



a report from

2nd congressional district of arizona

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ARIZONA -- WHERE WE CAME FROM, WHERE WE'RE GOING

For decades, school children in Arizona have been taught the five C's: Copper, Cattle, Cotton, Citrus and Climate. That's what I studied when growing up in St. John's and that's what my children learned growing up in Tucson.

The five C's have been the driving force behind Arizona's economy. They have traditionally been what made our towns and communities grow. They provided jobs and opportunities. The five C's gave economic security to past generations and real hope to future generations.

All that, however, is changing. Arizona, like the rest of the country, is undergoing an economic transformation. Whole new industries are being created, while others die or struggle to survive. Business as usual is changing. Arizona is moving from a mining and agriculturally oriented economy, to a high-technology and service based economy. This is changing the patterns of where Arizonans live and work.

Arizona's leaders used to worry about growing pains, wondering how to accommodate all the people that wanted to move to the state. These concerns still exist. Between 1970 and 1980, Arizona's population grew by more than 50 percent. This made the Grand Canyon State the second fastest growing state in the nation.

Now there is worry about shrinking pains, particularly in the copper industry, worry about water and its ability to sustain cotton, cattle and citrus. Even worry about climate to the extent that melting snows along the upper Colorado River last spring and torrential summer rains caused flooding in places like Tucson, Yuma, Nogales and Marana. One thing is clear: the five C's can't be taken for granted anymore.

Let's take a look at where we stand.

Until recently **Copper** was the biggest of the five C's. Copper was king. Copper was the economic backbone of the state. But the copper industry has come upon hard times. Over half of Arizona's 24,000 copper workers are no longer on the job. Fifteen of our copper mines have been shut down in the past few years. Other copper mines are operating at sharply reduced capacity.

The problem is a national one brought on by surplus world production and insufficient demand for copper products. In 'real' dollar terms, copper prices are at their lowest levels in more than half a century. And production levels in the U.S. are at their lowest point in more than 15 years. Our foreign competitors, however, are trying to step up their copper production. Over the last four years, imports from Chile have increased by a staggering 240 percent! Other countries like Zaire, Zambia and Peru are also trying to boost exports to the U.S.

Perhaps the biggest advantage that developing nations enjoy over American producers is their ability to subsidize expansion and modernization through loans from the World Bank and other multilateral lending institutions. Last year, Chile exercised \$579 million in special drawing rights from the International Monetary Fund. And then last November, the national Chilean copper company borrowed \$268 million from the Inter-American Development Bank to modernize and expand its production.

Members of the Arizona Congressional delegation have been working to curb these loans, but more needs to be done. In the meantime, Arizona's copper industry has filed a petition with the U.S. International Trade Commission, asking for temporary import quotas. I am on record as a supporter of this petition. On a longer term basis, an offsetting duty or tax is needed on imported copper if that copper is produced without environmental controls substantially equivalent to ours. To address this problem, Congressman James McNulty (D-AZ), and I introduced H.R. 2413, the Copper Environmental Equalization Act of 1983. This measure would increase the duty on imported copper to an amount that is equal to the cost advantage enjoyed by foreign producers not subject to the environmental regulations in effect in the U.S.

Ways of boosting the demand for Arizona's copper must be found. Our strategic copper reserves are dangerously low and now would be a good time to buy. I have introduced a bill, H.R. 2412, to require the purchase of more copper for the national defense stockpile. But more stockpiling is clearly not enough. The recent recession cut deeply into copper demand. A major cure for the copper industry could come in the form of a sustained economic recovery. However, it is not just the recession that has hurt the copper industry. Automakers are using less and less copper to produce a car. Substitutes are being used for copper wire. New uses for copper need to be found.

One promising area is the nuclear waste containment program. In the last Congress the Interior and Insular Affairs Committee authored legislation that sets a timetable and rules for the disposal of high-level nuclear wastes. In a few years, nuclear wastes will be stored deep underground at a specially selected site. Depending on the type of rock formation that is chosen, copper canisters could be used to help contain the waste. There are a great many advantages to using copper in our nuclear waste disposal program. Research conducted in Canada and Sweden shows that copper can provide containment of high-level nuclear waste for hundreds of thousands, possibly millions of years. This is primarily due to the non-corrosive characteristics of copper. At a recent Interior Committee hearing, Energy Secretary Donald Hodel assured the committee members that copper is being seriously looked at for this program.

Just recently, I introduced a bill, H.R. 5369, which allocates \$2 million in fy 85 and \$3 million in fy 86 for the Department of Energy to study and conduct research on the use of copper canisters for the disposal of high-level nuclear waste. There can be no doubt that the use of copper in the nuclear waste containment program would be a help: as many as one million tons could be used. But that's a long-term benefit. The first canister wouldn't be built for several years and production would be spread over several more years. Still, it is the type of thing that will aid Arizona's copper industry.

Three of the five C's -- **Cotton, Cattle and Citrus** -- relate to agriculture. At \$1.7 billion a year, agriculture has moved ahead of copper to become Arizona's third leading money maker. But Arizona agriculture is facing some real troubles. Costs in recent years have soared, while prices have stayed steady or slumped. All across the country net farm incomes have hit the skids.

Many areas of the country were devastated by drought last year. We, too, have our problems. Water scarcity and tough groundwater management rules threaten the future of many farms. Development, meanwhile, continues to gobble up prime farm land, including an estimated 7,000 acres per year around Phoenix. And financing costs are still high with interest rates at historically high levels.

Agriculture, of course, is still big business in Arizona, with 1.6 million acres under cultivation and 31.7 million acres of range land. In 1981, we had 1.3 million head of cattle, 170,000 hogs and close to 400,000 sheep. That same year, we produced 1.6 billion bales of cotton, 22 million bushels of wheat, a million tons of hay and over 13 million cartons of citrus. Production in most areas has shown solid gains over the past ten years. But there are real limits to future growth.

One limit is the marketplace needed to sell what is produced. Members of Congress from the sunbelt states have been working to open up larger foreign markets and last

year export credits for the sale of cotton to Korea were expanded. Also, the administration was urged to open up more markets to American citrus.

Similar problems are being faced in trying to expand exports of beef into Japan. The Japanese are the world's biggest importers of U.S. red meat. And there is room for expansion in their market. However, Arizona beef that is shipped to Japan faces a stringent quota system and is also slapped with a high import duty. This control of the market has kept Japanese beef demand low. By easing these harsh restrictions, Arizona beef producers could significantly increase their exports.

Progress toward this goal has been made recently. The U.S. and Japan have come to terms on an agreement that will nearly double the amount of beef and citrus being shipped to Japan from the U.S. Still, this is not enough. The National Cattlemen's Association commented on the agreement (it) "represents progress, but we're still disappointed that the amount will not be still larger, particularly in view of the way in which the U.S. opens our markets to the Japanese. We feel they should grant greater access." I agree. This is not an issue that will be resolved quickly or easily.

Crop surpluses have caused problems with another of Arizona's important C's, **Cotton**. In recent years, cotton prices have declined while cotton stockpiles have risen. Last year's Payment-In-Kind (PIK) program may have helped stem the tide. The main benefit of PIK, was that it allowed many Arizona farmers who were facing financial disaster to obtain much needed money. We could not afford to let our cotton farmers go out of business.

Domestic cotton consumption is down. This means that in the future Arizona farmers are going to have to look overseas to sell their wares. Eighty percent of all U.S. raw cotton is now shipped to the East Asia-Pacific region, with a staggering 90 percent of all Arizona cotton going to this area of the world. The cotton farmer is clearly dependent on foreign markets when it comes to cotton sales. If Arizona cotton is to continue to be a money-maker, new markets must be found and the old ones expanded.

Exports matter, but water is the big restraint. The Central Arizona Project (CAP) will soon be helping farmers and other water users in central and southern Arizona, but the CAP is not the final answer to the water problems. Recently, Interior Secretary William Clark approved plan 6 for the CAP, which will allow the project to proceed close to schedule. Arizonans have worked long and hard to see that the CAP becomes a reality. I look forward to that day in late 1985 when the first water flows through the aqueduct of the CAP.

The CAP, however, is not the final answer to our water problems. We still have to be careful managers of the water resources. Farmers will have to be more water conscious. Many will have to change the way they irrigate their crops. Others will have to rely upon low moisture crops.

The fifth C -- **Climate** -- is a real bright spot at the moment. In 1982, tourism as an industry employed more than 200,000 people in Arizona; that's more than 18 percent of all non-agricultural employment. And in 1982, \$4.5 billion was spent on tourism, making it Arizona's number two money-maker.

Climate pretty much takes care of itself. As long as the sun shines here, people will continue to come in order to escape the snow and cold up north. But it's not just the sun that brings people to Arizona.

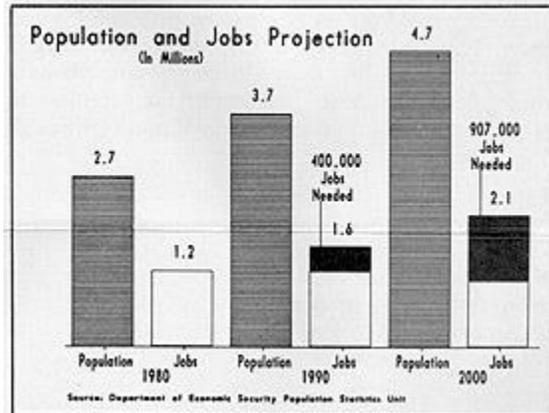
They come here because of the environment. That is why it is vitally important that the quality of Arizona's air, water and landscape is protected. We've had our share of problems in the past and continue to have environmental difficulties, such as the TCE pollution in Tucson. But if climate is to remain a strong C, work must continue to avoid spoiling what makes Arizona so special.

Folks come to Arizona for its natural beauty. The national parks and wilderness areas are among the most popular in the country. That's what makes the management of the public lands so important.

The House of Representatives just recently passed an Arizona Wilderness bill, a measure that will designate more than 1 million acres as wilderness. Senator Barry Goldwater (R-AZ), has agreed to move the bill through the Senate.

I'm proud of the compromise that was achieved by working closely with all interested parties. This included environmental, mineral, industry, agricultural and recreational groups and anyone else interested in the future of Arizona's land management. It was a good compromise. One that protects important wilderness areas, while making other public lands available for recreational and commercial use.

Looking to the future, it's clear that no longer can the five C's be exclusively or even heavily relied upon. They are important; we can't do without them. But, by themselves, they are not enough anymore. Between now and the turn of the century (which is just 16 years away) the Arizona Department of Economic Security projects that nearly a million more jobs will be needed. That's a 75 percent increase over current job levels.



Some people are already talking about a sixth C: **Computers**. More broadly defined as high technology, computer and computer related industries already account for 49 percent of Arizona's manufacturing employment. Nationally, only 14 percent of the manufacturing workforce works in high-tech industries. It's clear that Arizona is moving into the forefront of this new economic revolution. Arizona firms are doing important new work in the areas of communications, aviation and weapons research and development, to name just a few.

The growth potential in these new industries is enormous. Thousands of new engineering jobs will be created. Many of them will be filled by graduates of the engineering departments at the University of Arizona and Arizona State University. Computer hardware designers will be needed. And so will the software support that goes with it. Thousands of related, but less technical jobs will also be created as our high-tech industries grow and diversify.

Arizona is at the cutting edge of one high-tech related industry -- the space program. Recently, the Congress increased funding for planetary exploration and planetary science as part of the NASA Authorization bill. Much of this funding could end up in Arizona, at the University of Arizona, the Planetary Institute in Tucson, or at Kitt Peak Observatory. Funding was also approved for the design definition phase for the SIRTIF (Shuttle Infrared Telescope Facility) which is the follow-up to the highly successful IRAS (Infrared Astronomical Satellite). This work will be done at the University of Arizona and Kitt Peak. With Arizona's research and development facilities, both public and private, we have the ability to help move the U.S. space industry into the future.

Much of the support for Arizona's high-tech industries comes from small business. By all estimates, small business is big business in Arizona. Over 60 percent of all Arizonans work in companies that employ less than 100 people and more than 80 percent work in companies with less than 250 employees. Many of these small

businesses are important suppliers to larger firms. These companies need support – through low-interest loans for expansion and other means -- so that Arizona's economic bedrock remains solid.

While the new C, **Computers**, is a promising new area, there is no room for complacency. We still have to work hard to be competitive and to maintain our place in the economy's sunbelt. Should we work to promote computers and high-tech industries in Arizona?

Absolutely. But let's not write-off the traditional 5 C's. We can't afford to ignore what got us here in the first place. The 5 C's provide an indispensable strength and diversity to the economy. Computers will add to the strength and diversity of the traditional 5 C's, but they will not replace them.

In short, there are two very important tasks in the years ahead. The first is to preserve our historic economic base, seeking to prevent any further shrinkage. The second is to develop new opportunities, particularly in the area of high-technology. If we do these two jobs well, Arizona can look forward to continued prosperity.

A handwritten signature in black ink, appearing to read "Tom Adelf". The signature is written in a cursive, flowing style.

For those of you who want to get in touch with the Phoenix district office, we have installed a new 800 number. Beginning on April 23, you can call the Phoenix office toll-free on **1--800--458-5547**.