

# WASHINGTON LEGAL FOUNDATION

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February 17, 1988

Mr. John Bagrosky  
Executive Secretary  
Interagency Committee on Smoking and Health  
Park Building, Room 1-10  
5600 Fishers Lane  
Rockville, MD 20857

Re: Tobacco and U.S. Trade Policy

Dear Mr. Bagrosky:

We noted with interest an item that appeared in the Federal Register announcing the February 18th meeting of the Interagency Committee on Smoking and Health at which you will be discussing "the issue of tobacco and United States trade policy." 52 Fed. Reg. 48764 (December 24, 1987). Although this notice did not solicit comments, and we plan on sending a legal representative from the Washington Legal Foundation to attend tomorrow's meeting, we are nonetheless sufficiently concerned about your Committee's proposed activities to wish to express our views formally via this letter.

By way of introduction, the Washington Legal Foundation ("WLF") is a national, non-profit public interest law and policy center. WLF is headquartered in Washington, D.C. and presently has over 200,000 members, supporters, and contributors nationwide.

WLF engages in litigation and in administrative proceedings which affect the public and national interest in a wide variety of ways. In the past, WLF has noted and commented upon ill-considered attempts by both governmental and private groups to ban cigarette and tobacco advertising from the airwaves. See, e.g., the two enclosed WLF Legal Backgrounders.

More specifically, in this instance the Foundation is concerned that the activities of your Committee -- a Committee which, so far as we have been able to determine, has no authority or expertise in the complex issue of tobacco and United States trade policy -- may impose a damaging, self-inflicted wound on our nation's economy.

In the Foundation's view, the economic stakes are simply too high to permit United States trade policy to be adversely affected

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by an over-zealous domestic anti-smoking agenda. While such ill-advised regulatory efforts will definitely harm our national export position, there is no evidence that they will reduce smoking abroad.

In this regard we wish to point out that tobacco is one of very few American industries that has the ability to produce a world class export. In sharp contrast to a persistent national trade deficit that quadrupled from \$36 billion in 1980 to a record of \$170 billion in 1986, the tobacco industry has consistently produced an annual trade surplus.

These exports, in turn, help to maintain a high standard of living and production, across the nation. Thus, for example, new business generated by increased tobacco exports to Japan and Taiwan is expected to add nearly \$800 million to the U.S. trade surplus and has already required stepped up production in cigarette plants in Virginia, Kentucky, Georgia and North Carolina. And if, as the Secretary of Commerce has recently reported, it is true that every billion dollars in exports creates 25,000 American jobs, it becomes clear that tobacco exporting has become essential to the economic well-being of countless American families.

As WLF views it, a U.S. trade policy designed to decrease American exports of tobacco makes no economic sense. Rather it would appear to constitute little more than a thinly veiled attempt by anti-smoking zealots to export their health views abroad. But the zealots are mistaken even in this regard.

Smokers living abroad will not quit smoking if American brands are denied entry. They will simply smoke native brands or cigarettes made in Germany, the Netherlands, England or elsewhere. In fact, total cigarette consumption in countries abroad has no correlation with trends in American exports. For example, in Japan, sale of U.S. brands is up sharply but overall cigarette consumption has been declining for the past five years.

Moreover, a U.S. trade policy that actually worked to our economic advantage by abolishing foreign trade barriers against tobacco exports would not increase smoking in countries overseas. Smoking has always been an extremely popular practice. Nearly five trillion cigarettes were produced and consumed world-wide in 1986. About 593 billion cigarettes, or better than one in ten, were American made. The U.S. market share could expand considerably, if foreign trade barriers were lifted. This, in turn, would increase domestic prosperity.

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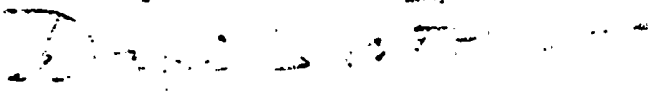
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In conclusion, WLF points out that U.S. trade policy has been carefully considered by experts in economics, business, trade and international finance and established by administration and congressional officials. Jurisdiction rests with the White House via the U.S. Special Trade Representative and with such cabinet departments as State, Commerce, Agriculture, and Treasury. Several standing committees of Congress also have oversight on trade issues. The concern of members of the House and Senate is obvious as evidenced by the fact that a conference committee of 199 conferees and 17 subcommittees is working the omnibus trade bill (HR 3).

Neither your Committee nor the Surgeon General has been given a mandate to export an anti-tobacco/health campaign. Nor do foreign governments need help from your inter-agency committee in determining their national smoking policies. The economic stakes are simply too high to permit domestic smoking policy to endanger national trade policy. Given this nation's record trade deficit and the weak condition of its financial markets following October 14, 1987's plunge, it makes no sense to impose restrictions inspired by a domestic anti-tobacco campaign on a U.S. trade policy and an industry that has consistently contributed a favorable trade balance of about \$2 billion annually for the past six years.

To adopt an anti-tobacco trade policy would have no impact on world smoking patterns. On the other hand, doing so would definitely impose a damaging self-inflicted wound on the national economy.

Respectfully submitted,

  
Daniel J. Popeo  
General Counsel

DJP/cme  
enc.

cc: Honorable Otis R. Bowen  
Secretary of Health & Human Services

C. Everett Koop  
U.S. Surgeon General

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