

companies have developed a truly global service network. You can pick up your phone and call anywhere in the world, yet deal only with one of a number of companies. This network, which we take for granted, is the product of carefully integrated systems, cross-border alliances, realistic government regulation and forward thinking telecommunications companies.

We believe that consumers are entitled to that kind of ease and convenience from airlines as well. A passenger should be able to deal with a single carrier for an itinerary that takes him anywhere in the world. To do this, we need a network of alliances—of rights and beyond rights—for carriers.

Everyone understand the importance of beyond rights of networks today, but they didn't in 1976, when Bermuda II was under discussion.

Ambassador Alan Boyd of the U.K. offered testimony to the House Subcommittee on Aviation on the need to renegotiate the Bermuda I Agreement of 1952, calling it unfair to the U.K. He told committee members that under the agreement, U.S. airline revenues were twice those of the U.K. And he concluded that the only way to rectify the disparity was to rewrite the Bermuda Agreement substantially.

Ambassador Boyd was correct on one point—a significant revenue imbalance did exist between the U.K. and the U.S. But the reason for the imbalance had little to do with route assignments or agreements. It had to do with competitive market forces and the then inability of a bloated, protected, government-owned British Airways to compete. How times have changed.

Unfortunately, Congress and government regulators went along with Ambassador Boyd.

The results, as we know too well today, was Bermuda II. That new agreement created dramatic structural advantages for the U.K. out of a growing European market. Since then, the U.S. market share between the U.K. and the U.S. had dropped 25%. But even more important, that agreement effectively locked the U.S. carriers out of the key connecting complex in Europe—Heathrow. In effect, U.S. carriers were punished for their efficiency. We've spent the past 19 years trying to correct the Bermuda II mistakes.

I recount this today not to rub new salt into old wounds, but to look at the lessons of the European market. We would like to make sure that history does not repeat itself—this time in Asia.

For nearly 25 years, the 1952 Japan Air Service Agreement enabled competitive parity between U.S. and Japanese carriers. It was not until 1986, when United acquired Pan Am's rights in the Pacific, that the parity began to dissolve. The reason was simple—United took the necessary and often painful steps to becoming more efficient in the newly deregulated U.S. market. Meanwhile, the Japanese carriers, operating in a highly protected environment, avoided similar changes. The result today is that Japanese costs are considerably higher than those of their U.S. competitors.

Let me underscore just how much higher those costs are. We commissioned Booz-Allen & Hamilton to conduct a major study—to be released today—on the value of Asian beyond rights to the U.S. economy. Among their key findings was that Japanese carriers' cost are now roughly double that of U.S. carriers at comparable stage lengths.

The fact that the Japanese flights are more expensive is not lost on the traveling public. Because of our efficiency, we have developed fares and schedules preferred by the Japanese consumers. As a result, the parity that long existed between U.S. and Japanese carriers is gone. Today, U.S. carriers provide

61% of the capacity serving Japan and the U.S. enjoys a \$4.8 billion net trade surplus with Japan for passenger air travel in Asia.

Rather than respond to this competitive challenge by restructuring their airlines—a change that is unavoidable at some point and that will benefit the Japanese people in the long run—the Japan Ministry of Transportation (MOT) has chosen instead to vilify the 1952 Air Service Agreement. Their claim is that the '52 agreement is unfair and gives the U.S. a competitive advantage.

Does this sound familiar? Like the British did in the '70's, the MOT is blaming the agreement rather than their own protectionist aviation policies for their declining transpacific market share.

So MOT has decided not to honor the '52 agreement. Most recently, the MOT has denied a request by United Airlines to begin flights between Osaka and Seoul, despite our right to fly unlimited routes between Japan into Asia. By denying this request, the MOT is abrogating the treaty, and attempting to force the U.S. to negotiate for a right its carriers already have. To add insult to injury, JAL is at the same time seeking to expand flights from Sendai to Honolulu. We are asking the Department of Transportation today to deny any increase in JAL's service until our Osaka-Seoul business plan has been approved by MOT.

MOT's position ignores an important lesson we learned with British Air and Bermuda I. Competitive positions are not static. Of course, the Japanese carriers will improve efficiency over time as they continue to cut costs and improve service. For the U.S. to overreact now, and surrender critical U.S. carrier beyond rights, would be a sucker deal that would put all U.S. businesses at a permanent disadvantage in the exploding Asian market.

I can not underscore this important idea strongly enough. Ultimately, this is not just about United. It's about trade and MOT's approach to trade disputes in the aviation sector. It's about Japan's drive to monopolize the U.S.-Asia and Japan-Asia markets. In this case, MOT believes it can unilaterally interpret or simply ignore agreements with impunity when it suits them. And they have little regard for the damage this strategy causes to international relationships, or the havoc it wreaks on the marketplace.

And just how much havoc will MOT cause? According to Booz-Allen, if the U.S. gives up its beyond rights as MOT wants, Japan would receive a virtual monopoly on U.S.-Asian routes through Japan; Japanese carriers would gain up to \$5 billion in present value from the earnings stream lost by U.S. carriers, and the U.S. would suffer a trade loss in excess of \$100 billion over the next twenty years, the bulk of which would be transferred to Japan—\$100 billion.

Let me describe some more of the consequences of MOT's strategy.

MOT's strategy will hurt the U.S. economy.—If MOT succeeds in blocking U.S. beyond rights, the Booz-Allen estimates of a cumulative trade loss of \$100 billion dollars is actually conservative. That impact would be compounded by the multiplier effect on U.S. jobs and economic activity. As a result, the entire U.S. economy would feel the sting of MOT's aviation whip.

MOT's strategy will hurt consumers.—Booz-Allen predicts that if the U.S. carriers lost all or any of their rights to carry passengers beyond Japan to other Asian cities, capacity will drop and fares will increase. Consumers will lose service alternatives, not only between the U.S. and Japan, but to other Asian cities as well. Travelers will pay more and get less.

MOT's strategy hurts U.S.-Japanese relations.—Their plan makes a mockery of the

1952 Air Service Agreement. If MOT is allowed to dishonor the 1952 accord, how can it be trusted to respect other bilateral agreements? And we certainly can't expand their routes into and beyond the United States if they won't honor existing treaties.

MOT's strategy will impose a stranglehold over Asian aviation.—MOT is trying to position Japan as the gatekeeper of Asia, by controlling traffic both into and out of the continent. If it is successful in hobbling U.S. carriers, it will then turn its attention to the other competition, the Asian Carriers. In short order, we would see a steady stream of Asian carriers—Chinese, Indonesian, Korean, Malay, Taiwanese, Thai and Singaporean—forced to beg MOT for beyond rights to North and South America. And without the counterweight of U.S. competition, Asian carriers would become prey in their home markets to the predatory Japanese airlines.

MOT's strategy hurts U.S. carriers.—U.S. carriers will lose the right to grow in Asia—the region projected to have the highest growth in air passenger transportation over the next 15 years.

How does United see the preferred course for the future?

Using Europe as a model, we see 4 or 5 major alliances forming the core of services in Asia, with many niche players finding important roles. There is no reason why this model can't be a win-win situation for everyone in Asia. The alliances into which United has entered are designed to achieve a global network, including Asia. We have no problem with others entering the same kind of alliances, for example, the two principal Japanese carriers with U.S. carriers—because we believe that when equitably administered, we can beat the competition.

But first, MOT must honor the existing terms of the 1952 accord. This must be a prerequisite for passenger talks.

Once all parties involved agree to respect the 1952 pact, we would encourage the U.S. Department of Transportation to develop a detailed economic analysis of Japanese aviation and its relationship to U.S. carrier competitiveness in Asia. We would urge that DOT use that analysis as a starting point for negotiations with MOT.

Japan's carriers may today be overpriced and unresponsive to consumers' needs just as British Airways was 20 years ago. But the solution is not to lock up the skies and give Tokyo the key. To do so would simply recreate the mistakes of Bermuda II.

The solution to this dispute must respect the principle of open competition. We see it working in Europe, where competitive alliances provide a blueprint for global aviation.

The solution must acknowledge that competitive position are not static. One way or another, Japan's carriers will have to modernize and those changes will affect their standing in the air travel marketplace.

And above all, the solution to this dispute must honor existing agreements before creating new ones.

Going back to our telecommunications analogy, we want to provide a "seamless" journey for passengers. With a progressive, sound, and resolute U.S. approach to international aviation matters, we believe that this goal can be achieved on a global basis. But as long as we allow one nation to control international air space, there can be no global aviation. Not today. And certainly not in the year 2010.

Thank you. I look forward to your questions.

#### U.S. SUGAR PROGRAM

Mr. INOUE. Mr. President, I agree that debate and open scrutiny of the Sugar Program is important this year. I would like my position to be clear.

Though I accept that some level of reform to the program is inevitable and necessary, I do not believe emasculating or outright elimination is wise.

My grandfather and grandmother emigrated from Japan to work at McBryde Sugar Co. on the Island of Kauai in 1899. In my office here in Washington I have a framed copy of the contract on which my grandfather, Asakichi Inouye, placed his "X." The contract includes a photograph of this brave young man and his wife, and a little baby boy they are holding. My father.

Nearly a century later, Asakichi Inouye's grandson is proud to be representing the State of Hawaii in the U.S. Senate. McBryde Sugar is phasing over to coffee production, but sugar is still the biggest agricultural activity in Hawaii. Sugar is still the third biggest business in Hawaii, trailing only tourism and defense spending.

I am proud to represent the 6,000 men and women in Hawaii who still work directly or indirectly for the sugar industry, and their families. All these people's livelihoods are at risk if the U.S. sugar policy is eliminated.

I am proud to represent agricultural workers who are among the world's most productive. Hawaii produces more sugar per worker, and per acre, than anywhere in the world.

Our workers have enjoyed collective bargaining for decades and are rewarded for their productivity with good wages, with some of the best health care benefits in the country, and with generous benefits for insurance, retirement, and in many cases, housing. Their safety and their health are bolstered by some of the strictest worker protection rules and highest environmental standards in the nation, and possibly in the world.

These workers, many of whose families have been in sugar for three or four generations, lead comfortable, but by no means extravagant lives, can put their children through college, and can look forward to a decent retirement.

Sadly, Hawaii sugar production has dropped nearly in half in just the past 7 years as half our sugarcane plantations have shut down. Why have these farms closed? Because producer prices for sugar have been flat, or even declining, for the past decade. Despite their extraordinary productivity, these farmers cannot reduce costs rapidly enough to cope with inflationary prices for their inputs and flat or declining prices for their output.

In the absence of U.S. sugar policy, an abrupt decline in U.S. producer prices for sugar is a virtual certainty. If U.S. producer prices for sugar decline further, Hawaii's remaining sugarcane farms will close. Thousands more of my constituents will lose their livelihoods.

This sad situation will not be unique to Hawaii if we lose the Sugar Program. Similar scenes will be played out in the many rural areas of this country dependent on the sugar industry.

Let me say, however, that I would not object to the elimination of the

Sugar Program if other nations also eliminated any and all measures to favor their domestic sugar producers, processors and consumers. However, we must consider the realities of world market conditions such as the sugar price support in the European Union, which is 35 percent higher than that of the United States. A U.S. Sugar Program is a necessary response to generous production and export subsidy programs in other countries.

Opponents of the Sugar Program say that it costs Americans over a billion dollars annually and point to the low world price of sugar, which hovers around \$0.14 per pound, as the savior of the American sugar consumer. However, this fictitious world price is created by the direct financial subsidies and export incentives provided to foreign producers by their own governments, which in turn allow these producers to dump excess sugar on the supposed world market at substantially below production cost. If we think there is an endless supply of this dump-priced sugar, we are fooling ourselves into relinquishing control of our domestic market to foreign producers.

I believe that if we had a level playing field, we could play at the highest level of competition with anybody. While the GATT, the NAFTA, and the Canadian Free-Trade Agreement are moving us in that direction, I do not believe we are there yet.

I would also ask, "How has the U.S. Sugar Program fared as a domestic public policy?" While there are several dimensions to such an evaluation, I focus on three particular aspects: impact on the American consumer, impact on the innovativeness of the producing and processing components of the U.S. sugar industry, and impact on the Federal Treasury.

Under the U.S. Sugar Program, American consumers have enjoyed a retail price of refined sugar that is lower than that paid by consumers in other developed countries. On average, sugar prices paid by Americans are nearly 30 percent lower than in other developed nations.

In April of this year, the average retail price of a pound of sugar in developed nations was \$0.54; the price was only \$0.39 a pound in the U.S., but over \$1.00 in Japan and about \$0.69 in France. Relative to other developed countries, U.S. consumers save approximately \$2.6 billion annually on purchases of sugar and products sweetened with sugar.

However, besides price, American consumers demand consistent quantity and quality. In other words, when consumers go to the grocery store to purchase sugar, they expect a high quality product that is safe and contaminant free, and identical with every purchase. They also expect to find such products on the shelf whenever they want to buy them. This is exactly what the American consumer gets from the U.S. sugar industry—so much so that we take it for granted. However, one need only re-

call the shortages in the former Soviet Union to know that this is not a universal occurrence. Thus, from a consumer viewpoint, I give high marks to the sugar program as domestic public policy.

Another aspect of public policy is how well it stimulates innovation in the production and processing components of the industry. Simply looking at the increasing productivity of domestic sugar producers and processors will clearly signal the fact that the sugar program has not stifled innovation.

You do not get the deserved reputation as one of the most efficient sugar producing nations in the world by suppressing innovation. Support of domestic sugar production and processing has been maintained at a level to protect against unfair competition, but not at a level to preclude fair competition. Thus, from the innovation-encouraging perspective, I give high marks to the sugar program as domestic public policy.

Finally, Federal law requires that the sugar program operate at no cost to the Federal Treasury. U.S. sugar growers receive absolutely no subsidy from the Government. The only payments are from the producers to the Government. In fact, through a congressionally mandated marketing assessment, the U.S. sugar industry actually contributes more than \$30 million annually to the Federal Treasury. So, considering its benefit to the Federal Government's economic condition, I again give high marks to the Sugar Program as domestic public policy.

Let me close by saying again that I am not opposed to necessary and useful reform to the U.S. Sugar Program this year; though I do not think that unilateral disarmament is the solution. The sugar industry has committed itself to supporting an elimination of the Sugar Program if and when other sugar producing nations take the same action. I will make this commitment as well. Until we reach that time, however, we must protect our industry, our market, and our consumers from subsidized competition from abroad.

#### SOME SECOND THOUGHTS ON THE FIRST AMENDMENT AND CENSORSHIP

Mr. LIEBERMAN. Mr. President, I rise today to call my colleagues' attention to a thought-provoking speech recently given by Judge Robert Bork about the media, and our perceptions of the first amendment and censorship.

Judge Bork, who is now a resident scholar at the American Enterprise Institute, made these remarks at a forum sponsored by AEI entitled, "Sex and Hollywood: What Should Be the Government's Role?", at which I had the privilege of speaking. As the title suggests, this forum sought to examine what effect the media's bombardment of sexual messages is having on our children and our culture, and what