, particularly in sectors requiring massive and ongoing research and development expenses, tends to provide an advantage to large multinationals.
- o In response to foreign competition during the 1980s, U.S. firms reexamined long-held management practices, and adopted foreign management innovations, such as just-in-time inventory and continuous quality improvement systems.
 - This process is continuing. The recent rise in white-collar unemployment may stem in part from perceptions that U.S. firms have excessive mid-level management, and would benefit from adopting systems that keep management in closer contact with the factory floor.

Competing in an international economy poses challenges for American society.

- o Investment Gap. According to the IMF, U.S. gross private investment as a share of GNP was 14.1% in 1990. Other major industrialized countries had much higher rates of investment -- Canada (19.8%), Japan (26.6%), Germany (19.9%), France (18.5%), and the U.K. (15.7%).
- o Competitiveness Patterns. In country profiles prepared by the World Economic Forum, the U.S. is rated highly for economic dynamism, market orientation, and level of human resources. It lags, however, in certain key areas, such as future orientation (6th), financial dynamism (4th), and natural endowment utilization (8th -- principally because of high energy usage).
- o Education. While the U.S. has a large working population, many of our human resources are inadequately trained and skilled. In contrast, Germany, for example, has a much smaller working population, but this is offset by a strong educational and apprenticeship system.
- o Short Time Horizons. U.S. executives are more preoccupied with short-term earnings, dividends, and share prices than their foreign competitors. Global markets (particularly high technology markets) tend to reward patience and persistence.

The challenge of competing successfully in a global economy could provide a unifying theme for many of the Administration's domestic initiatives.

- o Education. In a global economy, maintaining an edge in U.S. productivity is crucial to maintaining our living standards. It is important that our educational system produce American workers able to compete with any in the world.

- o Banking. Because of Depression-era financial regulations, American banks are ill-equipped to compete in global financial markets and have lost ground in the last 20 years.
- o Cost of Capital. American firms have been handicapped by the high cost of financial capital, which deters productive investments. Initiatives like the capital gains tax cut and investment tax credit would lower this cost.
- o Deregulation. While some regulations are essential, unnecessary and burdensome regulations increase the costs of American goods in world markets.
- o Legal Reform. U.S. product liability laws and the proliferation of lawyers and lawsuits are a real competitive disadvantage to U.S. firms. Other countries are able to maintain safe living environments while foregoing these burdens.

THE WHITE HOUSE

Office of the Press Secretary

Embargoed for Release
Until 9:00 A.M. EST
Saturday, April 4, 1992

RADIO ADDRESS BY THE PRESIDENT

THE PRESIDENT: American democracy was launched from great ideas which grew out of great debate. Our Founding Fathers believed in the fundamentals: faith, family and freedom. And they were determined to build prosperity. More than 200 years later, by holding firmly to our principles, America has changed the world. Henry Luce called the 20th century the American Century.

If we are to ensure that the next century is also the American Century, we must meet five great challenges: education reform, legal reform, health care reform, international competitiveness and market expansion and governmental reform.

The latest unemployment figures were released Friday. They held steady at 7.3 percent. But unemployment is still too high. Too many Americans are out of work. To get this economy rolling again, faster and stronger, Congress should have passed our economic action plan. But they reverted to form, tried to raise taxes and increase government spending. We can no longer afford this kind of business as usual. We need to reform Congress. And that is my focus today.

G. K. Chesterton said, "We cannot discuss reform without reference to form." In the face of overwhelming evidence that change is necessary, Congress has kept reform on the back burner. It is up to us to turn up the heat. If we are to improve education, health care, our legal system; if we are to reduce red tape and regulation; if we are to make our country competitive and get this horrendous deficit down, we must reform the congressional process itself.

It is true that one-party rule in Congress is a big part of the problem. But the larger issue is a systemic problem, the 284 congressional committees and subcommittees, the almost 40,000 Legislative Branch employees and staff, the \$2.5 billion of taxpayer financing overlaid with \$117 million reelection war chest and special interest campaign contributions for incumbents. Such a system cannot promote reform and change; instead it aggressively protects the status quo.

I know that the federal government cannot be run just like IBM or the local convenience store. But government today is a \$1.5-trillion enterprise and programs that have outlived their function have not outlived their funding. We can and we must improve governments responsiveness.

What merely hampered us in the past will gridlock us in the future. Our ability to compete demands that Congress enact the reforms I have proposed. The set of actions I have proposed, when taken together, will help make government respond to the people. Government for the people, as our founders envisioned.

First, Congress should govern itself by the laws it imposes on everyone else. No more special treatment.

Second, Congress should reform its operations and procedures.

MORE

Third, we must make sweeping campaign finance reforms.

Fourth, we need to change how Congress spends the people's money.

And fifth, we must revise and eliminate government regulations that impede our ability to compete, and we must accelerate regulations that enhance our competitive edge.

Sixth, we must limit congressional terms. The cycle of virtually guaranteed reelection through the built-in advantages of incumbency must be broken.

And finally, the Congress of the future should be a citizen Congress, not a career Congress.

These reforms, taken together, can renew our faith in government, restore the principles of our founders, and help guarantee for children a new American Century.

The choice is clear: On the one side stand the defenders of the status quo; on the other, the forces of change. And now that we've changed the world, we must make the choice to change America.

Thank you, and may God bless the United States of America.

END

THE WHITE HOUSE
Office of the Press Secretary

Embargoed For Release
Until 9:00 A.M.,
Saturday, April 11, 1992

RADIO ADDRESS
BY THE PRESIDENT
TO THE NATION

THE PRESIDENT: The American people have always been a people constantly searching for improvement; impatient for change when things need changing. Last week I spoke about the need for a change here in Washington for government reform -- especially congressional reform. Today I want to focus on reforming our welfare system, especially on our government's role in that reform process.

After years of trying to help those who are in need, we have found that too often our assistance does not help people out of poverty, it traps them there. It's not that people stop caring, it's that the system stopped working.

We want a welfare system that breaks the cycle of dependency before dignity is destroyed, and before poverty becomes a family legacy. But today we must face this fact: Our system has failed. I have repeatedly called for the forging of federal-state partnerships that would make welfare reform a powerful, effective reality.

Yesterday, at my direction, the federal government waved outdated rules to allow Wisconsin to try a new kind of welfare reform. The Wisconsin plan replaces some of the old assumptions of the welfare state and recognizes the importance of personal responsibility, self-respect, independence, and self-sufficiency.

In my State of the Union Address, I made a commitment to make it quicker and easier for states with welfare reform ideas to get the federal waivers they need. By approving Wisconsin's waivers 24 days after we received their request, that commitment now has the force of action. I want to commend Wisconsin Governor Tommy Thompson, and I want to challenge other states to propose their own reforms.

We must balance America's generous heart with our responsibility to the taxpayers who underwrite governmental assistance. Our assistance should in no way encourage dependency or undermine our nation's economic competitiveness. We pay twice for those who make welfare a way of life, once for the initial benefits, but even more because the nation loses their contribution to the nation's economic well-being.

Those who receive government assistance have certain responsibilities: the responsibility to seek work, or get education and training that will help them get a job; and the responsibility to get their lives in order. That means establishing lifestyles that will enable them to fulfill their potential, not destroy it.

We have responsibilities, too. We must structure our welfare programs so that they reverse policies which lock in a lifestyle of dependency and subtly destroy self-esteem. We must encourage family formation and family stability. Too often our welfare programs have encouraged exactly the opposite.

MORE

We must incorporate incentives for recipients to stay in school. For instance, in Wisconsin teen parents are required by the Learnfare program to stay in school to obtain full benefits. They recognize that in many respects opportunity is equated with education. And I'll have more to say about the urgent need for educational reform next week as we mark the first anniversary of the crusade that I call America 2000.

My approach to welfare reform should not only open the doors of opportunity for our citizens who are on public assistance, but also prepare them to walk proudly and competently through those doors. Our goal is to build a system of welfare that will encourage self-respect, build strength of character, and develop to the fullest each individual's potential for a productive, meaningful life.

Thank you for listening. And may God bless the United States of America.

END