

REMARKS BY SENATOR ROBERT MORGAN TO
OFFICERS OF BROWN AND WILLIAMSON
LOUISVILLE, KENTUCKY
AUGUST 18, 1978

I WOULD LIKE TO SHARE SOME THOUGHTS WITH YOU TODAY ON
THREE SOMEWHAT DIFFERENT SUBJECTS. THE THREE MATTERS THAT I
WOULD LIKE TO ADDRESS INCLUDE THE INTERNATIONAL ECONOMIC
SITUATION; A PIECE OF LEGISLATION OF GREAT INTEREST TO YOU AND
ME -- THE SO-CALLED CONTRABAND OR BOOTLEGGING BILL; AND, FINALLY,
I WOULD LIKE TO DISCUSS THE RECENT CONTROVERSY SURROUNDING
DR. GIO BATTÀ GORI, A DEPUTY DIRECTOR OF THE NATIONAL CANCER
INSTITUTE.

BEFORE I BEGIN, I FEEL THAT I MUST ALLUDE TO YOUR FAMOUS
FACILITY IN WINSTON-SALEM. THE BROWN AND WILLIAMSON FACILITY
THERE IS WELL KNOWN FOR ITS FAMOUS STENCH, A STENCH FAR OUT OF
PROPORTION TO ITS SMALL SIZE. MORE ON A SERIOUS NOTE, WE ARE
VERY PROUD OF OUR ASSOCIATION IN NORTH CAROLINA, AN ASSOCIATION

THAT DATES BACK OVER 100 YEARS. BROWN AND WILLIAMSON GOT ITS
START IN NORTH CAROLINA AND WE ARE LOOKING FORWARD TO MANY MORE
FRUITFUL YEARS IN THE FUTURE.

SINCE BROWN AND WILLIAMSON IS AN INTERNATIONAL COMPANY, YOU
PROBABLY HAVE A KEEN INTEREST IN THE GENERAL DIRECTIONS OF THE
WORLD ECONOMY. UNFORTUNATELY, TOO MANY AMERICANS CHOOSE TO ISOLATE
THEMSELVES FROM WHAT IS HAPPENING IN THE WORLD, A CONDITION THAT
HAS LED TO BOTH WORLD WARS.

FOR THE PAST YEAR, THE DOLLAR HAS BEEN IN AN UNPRECEDENTED
SLIDE. THE SITUATION REGARDING THE DOLLAR HAS BEEN TRIGGERED
BY A MASSIVE APPETITE FOR FOREIGN OIL. IN WASHINGTON, WE HEAR
RUMBLINGS THAT THE PRESIDENT IS ABOUT TO IMPOSE QUOTAS ON OUR OIL
IMPORTS IN AN EFFORT TO HALT THE FLOW OF DOLLARS.

GENTLEMEN, I WOULD LIKE TO SUGGEST TO YOU THAT THIS IS
A VERY SERIOUS SITUATION, ONE THAT WE MUST ADDRESS AT THE EARLIEST
POSSIBLE TIME. IT HAS BECOME INCREASINGLY CLEAR TO THIS SENATOR
THAT THE ARABS ARE CONSIDERING DROPPING THE DOLLAR AS THE
PRINCIPLE PETRO-CURRENCY, SWITCHING TO A BASKET OF CURRENCIES.
THE IMMEDIATE EFFECT OF SUCH A SWITCH COULD BE TO INCREASE ARAB
OIL PRICES TO THIS NATION BY AS MUCH AS 30 PERCENT, DEPENDING,
OF COURSE, ON WHAT CURRENCIES ARE USED.

EVEN IF THE ARABS DO NOT GO TO A BASKET, THE CONTINUED SLIDE
OF THE DOLLAR STILL IS LIKELY TO PRESENT US WITH GREAT PROBLEMS
WITH THE OIL RICH NATIONS. CLEARLY, THE ARABS WILL HAVE TO
CONSIDER THE OPTION OF A DRASTIC PRICE INCREASE, SIMPLY BECAUSE
OF THE FACT THAT EUROPEAN AND JAPANESE GOODS HAVE BECOME SO MUCH
MORE EXPENSIVE AND THE DOLLAR SO MUCH WEAKER.

ABOUT SIX MONTHS AGO, I WAS NOT ESPECIALLY TROUBLED BY THE SLIDE OF THE DOLLAR. I ASSUMED THAT THE SLIDE WOULD BE GOOD FOR THE AMERICAN ECONOMY, THAT CHEAP DOLLARS WOULD MAKE GERMAN AND JAPANESE GOODS MORE EXPENSIVE, SPURRING DEMAND FOR THOSE GOODS MANUFACTURED IN THIS COUNTRY. I THOUGHT THAT IT WOULD BE A SHORT PERIOD OF TIME UNTIL NATURAL ECONOMIC FORCES WOULD REVERSE THE CURRENT SITUATION, BRINGING NEW STRENGTH TO THE DOLLAR. THIS HAS NOT COME ABOUT.

IN RECENT MONTHS, NEW ECONOMIC REALITIES HAVE EMERGED. AS WE KNOW, THE DOLLAR HAS YET TO COME OUT OF ITS SLIDE, CAUSING SPECULATION THAT IT IS MUCH WORSE OFF THAN WE PREVIOUSLY THOUGHT. THE SECOND REALITY IS THAT CHEAP DOLLARS HAVE CAUSED A MASSIVE INFUSION OF FOREIGN INVESTMENT IN THIS COUNTRY.

WHAT THIS RECENT EXPERIENCE INDICATES TO ME IS THAT WE MUST HAVE AN ENERGY POLICY, A POLICY THAT WILL DECLARE TO THE REST OF THE WORLD OUR PHILOSOPHY AND HOPES CONCERNING THIS MOST CRUCIAL FACTOR IN MODERN LIFE. AT THIS TIME, I BELIEVE THAT IT IS LESS IMPORTANT TO HAVE A PARTICULAR ENERGY POLICY THAN TO JUST HAVE AN ENERGY POLICY. I DO NOT WISH TO ENTER THE COMPLEXITIES OF THE DEBATE CONCERNING DEREGULATION HERE AT THIS TIME, PARTICULARLY WITH THE DISTINGUISHED CONGRESSMAN FROM LOUISIANA IN THE ROOM. WHAT I AM SAYING IS THAT WE NEED TO SEND A SIGNAL AS TO OUR INTENTIONS. IF WE FAIL TO SEND SUCH A SIGNAL, THEN WE SHALL HAVE TO SUFFER THE CONSEQUENCES.

FOREIGN INVESTMENT

FOREIGN INVESTMENT IS MUCH ON THE MINDS OF THE AMERICAN PEOPLE, ESPECIALLY OUR FARMERS. A CHEAP DOLLAR HAS MADE FARMLAND

VERY ATTRACTIVE IN THIS COUNTRY. LAST YEAR FOREIGNERS, MOSTLY EUROPEANS AND JAPANESE, SPENT \$800 MILLION PURCHASING U.S. FARMLAND. FOREIGNERS SEEM TO BE INFLUENCED NOT ONLY BY THE ATTRACTIVENESS OF CHEAP DOLLARS, BUT BY THE OPPORTUNITY FOR CAPITAL GAINS AND, FOR A SURPRISING NUMBER, FOR THE SIMPLE OPPORTUNITY TO OWN LAND.

LAND HAS ALWAYS BEEN A PRECIOUS RESOURCE. MANY OF THE FOREIGNERS PURCHASING LAND HERE ARE LANDLESS IN THEIR HOME COUNTRIES. THESE "NEW RICH" WANT TO BECOME LANDED GENTRY AND AMERICA REALLY IS THEIR ONLY ALTERNATIVE TO ACHIEVE THIS DREAM. THESE INDIVIDUALS ARE FORCED TO COME TO AMERICA BECAUSE ALMOST NO LAND IS AVAILABLE FOR SALE IN EUROPE AND JAPAN, AND OTHER COUNTRIES FAIL TO OFFER THE STABILITY THAT THESE INDIVIDUALS ENJOY HERE. ONLY THREE PERCENT OF AMERICA'S LAND TURNS OVER IN ANY GIVEN

YEAR, AN AMOUNT THAT MAY SEEM SMALL BUT ONE THAT PROVIDES
LIMITLESS INVESTMENT OPPORTUNITIES.

CAPITAL GAINS IS ANOTHER STRONG MOTIVATING FORCE FOR
ENTRY INTO THE AMERICAN MARKET. LAND HAS BEEN APPRECIATING
AT A RAPID RATE, OFTEN IN EXCESS OF TEN PERCENT PER YEAR,
OFFERING THE OPPORTUNITY FOR SIGNIFICANT CAPITAL GAINS.

WHATEVER THE MOTIVATION, WE KNOW NOW THAT ONE OUT OF THREE
INVESTMENT DOLLARS IS DIRECTED AT FARMLAND. THIS STATISTIC IS
OVER A YEAR OLD AND ALL INDICATIONS ARE THAT THE FIGURE IS MUCH
HIGHER NOW. I HAVE TWO PRINCIPAL CONCERNS REGARDING THIS PARTICU-
LAR SITUATION. THE FIRST CONCERNS THE FACT THAT MANY YOUNG PEOPLE
ARE LIMITED FROM ENTERING FARMING BECAUSE OF THIS INVESTMENT.

THIS WOULD NOT BE A PROBLEM EXCEPT FOR THE FACT THAT THE AVERAGE

AGE FOR THE AMERICAN FARMER IS NOW 53, A FIGURE THAT HAS BEEN INCREASING YEARLY. IN MY HOME STATE, FOREIGNERS HAVE BEEN WILLING TO SPEND ALMOST 70 PERCENT MORE THAN THE CURRENT MARKET VALUE TO ACQUIRE LAND, A FACT WHICH CLEARLY LIMITS HOPE FOR YOUNG FARMING ASPIRANTS.

A SECOND SOURCE OF CONCERN RELATES TO THE VERY IDEA OF FOREIGN CONTROL OVER OUR FOOD EXPORTS. WITH OUR FREE MARKET ECONOMY, A SMALL SWING IN DEMAND OR SUPPLY CAN SEND PRICES FALLING OR CLIMBING IN A DRAMATIC FASHION. AMERICANS GENERALLY RESPOND TO MARKET CONDITIONS. THERE IS NO GUARANTEE THAT THE SAME CAN BE SAID OF THIS NEW LANDED GENTRY.

CONGRESS CURRENTLY IS ACTING IN THIS AREA. THE SENATE JUST PASSED A BILL WHICH WILL REQUIRE DISCLOSURE OF THE PURCHASER OF

LAND, A BURDEN THAT WILL REST WITH THE PURCHASER AND NOT THE SELLER. ALSO, THE SENATE BILL REQUIRES AN ANNUAL REPORT TO THE CONGRESS CONCERNING THE DEGREE OF FOREIGN OWNERSHIP EACH YEAR. JUST THIS WEEK, A BILL WAS INTRODUCED IN THE SENATE THAT WOULD DENY FOREIGNERS THE OPPORTUNITY TO TAKE ADVANTAGE OF CAPITAL GAINS ON THIS FARMLAND.

CURBING FOREIGN INVESTMENT WILL NOT END OUR INTERNATIONAL ECONOMIC ILLS. WE MUST ALSO HAVE AN ENERGY POLICY AND, FINALLY, WE MUST STRIVE TO EXPAND OUR EXPORTS.

MULTI-LATERAL TRADE AGREEMENT

AT THE PRESENT TIME, OUR NATION IS IN THE MIDST OF NEGOTIATING A NEW MULTI-LATERAL TRADE AGREEMENT IN GENEVA. I HAVE BEEN CONCERNED ABOUT THE PROGRESS OF THIS NEGOTIATION. AS YOU MAY KNOW,

OUR REPRESENTATIVE, BOB STRAUSS, HAD INTENDED TO COMPLETE THIS AGREEMENT BY NOW. UNFORTUNATELY, THE EUROPEANS AND THE JAPANESE HAVE BEEN BALKING AT OUR DEMANDS FOR LESS RESTRICTIVE TARIFFS AND NON-TARIFF TRADE BARRIERS. AMBASSADOR STRAUSS ASSURES ME THAT WE WILL NOT MAKE ANY CONCESSIONS UNLESS THERE IS CONSIDERABLE PROGRESS AND THAT THERE WILL NOT BE AN AGREEMENT THAT IS NOT GOOD FOR AMERICA.

ONE OF THE MOST RESTRICTIVE AREAS OF TRADE LIES IN MANUFACTURED TOBACCO, CIGARS AND CIGARETTES. I AM NOT CONFIDENT THAT THE U.S. WILL MAKE MAJOR ADVANCES IN THIS AREA, PRIMARILY BECAUSE ALL OF THE MAJOR CIGARETTE COMPANIES HAVE PLANTS OVERSEAS. HOWEVER, I DO HOPE THAT THERE IS REDUCTION IN SOME OF THE MORE INSIDIOUS NON-TARIFF BARRIERS, SUCH AS THE PROHIBITION IN JAPAN AGAINST AMERICAN COMPANIES ADVERTISING IN THE JAPANESE LANGUAGE. IF WE

ALLOWED TOYOTA TO ONLY ADVERTISE ITS CARS IN JAPANESE, THEY PROBABLY WOULDN'T HAVE THE HIGH VOLUME OF SALES THAT THEY ENJOY TODAY.

IN THE AREA OF UNMANUFACTURED TOBACCO, WE ARE MAKING GREATER PROGRESS IN THESE TRADE TALKS. TOBACCO IS A SO-CALLED "STRAUSS PRODUCT," ONE OF THE ITEMS THAT WE MUST GET CONCESSIONS ON IF THERE IS TO BE AN AGREEMENT.

THE MORE WE EXPORT, THE MORE WE SHORE-UP THE DOLLAR. WE NEED TO HAVE AN ENERGY POLICY, A POLICY THAT DECLARES NATIONAL INTENT AND ALLOWS THE PRIVATE SECTOR TO PLAN INTELLIGENTLY. BUT WE NEED TO STOP INFLATION, INFLATION HAS BEEN WORSENERD BY DEFICIT SPENDING AND CONTINUED DEBT. JUST THIS WEEK, THE SENATE VOTED OUT TWO EDUCATION BILLS THAT COULD DRIVE THIS NATION ANOTHER

\$11 BILLION IN DEBT. I VOTED AGAINST BOTH OF THESE BILLS SIMPLY BECAUSE THE MONEY IS NOT THERE TO PAY. UNLESS CONGRESS AND THE PRESIDENT JOIN ARMS TO RESTRAIN FEDERAL SPENDING, THE PACE OF INFLATION WILL QUICKEN AND THE VALUE OF THE DOLLAR WILL CONTINUE TO ERODE.

CIGARETTE BOOTLEGGING

LATE IN JULY, THE SENATE JUDICIARY COMMITTEE REPORTED THE CIGARETTE BOOTLEGGING BILL, A PIECE OF LEGISLATION OF GREAT INTEREST BOTH HERE IN KENTUCKY AND IN MY HOME STATE, NORTH CAROLINA. THIS BILL WOULD MAKE IT A CRIME TO POSSESS, SELL, DISTRIBUTE, CARRY, TRANSPORT, PURCHASE OR RECEIVE CONTRABAND CIGARETTES.

THE JUSTICE DEPARTMENT HAS BEEN AGAINST THIS LEGISLATION,

PRINCIPALLY BECAUSE IT WOULD BE COSTLY TO ADMINISTER. I SEE
BOOTLEGGING AS BEING THE PROPER JURISDICTION OF THE STATES.
HAVING BEEN ATTORNEY GENERAL OF NORTH CAROLINA, THIS IS A
NATURAL POSITION FOR ME TO TAKE. I HAVE BEEN STUDYING THIS
BILL VERY CLOSELY. AT THIS TIME, IT IS TOO EARLY TO SAY WHAT
WILL HAPPEN. I CLEARLY DO NOT LIKE THE SHAPE OF THE CURRENT
BILL, A FACT THAT I AM MAKING KNOWN TO THE PROPONENTS OF THIS
EFFORT. WHILE THERE MAY NOT BE ENOUGH TIME TO COMPLETE ACTION
ON THIS BILL THIS YEAR, YOU CAN BE ASSURED THAT THE PROPONENTS
WILL MOST LIKELY PUSH AGAIN EARLY NEXT YEAR.

DR. GIO BATTA GORI

I HAVE BEEN TOLD THAT THERE IS CONSIDERABLE INTEREST HERE
IN THE RESEARCH OF DR. GIO BATTA GORI. AS YOU PROBABLY KNOW,
DR. GORI HAS BEEN SUSPENDED FROM HIS RESPONSIBILITIES AS DIRECTOR

OF THE NATIONAL CANCER INSTITUTE'S SMOKING AND HEALTH PROGRAM.

AS I AM SURE ALL OF YOU KNOW, DR. GORI HAS BEEN INVOLVED,
FOR OVER A DECADE, IN RESEARCH TO DOCUMENT STRIDES IN PRODUCING
A SAFER CIGARETTE. JUST AS DR. GORI WAS ABOUT TO PUBLISH A
STUDY IN THE JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION, HE
LEARNED THAT HE WAS BEING REPLACED AS DIRECTOR OF THE CANCER
INSTITUTE'S SMOKING AND HEALTH PROGRAM.

MY STAFF AND I HAVE LOOKED INTO THIS SITUATION VERY CAREFULLY.
WE ARE CONCERNED ABOUT DR. GORI'S WELFARE AND WANT TO DO NOTHING
THAT WOULD JEOPARDIZE THIS DEDICATED CIVIL SERVANT'S CAREER. AS
A CONSEQUENCE, WE PURSUED OUR OWN INQUIRY WITH GREAT SENSITIVITY.
WHAT WE LEARNED WAS THAT DR. GORI HAD BEEN REMOVED UNDER THE GUISE
OF REORGANIZATION.

Now, THE TEST OF WHETHER OR NOT THIS WAS A SINCERE REORGANIZATION WOULD REST ON WHETHER OR NOT DR. GORI WAS ASSIGNED COMPENSATING RESPONSIBILITIES. AFTER CONSIDERABLE CHECKING, WE LEARNED THAT DR. GORI HAS NOT BEEN ASSIGNED ANY NEW RESPONSIBILITIES, NOR ARE ANY IN THE WORKS.

AFTER CONSIDERABLE THOUGHT, I BELIEVE THAT I CAN SAY THAT DR. GORI IS A PERSONAL VICTIM OF JOE CALIFANO, THE SECRETARY OF HEALTH, EDUCATION AND WELFARE. IT APPEARS CLEAR TO ME THAT JOE CALIFANO DOES NOT INTEND TO SEE THIS VERY IMPORTANT RESEARCH CONTINUE, THAT HE SEES THIS RESEARCH AS AN INTEGRAL PART OF HIS CAMPAIGN TO ELIMINATE TOBACCO FROM AMERICAN LIFE.

GENTLEMEN, I AM DEEPLY CONCERNED ABOUT THIS SITUATION. WE CANNOT STOP RESEARCH THAT IS AS IMPORTANT AS THIS BECAUSE IT

DIFFERS FROM THE POINT OF VIEW OF A CABINET OFFICER. THIS TYPE OF BEHAVIOR RESEMBLES BEHAVIOR OF PREVIOUS ADMINISTRATIONS AND THAT OF REGIMES THAT OUR COUNTRY DOES NOT NORMALLY ASSOCIATE ITSELF WITH. I REALIZE THAT THIS IS STRONG LANGUAGE, YET IT IS PRECISELY THE WAY I FEEL.

I HAVE BROUGHT WITH ME COPIES OF A SPEECH I HAVE MADE ON THIS SUBJECT ON THE FLOOR OF THE SENATE. I WILL BE HAPPY TO SHARE A COPY WITH ANYONE WHO IS INTERESTED. I PLAN TO FOLLOW THIS SITUATION CLOSELY AND DO WHATEVER I CAN DO TO SEE THAT THIS IMPORTANT RESEARCH EFFORT IS CONTINUED UNDER DR. GORI.

I APPRECIATE THE OPPORTUNITY TO COME BEFORE YOU TODAY TO SHARE SOME OF THESE THOUGHTS WITH YOU.