

Remarks of the Honorable Ann M. Veneman

Deputy Secretary United States Department of Agriculture



Delivered at the annual meeting of the California Avocado Society, Fallbrook (Live Oak Park), September 26, 1992.

The avocado stands out among the many commodities this country and this state produce. It's not just a great agricultural success story. It's an American success story as well. And, it's important to our nation's economy.

American avocado growers produce a crop each year valued at almost \$200 million at the farm gate. Last year, avocado exports were nearly \$7 million, contributing to our positive agricultural trade balance. Domestic and foreign sales generate \$600 million in economic activity every year. And, that means about 25,000 jobs for American workers.

Your industry has moved ahead because it has capitalized on the opportunities a changing world offers. And I want to mention a few of the changes—the remarkable changes—we've seen around the globe.

- The Berlin Wall is gone. Two German nations are now one.
- The people of Eastern Europe and the Baltic States are free.
- Communism is virtually dead, except for the five nations that cling stubbornly to it.
- We have welcomed 21 new countries and 409 million people to the family of free nations that once formed the Soviet empire.
- Today, the lines at the McDonald's in Moscow are longer than at Lenin's tomb.
- And, this summer, more nations—free nations—participated in the Olympics in Spain.

These are just a handful of the powerful changes we've seen—and they're in the right direction.

Former Agriculture Secretary Dick Lyng said something recently that I think really puts these changes into perspective. He said he was surprised about the sudden clamor for change, especially in view of the dramatic changes in the global power structure.

He recalled how Soviet Premier Nikita Khrushchev in the 1950s, angrily pounding his shoe on his podium at the United Nations, told our ambassador, Henry Cabot Lodge, "We will bury you!"

And here's the point Secretary Lyng made about this in view of the changes we've seen: He said, "We have progressed from Nikita Khrushchev pounding his shoe at Henry Cabot Lodge to Boris Yeltsin playing horseshoes with George Bush." And he sums it up this way: "That seem to me to be a tremendous amount of change." It's not really a question of change, for change is all around us. The question is: How do we manage the change and get the most out of it?—and by "most" I mean the most in opportunities for Americans.

Not all of the significant changes have happened abroad. Many of the important changes have happened here at home and many have been in agriculture. And they have made it stronger and more prosperous. And it's a record we should be proud of.

- First, inflation, that thief of money and hard work, is down to three percent.
- It once stood at 14 percent.
- The prime rate is now 6 percent. It wasn't so long ago that it was 21 percent.
- Net farm income increased in six of the last seven years.
- In 1982, 99 million Americans were working.
- Since then, 19 million more are on the payrolls, working and buying your products.
- Farm equity is up 26 percent from 1986.
- A third of all farm debt has been erased in eight years.
- And, in just four years, agricultural exports jumped from \$27 billion to \$41.5 billion today.

You and other American producers are the beneficiaries of these positive changes. And they can only mean two things: increased sales and higher net incomes.

World commerce continually changes. But your industry has changed to meet the times, and it has always prevailed because it is a fiercely competitive industry. Without fail, it has found the opportunities that come with challenges and changes and claimed the just rewards of those who work hard and persevere.

As we work to find the opportunities in today's challenges and changes, the avocado industry must remain competitive in both domestic and world markets.

I want to commend the industry for the positive steps it has taken to open markets and keep avocados competitive both here at home and abroad.

I want to say a few words about an issue that affects the continued viability of your

industry—both now and in the future. I'm talking about water. As you know, it has been proposed that the Central Valley Project be transferred from federal to state control. Our position is that if the negotiations are handled carefully and properly and the transfer of the Project is good for California and for agriculture, then transfer to the state will be the best approach.

Your industry is also meeting special challenges posed by competition in international markets. The political and economic changes happening around the globe have opened up more of the world for business. And the competition in avocados is increasing. We're seeing unprecedented opportunities for trade in agricultural products.

If American agriculture is to grow, our agricultural industries must look outward—oriented to global competition and emerging opportunities in the world marketplace. Agriculture's present and future prosperity is linked to world markets. Exports are key. They create jobs at home and generate income.

I applaud your industry not only for recognizing this, but for doing something about it. I'm talking about the aggressive way you're promoting U.S. avocados abroad.

The U.S. avocado industry has worked hard to develop and implement innovative strategies to educate foreign buyers about how to use and enjoy avocados. But the task has been formidable and the competition strong. I commend you for your market development efforts—particularly in Japan.

The avocado industry, through the California Avocado Commission, was one of the first to participate in our Foreign Market Development program. And it has been active in the Targeted Export Assistance (TEA) program and its successor, the Market Promotion Program (MPP).

Since 1976, we have worked with the Commission to promote avocado exports. During that time, we have provided nearly \$4 million for export promotion.

The Commission's programs in both the Foreign Market Development Cooperator program and the MPP help increase foreign consumption of California avocados. This has helped build awareness and sales. These efforts have been important in maintaining large and established markets, and in tapping opportunities in emerging markets.

Many of you are aware that the Market Promotion Program got caught in a budget squeeze this year. The program was the focus of congressional hearings that questioned the value of this export tool. At the outset, it looked like the program might be abolished. The USDA spending bill passed by the house slashed funding for MPP. But we, along with the many associations involved in this program, were able to convince the Senate to restore much of that funding. We didn't get the full amount we asked for. But we did a lot better than we originally expected. And that means that your industry can continue to participate in this critical export promotion program.

These are a few of the actions we have taken together to keep avocados competitive in world markets.

But we're doing more. President Bush is a forceful advocate of free and fair trade. That's why he continues to pursue new trade agreements that will open new markets for

American products like avocados. The North American Free Trade Agreement is one example. The NAFTA negotiations concluded in a handshake in August. And, the agreement is a tremendous victory for American agriculture.

This agreement will give producers access to the largest, richest market in the world, with more than 360 million consumers and an economy of \$6 trillion. It means freer access to Mexico and its more than 90 million consumers. With its improving economy, rising incomes, and growing food and fiber needs, Mexico is a lucrative market for our farm products.

Mexico is our third largest customer for agricultural products, buying \$3 billion worth last year. With its trade barriers removed and with economic growth, our farm exports to Mexico are expected to increase by another \$2 billion when the agreement is fully in place. That means higher farm incomes and an estimated 54,000 new jobs here at home.

I know your industry has some concerns about the NAFTA. We met with your representatives several times during the course of the trade talks, to be sure that our negotiators fully understood your concerns.

If you've had a chance to review the proposed agreement, you see that it includes strong disciplines on the development, adoption, and enforcement of sanitary and phytosanitary measures. These measures must be based on scientific principles and not result in disguised restrictions on trade. Moreover, U.S. border inspection will remain in place to safeguard your industry and others.

The issue of admitting Mexican avocados into the United States will continue to be based on scientific factors. The Mexicans would need to convince our APHIS technical experts that there is no potential for spreading pests to the United States from their avocados. We will continue to work with Mexico through our bilateral working groups on issues such as this, but we will consider only hard scientific evidence.

In terms of the concerns, I think it's also important to underscore what the agreement does NOT require.

For example:

- It does not require any changes in stringent U.S. standards for food safety, animal or plant health, or environmental protection, nor does it prevent the adoption of even tougher science-based standards.
- It does not exempt our NAFTA partners from meeting U.S. quality and grade standards for fruits, vegetables, and other products.

In leading the agriculture negotiations, our goal was to reach an agreement that would open Mexico's market to U.S. farmers and create new opportunities for U.S. agricultural and food exports far into the next century.

All agricultural tariffs will be eliminated either immediately or over transition periods of 5, 10, or 15 years. Avocados fall in the 10 year phase-out category. Only five percent of U.S. commodities will have longer than 10 years before their duties are phased out. There will be no tariffs in U.S.Mexican agricultural trade after the 15-year implementation period. We will have free trade.

But as important as the agreement's market access provisions are, I would like to emphasize again how strong the sanitary and phytosanitary provisions are. Despite Mexico's initial request to include language in the NAFTA on our phytosanitary regulations for avocados, none of our standards for them would be changed by the proposed agreement.

The NAFTA recognizes the right of each country to establish its own levels of protection for human, animal, and plant health—but only as long as its measures are based on science and a risk assessment. And, they must be applied only to the extent necessary, and must not result in unfair discrimination or disguised restrictions on trade.

Imports that do not meet our health and safety standards will be prohibited. USDA and the Food and Drug Administration will continue to enforce legal limits on pesticide residues and refuse entry to any products that do not meet these limits.

In other words, the United States will maintain its high standards for public health and food safety. There will be no compromise in these areas.

Similar rights and conditions apply to U.S. protections for animal and plant health. Each country sets its own level of desired protection, conforming to scientific principles. If Mexico declares one of its agricultural areas to be free of a disease or pest that would threaten U.S. agriculture, it must provide evidence supporting the claim and allow U.S. officials access for inspection and testing.

I can assure you that protecting the health of U.S. agriculture continues to be of prime importance to the United States. This priority will not change.

The proposed text represents a comprehensive, fair, and balanced agreement. It provides strong protections for our import-sensitive agricultural sectors, consumers, and the environment, while ultimately achieving the free market access we sought.

We are urging Congress and the agricultural community to support the NAFTA—now and in the future. We're convinced it's not only pro-agriculture, but pro-jobs and pro-trade as well.

NAFTA builds on the success of the U.S.-Canada Free Trade Agreement. That agreement had its critics before it was ratified nearly four years ago. But since that accord was enacted, our agricultural exports to Canada have increased more than a billion dollars. In fact, since 1988, our farm exports to Canada are up 44 percent. And avocado exports have increased, too.

The U.S.-Canada Free trade Agreement and the NAFTA are triumphs for our economy and all Americans. But we're not letting up on our commitment to the world trade talks, known as the GATT talks.

Clearly, a new world trade agreement is in our best interest. Economists say such an accord could boost the value of world trade by at least \$100 billion by the end of the decade. That means faster economic growth, more jobs, and higher incomes.

We're committed to seeing these negotiations through to the end—knocking down trade barriers, cutting unfair export subsidies, and removing the obstacles to profitable trade. We're determined to reach a world trade agreement that will continue to improve income for American farmers and ranchers into the next century. And we want an agreement

that will ensure increased market access and less competition from subsidized exports

Dramatic growth in trade during the last 40 years has been one of the great engines driving economic growth and lifting standards of living around the globe. The reward of freer trade has been prosperity.

Trade reform in agriculture is the key to improving economic growth and meeting growing demand in the developing world. By the year 2010 world population is expected to grow by 1.7 billion. More than 90 percent of that growth will be in developing countries.

Freer trade could help boost economic growth in the developing nations. An agreement that brings some order and stability to world trade, an agreement that moves us forward toward a freer and fairer trading system is the answer.

The success of the GATT talks is critical for American agriculture and for other countries as well. Our best change for strong global economic growth is a rising tide of international trade. That's why we are working so hard to bring agriculture under GATT rules.

As you know, Arthur Dunkel, Director-General of the GATT, submitted a draft agreement covering all areas of the Uruguay Round. The draft agriculture agreement calls for specific commitments to reduce export subsidies, trade-distorting domestic farm supports, and barriers to market access beginning in 1993.

We estimate that if the provisions of the Dunkel text were started in 1993 and completely implemented by 1998, U.S. farm exports could increase by \$4 billion to \$5 billion.

I know that some people claim that avocados might not share in these overall gains for American agriculture. But, we believe they would. That belief hinges on increased worldwide economic growth and trade created by a GATT agreement. Higher global incomes would increase the demand for agricultural products, including avocados. With freer trade and higher avocado consumption worldwide, more U.S. avocados would be demanded. The bottom line is higher global incomes, more avocado consumption, and more U.S. avocado sales. We need to continue to do everything we can to maintain and expand foreign markets for avocados.

We share the goal of keeping avocados competitive in markets abroad and here at home. This goal is the driving force behind your efforts. And it's at the center of ours. Together, our separate efforts are increasing demand for U.S. avocados. Together, our programs are having tremendous success.

And through our export promotion programs, the recently concluded NAFTA talks, bilateral negotiations, and our continuing quest for a GATT agreement, we are opening new markets for American avocados. And we're doing what we can to create opportunities in today's changing world, both here and abroad. Together, we must ensure that consumers have the choice of high quality agricultural products they want and need. I know we will.