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During the past few weeks, the Senate Finance Committee has been considering a piece of legislation which could have had a tremendous negative impact on North Carolina's farm community.

As part of its consideration of the Tax Reform Act of 1975, the committee has had before it a proposal to remove agricultural products from the Domestic-International Sales Corporation program -- DISC for short.

The impact of modifying this program would be a severe blow to North Carolina's domestic and export tobacco markets. Basically, what the DISC program does is give tax deferrals

to corporations which export agricultural and other commodities -- including tobacco. It has had a tremendous effect on the willingness of export companies to develop foreign markets for our tobacco.

I am happy to report that the Finance Committee defeated this effort on the part of some senators to delete agricultural products from the DISC program. For now, this boon to North Carolina's agriculture is safe.

To give you some idea of the impact ending this program would have on our tobacco exports, let me point out that in 1975 about 500 million dollars worth of North Carolina tobacco was exported under this program. That is half of the United States total. Decreasing that market would be bad enough,

but it would also have the effect of lowering prices on the domestic market. That excess would certainly have to go somewhere until farmers adjusted to the market.

You can be certain I will be watching for this bill to come on the floor of the Senate, where there may be another attempt to delete agricultural products from the DISC program, or end the program entirely.

It may be that during the coming week, the committee will take up a provision of the tax bill which is of great importance to the farmer as well as to the small businessman. This is the proposal to increase the federal tax exemption for estate taxes to \$150,000.

For years, the exemption has been set at 60,000 dollars, and for some time it has been clear that this was too low.

Inflation has been reducing the actual size of that \$60,000.

Any farmer knows \$60,000 is an easily-reached figure in the capitalization of a farm. Any farmer or small businessman knows that to keep the estate tax exemption that level is to force the sale of a farm or business to pay taxes on the estate. We have been faced with the specter of one-generation businesses and farms.

I therefore joined as a co-sponsor of Senator Fritz Mondale's bill to increase this tax exemption, breaking my rule of not co-sponsoring bills outside my own committee area, and therefore outside my control.

I felt the matter was that important. It appears this bill will not stand alone, but will be included in the tax reform bill. Just what the final version will look like is not yet clear -- the \$150,000 figure is not fixed. I hope it will be larger, because if you consider inflation, an exemption of as much as \$250,000 would be fair.

Another element of our original bill which I hope will also be made part of the tax reform act would require that farmland in an estate be valued according to its use as farmland, and not according to its possible use as a real estate subdivision. That would also help the heirs of farmers hold on to their property, and not have to sell out to pay taxes.

During my recent trip to the Far East, I was very much

impressed with the way our Tar Heel farm exports are tied to the balance of power in that part of the world, and to our role in protecting the non-communist countries there.

My purpose in going to visit South Korea and Tiawan was to inform myself as a Senator, so that I will be able to do better the job North Carolinians sent me to Washington to do. I can say that the trip was very successful from that point of view.

Right now, the nations of the far east are big customers of all kinds of farm produce, much of it from North Carolina.

Our biggest customer for tobacco, to take one example, is Japan. Between July and February of this year, Japan bought almost 200 million pounds of American tobacco. I don't

need to tell you that most of this came from our own state.

I have some misgivings about the long-range stability of this tremendous market. Of course, nobody in the Congress is saying "Come home, America," as far as our farm exports are concerned. But the approach some take to foreign policy could have the same result.

We should never forget what happened in Southeast Asia after the fall of Saigon. Other nations in the area, which had been our allies and our trading partners, suddenly were faced with the presence of three new Communist governments in the immediate area -- Laos, Cambodia, and South Vietnam. And they reacted about as you would expect, when the nearest military power was not the United States, but our former enemies.

There was an immediate accommodation with the communist countries and with red China.

Now, several hundred miles to the northeast, America has three other very important allies -- South Korea, China, and Japan. Japan, our biggest trading partner in the East, is totally dependent on our military power.

Because of restrictions imposed by the United States after World War II, and because of sentiment in the country itself against nuclear arms, Japan has not rearmed to any great degree. She is protected from invasion by our troops in South Korea, who provide a buffer between Japan and North Korea and red China.

South Korea is another of our allies and trading partners.

Just before I visited there, Congressman Donald Fraser of Michigan was in Korea, and said the government was so corrupt that we ought to pull our troops out of there.

This pronouncement by an official of the American government very much upset the Koreans, who have been worried about our intentions in the Far East, ever since we pulled out of South Vietnam and left it to the communists.

I don't know how bad the South Korean government is -- I would guess what we hear is exaggerated. They say President Park Chung Hee suppresses the Christian Churches, but he pointed out to me that the number of Christian churches in that country has increased from 600 to 16,000 so they couldn't be too repressive.

But one thing is sure. If we pull out of South Korea, the buffer between the communist countries and Japan will be gone, and the unwillingness of the Japanese to take up nuclear weapons may be gone as well. Besides that, it is absolutely certain that Korea and Japan would have to realign politically and economically with China, just as Thailand had to do after Saigon fell.

I am very much concerned about the moral issue of abandoning an ally of ours of long standing in South Korea. We fought once to prevent the county's going communist. They stayed with us until the bitter end in South Vietnam, the only country to do so.

As a side issue, the question of diminishing economic

interests is still of importance. Clearly, the effect of a major economic realignment on the part of these nations, including Japan, would be great. Japan must import food to eat, and it is mutual interest to them and to the industrial powerhouse of North Carolina to maintain good relations.

Besides do we really want to see a nuclear-armed, Japan, more intent on coexisting with China than with us?

I really don't think we do.