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## Mr. Clinton Deserves 'Fast Track'

President Clinton begins an important battle with Congress this week for renewal of "fast track" authority, the right to submit trade agreements to Congress for a speedy vote without amendments. Without fast-track protection, countries will not negotiate trade accords with Washington for fear of endless revision. Not surprisingly, protectionist forces within both parties would be happy to block the no-amendment rule, even though every President over the past 20 years has used the rule to open up foreign markets and also bring down prices for American consumers.

The Administration needs fast track to complete negotiations within the World Trade Organization on opening markets to foreign-provided services, tightening copyright protections and prying open government contracts to bids by foreign companies. Fast track is also needed to negotiate trade agreements with Chile and other South American countries. They are already negotiating deals with Europe, Mexico and Canada that would give exports from those countries favored access.

Opponents ranging from isolationists to pro-union liberals indict trade pacts with environmentally lax and low-wage countries. The claim is that these countries steal American jobs and drive down living standards of American workers. But trade itself does not create or destroy jobs. The American economy will operate near full employment as long as Federal Reserve and budgetary policies remain sensible. Trade does shift jobs from apparel and other low-paying industries into high-paying export industries. The transition can be rough, but the long-term benefits are substantial.

Nor are low foreign wages the scourge that the forces led by the House majority leader, Richard

Gephardt, proclaim. Low wages largely reflect low productivity, providing no net benefit to foreign manufacturers. Nor would higher foreign wages help American companies. Rising production costs would be offset by a falling exchange rate, leaving the net cost of imports to American buyers largely unchanged.

That said, the Administration goes too far in claiming that trade helps everyone. The influx into the United States of clothing and other goods produced with low-skilled labor has modestly pushed the wages of unskilled workers further behind the wages of skilled workers. But rising inequality should not be confused with falling living standards. After taking account of lower prices for imported goods and the availability of jobs in a fully employed economy, very few Americans actually lose.

Though labor and environmental conditions are rarely related directly to trade, the United States should condition trade pacts on a country's willingness to adopt agreements that provide basic international protections, like prohibitions on child labor and rights for union organizers. As in the trade accord with Mexico, Washington ought to insist that countries, like Chile, strictly enforce their own environmental laws.

Bill Archer, chairman of the House Ways and Means Committee, proposes a reasonable compromise that would allow the Administration to incorporate into the text of a fast-track accord labor and environmental conditions that directly affect trade in specific products. The details remain to be worked out, but the Archer plan offers an opportunity to fashion a sensible fast-track plan that can be made acceptable to Democrats.

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PRESERVATION

T.P. of 2 lines

Make, perhaps the most complete reporting of point to date. ps - You should do a demand w/ them

Disc

# PENNSYLVANIA AVENUE

(By Morton M. Kondracke)

## NAFTA Redux: Both Sides Gear Up For 'Fast Track' Fight

While taxes, Medicare, and scandal probes dominate Washington's summer agenda, the White House and its adversaries are gearing up for a bruising fight this fall over trade legislation.

The Clinton Administration sees Congressional approval of fast-track authority to negotiate new free-trade agreements as a major part of both its foreign policy and its domestic agenda.

Lining up against the White House is an odd coalition of organized labor, some environmental and consumer groups, and Ross Perot and Pat Buchanan, who want to use

US trade power to influence other countries' domestic policies or, failing that, deny Clinton power to negotiate new pacts.

Politically, the battle over fast-track trade authority will be a major test of strength between "old Democrats" led by House Minority Leader Dick Gephardt (Mo) and "new Democrats" led by President Clinton and his would-be successor, Vice President Al Gore.

It also will be a test of whether nationalist-isolationist sentiment is gaining in the Republican party.

"Fast track" gives the President authority to negotiate trade deals, which then can only be voted up or down by Congress, not endlessly amended. Having won fights over NAFTA and GATT, Clinton intends to seek free-trade pacts with Chile and South Africa, as well as so-called "sectoral" market-opening agreements on in-

formation technology, biotechnology, agriculture, and professional services with Asian countries and at the World Trade Organization.

The Administration argues that open trade is partly responsible for America's current economic boom and low inflation and that, without renewed fast-track authority, the US will lose out as other nations rush to negotiate trade deals.

Labor unions and Gephardt counter that free trade also is responsible for stagnant wages among the poor and unskilled, who can't compete with foreign workers.

Gephardt insisted in a recent interview that he and labor unions are not "protectionist," but want it written into trade pacts that the US will close its markets if other countries do not live up to their own labor, environmental, human rights, and anti-drug laws.

Gephardt said that the aim is to gradually

bring other nations up to US standards, reducing the chances that American companies will flee to low-wage nations where environmental enforcement is weak.

Congressional Republicans, however, adamantly oppose any effort to weigh down trade pacts with labor or other restrictions except when they are "directly related" to trade — as when a foreign country uses environmental regulations to keep US products out.

The Administration, arguing that foreign countries won't stand for Gephardt-like invasions of their sovereignty, wants a "clean bill" authorizing fast track.

Gephardt's staff complains that the Administration has been unwilling even to negotiate. "They want a fight," said one aide. "They want to establish Clinton as an international leader or to isolate one part of the Democratic party. It's a testosterone test."

Clinton aides confirm that they aren't negotiating with Gephardt or labor because "nothing we could give them would win their support. They've never supported a free-trade deal."

Formally, the trade fight begins in mid-September, when Clinton and Gore roll out their fast-track proposal. In fact, however, the fight is already on. US Trade Representative Charlene Barshefsky has held 170 briefings with Members, and the Administration is getting ready to hire Jay Berman, president of the Recording Industries Association of America, to spearhead the fast-track sales effort.

The AFL-CIO also has brought on a chief fast-track strategist, Mike Tiner, and is planning

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*The battle over trade authority will be a major test of strength between two party factions: Gephardt's 'old Democrats' versus the Administration's 'new Democrats.'*

to spend several million dollars during Congress's August recess on local TV advertising. Simultaneously, the Business Roundtable is planning its own TV blitz, to be supplemented by invitations for Members to visit industries prospering because of foreign trade. The "new Democrat" Democratic Leadership Council also plans to weigh in on the Clinton/Gore side, mobilizing state and local government officials.

Early vote-counting suggests that Clinton faces a tough fight, but one he ought to win if he wages an all-out effort. Clinton pollster Mark Penn has told White House aides that 62 percent of Americans support "free trade" and 82 percent, "fair trade" — suggesting that the White House campaign will promise that Clinton will seek "tough, fair trade agreements."

Penn's polls also show a significant gender gap on trade, with 73 percent of men and 55 percent of women in favor of free trade, including 54 percent of male Democrats and 39 percent of female Democrats.

Trade lobbyist and vote-counter Phil Potter says that the likely winning majorities for fast track will be 150 to 160 Republicans and 60 to 70 Democrats in the House, and 40-plus Republicans and 20 Democrats in the Senate.

Gore and Clinton will want to maximize Democratic support — with Senate Minority Leader Tom Daschle (D-SD) as a crucial player — but they also can't risk offending Republicans. In 1993, only 43 House Republicans voted against NAFTA, but 56 voted in 1994 against the GATT trade agreement and 79 voted this year against MFN for China.

Clinton has been a big winner so far this year in Congress on the budget, chemical weapons, and MFN. But trade will be a big test, not just for him, but also for Gephardt, Gore, and GOP leaders. It's NAFTA redux — a helluva fight.

**PHOTOCOPY  
PRESERVATION**

**Surprise! Clinton Is a Good Foreign Policy President**

As President Clinton heads to Europe this week to preside over expansion of NATO, it's hard to remember that this is the same President who made such a mess of foreign policy at the outset of his first term. It's too much to say that Clinton has been a great foreign policy president — luckily, he's had no wars or grave crises to face — but his strategy and execution so far have been very good, setting up the structure for continued US global leadership in the 21st century. Clinton's success in this arena is a surprising development in view of the disasters he endured early in his first term, such as the death

of US troops in Somalia, being intimidated by thugs in Haiti, and having diplomatic initiatives bluntly rebuffed in China and Bosnia. To the despair of his Secretaries of State and Defense, Clinton wasn't interested in foreign affairs and spent little time on it. The results showed in repeated humiliations for the US and the Administration. But that's changed. Besides deciding it was dangerous not to pay attention to foreign affairs, Clinton also got lucky. Former President Jimmy Carter saved him from disaster in Korea and in Haiti, and Croatian military advances gave him a second chance to build peace in Bosnia. However, Clinton also deserves credit for developing a sound overall strategy almost from the outset on two key fronts: world trade and Europe. He's been dedicated since 1993 to an open trading system, the key to prosperity around

the world and in the US, and to expansion of NATO to keep the US cemented in the post-Cold War European security structure. In both cases, he faces fights in Congress to keep the momentum going — this year on fast-track authority to negotiate new trade agreements and in 1998 on Senate ratification of NATO expansion. But contrary to the rap that his foreign policy is driven simply by domestic politics, there is a distinct vision to Clinton's view of the US place in the world, if not exactly a grand strategy. One scholar has identified seven models for the shape of the world's future, and the evidence suggests that Clinton isn't confused about which one he believes in. Clearly, Clinton thinks that the United States is the world's lone superpower, the "indispensable nation" without which nothing useful

can be achieved. Some Clinton aides say that, de facto, the world lives under a Pax Americana and that Clinton wants to keep it that way. The seven competing visions identified by Robert Harkavy of Pennsylvania State University are:  
 (1) A three-bloc world in which Europe, Asia, and America are "geo-economic" and perhaps geopolitical rivals;  
 (2) The multipolar, balance-of-power world order anticipated by Henry Kissinger;  
 (3) "Zones of peace/zones of chaos," the theory of Robert Kaplan that the Third World faces environmental and political catastrophe while the industrial world prospers;  
 (4) The "clash of civilizations" theory of Harvard's Samuel Huntington, which anticipates conflict between Muslims, Christians, and Confucians;  
 (5) The "global village" model identified by left-wing scholar Richard Barnet, in which all the world's peoples are victimized by supra-national corporations;  
 (6) A bipolar world, with the US and China as 21st century rivals; and  
 (7) The unipolar, one-superpower world first identified by columnist Charles Krauthammer. Clinton is operating under the last model and trying to make sure that the others are short-circuited, especially the three-bloc or two-bloc scenarios. This accounts for his



*Clinton deserves credit for developing a sound overall strategy from the outset on two key fronts: world trade and Europe.*

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NATO initiative, efforts to get along with Communist China, and the formation of links to other Asian countries.

But there are dangers to the system Clinton is trying to foster. A famine-crazed North Korea could launch a desperate attack on South Korea, making Clinton a war president. Relations with China could easily become adversarial, and Clinton could be embarrassed by renewed warfare in the Balkans.

Dangers also face him in Congress, where a majority of Democrats and a growing minority of nationalistic Republicans oppose fast-track. In debate this fall, Clinton will be helped, though, by the booming US economy and low unemployment, which refute the idea that free trade "sucks" jobs out of the country. On NATO expansion, Clinton is opposed by an odd collection of liberal doves and hawk hard-liners, ranging from Rep. Barney Frank (D-Mass) and former arms control chief Paul Warnke on the left to former Pentagon official Fred Ikle, Russia scholar Richard Pipes, and former Sen. Gordon Humphrey (R-NH) on the right.

The opposition also includes such centrists as former Sen. Sam Nunn (D-Ga) and former Clinton adviser Michael Mandelbaum. On the other hand, Foreign Relations Committee ranking member Joe Biden (D-Del), who had been opposed, has declared in favor of expansion, though he says that getting two-thirds of the Senate to approve it will be "a real fight." Opposition is based on potential cost, fear of renewed Russian nationalism, and the problem of Central European states left out of the expansion.

So far, Clinton has met the objections by seeking European cost-sharing, winning assent from Russian President Boris Yeltsin, and permanently excluding no democracy from membership. He'll make a side trip this week to Romania to stress the point.

With budget constraints and advancing lame-duckhood increasingly impairing his ability to institute domestic initiatives, Clinton may well major in foreign policy for his last years in office. He might even get a top grade.

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By Morton M. Kondracke

**Early 2000 Score Is Gore 2, Gephardt 0, But Stay Tuned**

**A**fter the first two tests of strength of the 2000 Democratic presidential race, the score is Vice President Al Gore 2, House Minority Leader Dick Gephardt (Mo) 0. But by this fall, Gephardt could narrow the gap.

Gephardt has suffered two defeats trying to pull House Democrats away from President Clinton's budget deal, but he could win future fights over the budget and trade.

The first contest occurred on May 20, when only 72 of 204 House Democrats present and voting (35 percent) supported Gephardt in op-

position to the budget deal that Clinton cut with Congressional Republicans.

The second test occurred in two House Democratic Caucus meetings on June 5 and June 10, when a lopsided consensus developed in favor of a Democratic tax proposal that held to the terms of Clinton's budget deal.

No votes were taken, but it was clear that the deal-breaking alternative offered by Rep. Jim McDermott (Wash) was supported only by 20-odd Democratic liberals.

They were the only ones cheering when Rep. Jesse Jackson Jr. (Ill) declared during the June 5 meeting, "It's time to declare the Clinton era over and move on."

McDermott's proposal would have directed \$130 billion worth of tax relief over five years mainly to families making less than

\$35,000 per year by giving them a \$200 per person credit for Social Security taxes.

During the caucuses, moderate Democrats like Rep. Cal Dooley (Calif) argued that a tax plan so heavily skewed to the poor would hurt Democrats in middle-class districts, which they need to win in order to recapture control of the House in 1998.

Gephardt, who earlier blasted the budget deal for "a deficit of fairness" and tried to organize opposition to its tax provisions, ended up supporting the tax alternative drawn up by Ways and Means Committee Democrats that closely tracked Clinton's position.

Besides raising doubts about Gephardt's ability to lead his own troops against Clinton and Gore, the Democratic budget decisions suggest that the center of gravity in the Democratic party has shifted to the center.

If so, that would be a major triumph for Clinton, who has been trying to re-orient the party to a new, less government-heavy direction. Gore is Clinton's partner in the endeavor and will have to run in 2000 on the success or failure of that effort.

Even though Gore is leading Gephardt after two rounds, the 1997 maneuvering is far from over. Other key tests will come over final passage of the budget, most-favored-nation trade status for China, and fast-track authority for trade agreements.

Gephardt and the Administration presently are united in opposition to the House Republican version of the tax bill, but eventually Clinton and Gore will have to decide whether to support or oppose the final version produced by Congress.

As a Republican document, it almost certainly will contain more tax breaks for the wealthy than Clinton now favors, and Gephardt is certain to be against it.

If Clinton supports the final House-Senate conference report as a means of securing a bipartisan budget deal, Gephardt will have another chance to pull away a majority of Democrats and score a victory over Clinton/Gore.

Of course, if the final version is truly distasteful to Clinton, he could use his veto to cajole Republicans into an acceptable compro-

*Gephardt has suffered two defeats trying to pull House Democrats away from President Clinton's budget deal, but he could win future fights on the budget and trade.*

mise as he did in the disaster supplemental fight, burnishing his image as a crafty leader and boosting Gore by reflection.

On trade, Gephardt is on somewhat stronger ground, at least on fast-track. Vote-counters think that Clinton presently stands to win a majority of House Democrats on MFN for China—possibly a bigger majority among Democrats than among Republicans, since Christian conservatives are contesting that party's free-trade tradition.

But fast-track is a much tougher fight. Deterioration of free-trade sentiment among Republicans means that instead of being able to patch together a majority with 160 Republicans and 60 Democrats, Clinton may need 80 or 90 Democrats.

The AFL-CIO is gearing up to assist Gephardt in defeating fast-track with TV ads running in the districts of moderate and conservative Democrats declaring, "Don't let the people who brought you NAFTA do it to you again."

The ads claim that the North American Free Trade Agreement—whose ratification Clinton won in 1993 despite the opposition of Gephardt and a majority of Democrats—has been a job-loser for American workers.

The Administration faces the difficult task of convincing Congress and the public that NAFTA has been a success, in spite of a US trade deficit with Mexico, because it prevented an economic crisis in Mexico from being worse than it was.

Gore last month declared that opponents of free trade are the advocates of "outdated policies" that are "just plain dangerous in the information age" and are "the exact opposite of what the country needs."

Look for Clinton/Gore to score three victories over Gephardt on the budget and one on MFN; Gephardt, however, stands a good chance of coming back on fast-track. But if Gore wins that one, too, the game may be up for traditional labor liberals.

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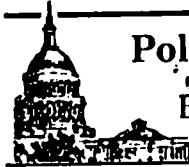
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# Fast or Fatal Track for Democrats?

The Irishman, as William Butler Yeats wrote, has "an abiding sense of tragedy which sustains him through temporary periods of joy." If political parties were nationalities, the Democrats would be Irish.

For Democrats, joyful over the schisms plaguing Republicans, there is a looming calamity: the fast-track initiative President Clinton will propose in September to give him authority to negotiate free-trade agreements.

There are two realities here: One, fast-track is essential if the U.S. is to continue to play a leading role in the global economy; but two, it will seriously exacerbate fault lines within the Democratic Party. It is a foregone conclusion that a decisive majority of congressional Democrats will vote against the president; the ensuing tensions will make it considerably harder for them to win back control of Congress in 1998.



## Politics & People

By Albert R. Hunt

The fast-track legislation would simply give the president the authority to negotiate trade agreements, whether bilateral deals with Chile and South Africa or sectoral pacts in areas like agriculture and financial services. These treaties then would be brought back to Congress for up-or-down approval but couldn't be amended or changed.

Without fast-track, any trade pact would become a special-interest bazaar in the legislative branch. When Congress started to reject portions of trade agreements a quarter-century ago, this procedure was necessitated. Such authority expired several years ago, and without it, any major trade deals are impossible.

As right as it is on the merits, the politics of fast-track are dicey. The opposition will include labor, many environmental-

ists, the Pat Buchanan-led economic nationalists and Ross Perot.

Despite the strong economy, the public is skeptical of unfettered free trade. In this week's Wall Street Journal/NBC News poll, respondents by a stunning 2-to-1 margin opposed giving the president fast-track authority.

Some of this is a residual effect of the 1993 North America Free Trade Agreement. U.S. Trade Representative Charlene Barshefsky, in laying the groundwork for fast-track legislation, has talked to more than 175 members of Congress, and practically every one offers a Nafta horror story of some plant that moved or jobs that were lost. Actually, much of this is exaggerated; Nafta hasn't yet produced some of the benefits proponents promised, but neither has it caused the ills critics claim.

But the White House will try strenuously to divorce fast-track from these Nafta perceptions. "We won't fight this on the Nafta battleground," says Victoria Radd, a top White House aide who has been detailed to the fast-track fight. "We will fight it on the future battleground." Similarly, Ambassador Barshefsky says: "To say that fast track is Nafta ignores the necessity for U.S. leadership in the global economy."

But no matter how the argument is framed, it splits the Democratic party. It's a little bit of the New Democrat vs. Old Democrat schism. But more than that, it reflects different constituencies—the more traditional and usually industrial districts vs. higher-tech, cutting-edge sectors of the economy.

These splits will be symbolized today. The president will meet with several dozen House Democrats at the White House to pitch fast track. At about the same time, a few hundred yards away in the AFL-CIO building, the top labor chieftain, John Sweeney, will convene a meeting of leading legislative, political and media officials from major unions to map an anti-fast-track strategy.

It also goes to the politics of 2000. Leading the fight against fast track will be House Minority Leader Dick Gephardt (I., Mo.). Within the administration sits an uncomfortable Vice President Albert Gore, who knows the issue is going to cause him grief with core constituencies.

Mr. Gephardt has tried to persuade the administration to water down any request for fast-track authority, in order to limit the political fallout; even free-trade Democrats like California's Vic Fazio have voiced concern to both Mr. Gephardt and the White House over the likely political damage. But Clinton operatives are con-

### Uphill Track

President Clinton will ask Congress to give him "fast-track" authority to negotiate more free trade agreements. This would mean that once the negotiations are completed, Congress would take an up-or-down vote, but not make any amendments or changes. Do you favor or oppose this?

FAVOR 32%  
OPPOSE 68%

Poll taken July 26-28, 1997.

THE WALL STREET JOURNAL/NBC NEWS POLL

temptuous of Mr. Gephardt's motives, charging he only advances thinly disguised protectionist pitches that the president finds unacceptable.

The administration plays an all-out push. It has hired an outside lobbyist to direct the campaign; the top cabinet officials will be actively engaged this fall; and it has enlisted two highly resourceful former members of congress, Republican Vin Weber and Democrat Tom Downey, a close confidant of Mr. Gore.

The battle will be waged first in the House, where Republicans publicly insist the White House must deliver 90 Democ-

rats—privately, that number is more like 70—out of the 206 total House Democrats. But according to a reliable Democratic strategist, there are currently fewer than 60 Democratic votes for fast-track. At a White House meeting last week, Rep. Charles Rangel of New York, the ranking Democrat on the Ways and Means committee, pointedly warned the president he has to do more for workers displaced by trade pacts.

Other concessions may prove very elusive. The Nafta side agreement on labor and environment has proven toothless. Leading congressional Republicans now insist on going the other way, telling the White House there must be language that makes it clear that any trade negotiations involving labor and environmental matters will be very limited.

"If the president tries to cater to Dick Gephardt and John Sweeney, he's not going to get fast-track," bluntly warns Rep. David Dreier (R., Calif.), a key GOP trade strategist.

In the end, the president will probably succeed. Despite public opinion and formidable opposition, presidents almost invariably win major foreign policy and trade initiatives. Moreover, for all the rhetoric of labor, the pro-trade business community has more resources. And there would be consequences if fast-track fails. Trade negotiations would continue without the U.S.; only recently Canada cut a deal with Chile.

Moreover, as the president showed in the recently completed budget deal, when he needlessly caved in on some tax provisions in order to get a quick deal—to clear the decks for fast-track this fall—he often prefers dealing with Republicans. Thus, the likely final resolution—another second-term victory for the White House that virtually assures continued GOP control of the House in 1998—is a bargain to which Bill Clinton and congressional Republicans are growing accustomed.

Comparison to how the deal was done

Sept 2197

FAST Track

- ① Shape of leg
- ② Hope to accomplish
- ③ Tracking point
- ④ Adjourant / Commensurate
- ⑤ Surrogate spec.

Enslive  
Principals only matters  
after Charles goes to the HCU  
to see Repl.

Haley } F no priority to the POTUS  
{ Oct adjournment (over)

Halley

2

Pass legislation Before adjournment

Bipartisan is important

Consultation w Demos / Reps

Concours  
Retire

Rudd

Interagency

<sup>Steve</sup>  
\* Daley meeting / Virtual workshop

Bennett

File a Bill that starts the process

Steve Follow w David Johnson to set  
me up for max  
} N tip star  
} Midwest  
} etc.

**DONALD F. TERRY**  
Manager  
Multilateral Investment Fund

**INTER-AMERICAN DEVELOPMENT BANK**  
1300 New York Avenue, N. W.  
Washington, D. C. 20577

Tel. (202) 942-8211  
Fax. (202) 942-8291

Congress of the United States  
Washington, DC 20540

REMARKS BY SENATE DEMOCRATIC LEADER TOM DASCHLE  
ANNOUNCING HIS SUPPORT FOR "FAST TRACK" TRADE AUTHORITY  
MONDAY, NOVEMBER 3, 1997

Today is an historic day in American trade policy. Never before has an American President submitted, with his request for fast track negotiating authority, a formal statement of his broader foreign economic policy agenda.

Never before has a President spelled out in such detail what his administration will do to ensure that trade expansion raises living standards for the greatest number of Americans.

This "statement of executive initiatives" addresses concerns that I, and other Democratic Senators, have raised -- particularly concerns about worker rights and environmental protection.

On the basis of these initiatives, as well as separate assurances I've received on agricultural trade, I am announcing today that I will support the President's request for fast track trade negotiating authority.

I want to congratulate the Administration for the tremendous amount of work they have put into this unprecedented document.

The days when negotiating trade agreements meant simply coordinating tariffs and quotas are gone. Today, we're stitching together the fabric of entire economies. This broader scope of negotiations demands a broader strategy for negotiations. That's what this document sets out.

The statement contains a concrete strategy to improve workers' rights, and protect the environment, in developing countries at the same time we negotiate trade agreements with them. \*

Raising these standards to our level and avoiding a race to the bottom will be an explicit objective of this Administration, particularly when we're negotiating free trade agreements.

First, the Administration has pledged to take specific steps to shine a brighter public spotlight on the labor rights and environmental conditions and practices in these countries. I believe that sunshine can be a powerful disinfectant in this regard.

The Administration will conduct a benchmark assessment of our future FTA partners in the areas of labor, the environment, the legal system, and exchange rate policy. And the Labor Department will issue annual reports on the labor rights conditions in our existing FTA partners.

Congress and the American people will be able to judge for themselves whether our trading partners are living up to their end of the bargain on workers' rights and the environment.

Second, the Administration has pledged to try to reform world trade and financial institutions to take better account of labor and environmental concerns.

The Treasury Department will press the World Bank to create a labor rights department in order to increase the emphasis on worker rights in developing nations.

On the environment, the U.S. will push to open up the World Trade Organization's "dispute settlement" process to input from environmental groups.

And we will seek to have the WTO convene an Eminent Persons Group on the environment to consider whether some of the GATT's rules need to be changed to better accomodate national environmental policies.

Also, we will undertake a set of border clean-up initiatives to protect the health and safety of Americans living near our nation's borders, and to protect our natural environment along the borders. These will be announced later this week, and Senate Democrats consider them very important.

In closing, this statement proves -- in black and white -- that this administration understands trade agreements must raise living standards. Expanded trade is the future. America cannot turn its back on that future. Neither can we turn our back on our history, and our deep commitment to workers rights and environmental protection.

Once again, I want to congratulate the Administration on taking this historic step.

###

# Pledges Made To Democrats On Fast Track

By BOB DAVIS

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Trying to woo hesitant Democrats to vote for fast-track trade negotiating authority, the White House pledged to try to bolster labor and environmental standards outside the traditional trade mechanisms.

The agenda calls for enlisting such international institutions as the World Bank and the International Monetary Fund. But it falls well short of the demands of labor and environmental groups, which want to use trade negotiations — and sanctions — to promote those standards. Moreover, none of the proposals include enforcement provisions; and some have been made by the administration before — only to be rejected by other nations, or even ignored by the White House.

John Audley, trade analyst for the National Wildlife Federation, a moderate environmental group that backed the North American Free Trade Agreement, said the environmental proposals don't improve on Nafta. "We have a chance to do worse" under any trade deal negotiated under fast track, he complained. His organization and other environmental groups that supported Nafta are opposing fast track.

The administration, aiming to shore up support among liberal Democrats, released its agenda as part of its negotiations with Sen. Minority Leader Tom Daschle. For example, it plans to release shortly a proposal to boost spending for worker retraining by about \$90 million a year. The South Dakota Democrat said the proposals "represented a concrete strategy to improve workers' rights and protect the environment."

Under fast-track rules, lawmakers agree to approve or reject trade pacts, but

not amend them. Foreign nations won't agree to negotiate broad trade agreements unless the U.S. has fast-track authority, because of fear Congress would rewrite the deals. The procedure is controversial because activists want to use negotiations to bolster labor and environmental standards and have them enforceable by trade sanctions. But the fast-track proposal, crafted by the administration to win approval in a Republican Congress, wouldn't allow U.S. negotiators to have such provisions approved under expedited congressional procedures.

The Senate is expected to vote on fast track and approve it this week; in the House, where opposition is much tougher, a vote is scheduled for Friday.

Under the administration's plans, the U.S. would prod the World Trade Organization in Geneva to open its arbitration panels to public scrutiny and allow activist groups to submit legal briefs. The administration made similar proposals in December 1993, when it negotiated the WTO's creation. The White House also will propose that the WTO empanel a group of experts to study environmental issues.

Additionally, the Treasury secretary would press the Inter-American Development Bank to examine environmental issues and increase direct lending for environmental projects.

On the labor-rights front, the administration plans to regularly review the labor-rights practices of nations that the U.S. plans to include in free-trade agreements. It would also ask the World Bank to establish an office to analyze labor issues, and promote a World Bank-International Monetary Fund conference on labor standards.

Separately, the administration announced its support for a number of agricultural initiatives. The U.S. would annually identify countries that, citing safety concerns, block exports of U.S. agricultural goods. In cases where the U.S. decides the moves are unwarranted, it could invoke trade sanctions. In particular, pork and beef producers complain that European and Asian countries block their products because of claims that chemicals injected into livestock make the meat unsafe.

## Glue

are it not for the superhuman Allendale's welfare office, the program that allows recipients to hold jobs might quickly crash. In fact, it is welfare workers who fill the openings, prep people to apply, take them to job interviews and help fill out the paperwork. Welfare workers also coordinate transportation and day care, and often encourage people to work themselves when problems arise.

The welfare office even acts as an informal labor arbitrator. When several hotel housekeepers were recently at risk of losing their jobs because they worked too slowly and didn't make beds to supervisors' standards, welfare officials traveled to Hilton Head and spent a day coaching the women. They kept their jobs. "We've been everything to people for so long that they don't know any other way," says Lee Harley-Fitts, who heads Allendale's Department of Social Services.

Like many officials nationwide, Ms. Harley-Fitts is both pleasantly surprised by the pace of job placement so far and cautionary about the future. Many of Allendale's new workers are in service jobs subject to seasonal swings. With the quiet winter months approaching, workers' hours in Hilton Head are being cut. The Radisson's Ms. Riddle says she will lay off three quarters of her housekeeping staff come Thanksgiving, and many other employers expect to do the same.

Even more worrisome are welfare recipients who haven't yet found work. "The ones that are willing and able to work are mostly in jobs by now," Ms. Harley-Fitts says. Those remaining on the rolls present

a much tougher challenge. "A lot of people, in the back of their mind they're thinking, 'We'll wait it out and some other program will come along to help us.'"

### Tightening Belts

That is unlikely in South Carolina, which has some of the nation's toughest new rules, including an October 1998 cutoff for many now on the rolls. Nor can Allendale's welfare office indefinitely provide the hand holding it does to help keep people in jobs. Ms. Harley-Fitts draws on a discretionary budget to assist with transport and other support. But these funds are limited and likely to disappear. One Radisson housekeeper — an employee-of-the-month winner — has had to give up her job because the welfare office could no longer provide transport for her evening shift.

Also at risk are daily car pools like the one carrying workers to the Winn-Dixie in Beaufort. Even if the car pool continues, it is unclear how long the women who use it can endure their schedule. "I'm like a robot," Georgeann Campfield says, "leaving home and getting home in the dark and doing nothing but work or getting ready for work."

### Living to Work

The preparation begins as soon as she gets home from work. Winn-Dixie provides employees a single work shirt, and Ms. Campfield is reluctant to spend a day's

wages on a spare. So she must wash and iron her shirt after every shift. Waking at 3:30 a.m., she dresses her children and downs breakfast before catching her ride, usually at 4:30 for a 6 a.m. start.

For those on later shifts, the morning wait is cold and dull. At 6, the only other store open in the mall is Wal-Mart. So mostly the women sit in plastic "Gracious Living" lawn chairs, beside bags of lawn manure piled in front of Winn-Dixie. On a recent day, even this meager perch is denied them. "These chairs are for sale, not for sitting," a supervisor explains, stacking the seats beside a sign saying "Sale: two for \$10."

When Ms. Campfield gets off, she fills some of the seven-hour wait with a long lunch at Taco Bell and a stroll past chain stores she has gazed at a hundred times before. Earning only about \$150 a week, she can't shop for much but essentials (her \$200-a-month welfare stipend is being gradually reduced the longer she stays on the job).

At age 23, Ms. Campfield is a fourth-generation welfare recipient who went on the system and dropped out of school when she had her first child as a teenager. Like many others in Allendale who are moving from welfare to work, she is grateful for the change. "I'm not lazy, but I just never tried to strive," she says. Now, at the bakery, she has discovered a talent for decorating and feels better about herself. "When I'm in there, I know what to do. I don't just sit around being bored." Best of all, she is starting to feel some financial independence and has made layaway payments on a few toys and clothes — items she visits every day after work. "I don't have to be begging people for nothing anymore," she says, proudly fingering a pair of kids' jeans.

### A Desire to Do Better

But now that she is accustomed to a small weekly paycheck, Ms. Campfield wonders if she can improve on her minimum-wage job and how long she can hang onto that. She has tried to find part-time work elsewhere in the mall, to fill the long wait, but Winn-Dixie changes her schedule each week. And between her schedule and commute, there is no time for night classes

or job training that might help her move into a better job. Despite repeated requests, the women say, Winn-Dixie refuses to coordinate their shifts (the supermarket manager and a spokesman for Winn-Dixie Stores Inc., based in Jacksonville, Fla., declined to comment).

There is another option for women like Ms. Campfield: moving to where the jobs are. South Carolina and several other states offer almost \$1,000 in relocation assistance to welfare recipients who move for work. But a handful have taken advantage of the program. Asked why, most in Allendale cite high rents in the city, concerns about raising children there and fears of being laid off far from the safety net, however meager, provided by friends and family. "I don't know anybody in Beaufort and they don't know me, except for my name tag," Ms. Campfield says.

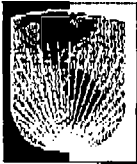
It is 8:30 p.m. when the last of the Winn-Dixie workers finishes her shift. Heading home, the car-poolers find themselves stuck at a railroad crossing as a long, slow freight train rumbles past. In the five minutes before the caboose appears, all four women fall asleep, despite the roar of the train and the hip-hop music blaring on the car radio.

Reaching Allendale at 10, Ms. Campfield collects her sleeping kids and heads home for the few hours until the cycle starts again. "See y'all tomorrow," she says, climbing out of the car.

"You mean later tonight, girl," one of the women responds.

Ms. Campfield smiles wanly, hoists her kids and walks away in the moonlight.

2/2



**INTER-AMERICAN DEVELOPMENT BANK**  
**Washington, D.C. 20577**

**EXECUTIVE DIRECTOR**  
United States

**FACSIMILE**

( 3 pages)

**TO: Mack McLarty, Spccial Counselor to the President**

**FAX: 456-2215**

**FROM: L.Ronald Scheman**

**TEL: 202/623-1031**

**FAX: 202/623-3612**

---

November 3, 1997

The attached memo probably contains everything you need in the category of ideas. I am having a brief list of major projects in the field put together and will have it to you first thing in the morning.

## INTER-AMERICAN DEVELOPMENT BANK

**MEMORANDUM**

FILE CLASSIFICATION: labor7.1

DATE: July 29, 1997

TO : Bill Schuerch, DAS, Treasury

CC : David Lipton, Assistant Secretary  
Mack McLarty, Counselor to the President,  
Amb. Charlene Barshefsky, USTR  
Amb. Jeffery Davidow, Assistant Secretary  
Andrew Samet, Assistant Sec. of Labor  
Amb. Harriet Babbitt, U.S. Representative  
Amb. Richard Brown, Coordinator

FROM : L. Ronald Scheman, US EXD

SUBJECT : An Inter-American Labor Initiative

We have begun to explore at the IDB a new initiative in the field of labor to strengthen the capacity of Labor Ministries of the Americas to conform with ILO standards and to improve their professional capacity to better analyze the economic implications of the openings to globalization and privatization in the region. The initiative resulted from an idea presented by Amb. Charlene Barshefsky in a meeting with Pres. Iglesias several weeks ago.

Background:

The nations of the Americas have long advocated fair labor standards to protect workers, enhance productivity and improve competitiveness. Most of the American nations have ratified key ILO standards and have on their books numerous laws to protect labor. The institutional capacity to give substance to these laws and enforce the minimum standards, however, is weak. In short, the issues affecting labor have considerable support in their own right among the American nations but have languished as labor ministries were ill endowed to meet their obligations.

Labor issues will increasingly affect the substance and the tone of the dialogue between the United States and Latin America as we move forward with the FTAA negotiations. However, labor issues affecting labor standards and workers rights are far more than trade issues. They merit serious attention in their own right. Considering that the Latin American governments have already embraced ILO standards and are theoretically aware that sound labor laws and practices are in their interests (viz.: child labor exists side by side with high adult unemployment), a

program to strengthen the professional capacity of labor institutions and related inter-America fora should find a ready audience in the Americas.

A major obstacle to serious negotiations in many of the countries of the Americas is lack of professional research on labor issues. Labor ministries have inadequate administrative and enforcement capability; labor unions have not had the high level economic analysis that would enable them to analyze and define their own best interests. The lack of such professional research capability, however, has not hindered them from taking positions on the issues of trade, privatization, etc. The objective of the new program would be to strengthen their capacity to address issues such as:

- \* Productivity, safety standards and competition
- Long and short term costs and benefits of globalization and privatization (viz. the El Salvadorean labor unions recently approached the IDB to obtain financial help to enable them to buy equity in the privatized power company.)
- Privatized pension funds, including direct participation in the funds (Pres. Sweeney of the AFL-CIO met with Pres. Iglesias last week specifically to express strong interest in this).
- Issues of transparency and corruption.

#### Immediate Objectives:

The objective of a renewed inter-American labor program is to give the issues higher profile on their merits and help us achieve our ends of improving labor standards, addressing inequality in income distribution, and giving labor a substantial forum of its own. This task requires both policy direction, which is already integrated into the OAS framework, and technical support and resources, which the Inter-American Development Bank can provide.

For this purpose we could give consideration to several inter-related approaches:

- A reinvigorated Inter-American Labor Conference linked to the Summit.
- Separate hemisphere wide agreements both on labor standards on their merits and divorced from the trade negotiations.
- A tri-partite Committee of the OAS, IDB and ECLAC, as we are currently doing in trade matters, to act as the catalyst, involving the IDB in research and specific programs to strengthen labor ministries while the OAS, which already has a special committee of labor ministers, could address policy issues.
- A high level task force of private sector and labor leaders to address a common strategy for fair competition and harmonization of labor standards and benefits.
- Nonpartisan think tanks to engage in research and bring together the various parties.

Officials of the Department of Labor (Assist. Sec. Samet) and the AFL-CIO (Stan Gacek of their international division) have already approached this office on related topics. I have discussed it with President Iglesias following our meeting with Amb. Barshevsky and he is enthused about the concept. If Treasury is favorable, the next steps would be to meet with officials of the Department of Labor and USTR to determine a strategy so that we can discuss it more substantively with Pres. Iglesias. I would suggest that such a meeting be convened by the Department of Treasury.

*Fast Track*

THE WHITE HOUSE  
WASHINGTON

November 7, 1997

Mr. Richard C. Bartlett  
Mary Kay Holding Corporation  
4300 Westgrove Drive  
Dallas, TX 75248

Dear Dick:

Your very thoughtful letter of October 30th is received, noted, and appreciated. Please know it was my pleasure to be with you and your Direct Selling Association colleagues here in Washington. Neil Offen represents your organization in an effective and capable manner, and I was delighted to have an opportunity to discuss our Administration's commitment in Latin America and, most specifically, the pending fast-track legislation. Your comments were right on the mark in that regard, and please know all of us, including the President, are deeply grateful for your efforts.

Mary Kay is a singular company and has been extraordinarily successful. I wish you continued success, and please let us know when we can help you, particularly with your efforts in Latin America.

Again, thank you for your very thoughtful letter and kind words. I enjoyed being with you.

Personally,

*Michael McClellan*

*cc: Neil Offen*

*cc: Andrew  
Pete Steve  
Neil off  
Neil*

---

**Richard C. Bartlett**  
Vice Chairman

October 30, 1997

The Honorable Thomas McLarty  
Counselor to the President and  
Special Envoy for the Americas  
Executive Office of the President  
1600 Pennsylvania Avenue, N.W.  
1<sup>st</sup> Floor West Wing  
Washington, DC 20500

Dear Mack,


I enjoyed meeting you the other day at table with Neil Offen, et al! More than anything, I was impressed and encouraged to find a person of your talents in government service. Only that we could clone you!

Your remarks about South America were most enjoyable and timely to my company, as we are opening other markets in South America. Moreover, the Administration's strong support for "Fast-Track" is well founded and certainly in the country's best long-term economic interests. Strategic trade blocks are the norm in the world, and America cannot be left behind as these blocks develop. The United States must define its strategic economic interests as it moves into the 21st century. Latin America is a natural.

On behalf of Mary Kay Holding Corporation, I continue to press the issue with those Democrats with whom we have a close relationship. Apparently, not enough Democrats will vote for "Fast-Track" to ensure its passage. In fact, letters have been sent to all members of the Texas delegation and visits made to key members of the delegation. But I hold out no hope for Martin Frost. He is in thrall to union interests.

Again, thanks for making the Direct Selling Association and our industry a part of your schedule.

Sincerely,



Richard C. Bartlett

RCB/lfs

Mary Kay Holding Corporation  
4300 Westgrove Drive  
Dallas, TX 75248  
972•713•5045  
Fax 972•713•5062

---



Fast Track

American Business Conference

November 5, 1997

The attached letter urging support of legislation extending fast track trade negotiating authority was sent to all members of the U.S. House of Representatives today.

I thought you would find it of interest.

Barry Rogstad

Barry -  
Noted and  
much appreciated.  
We are making  
progress but  
difficult as you  
know. Need

Barry K. Rogstad  
President



THIS LETTER WAS SENT TO EVERY MEMBER OF THE HOUSE.

# American Business Conference

1730 K Street, NW Suite 1200  
Washington, DC 20006  
(202) 822-9300  
FAX (202) 467-4070

November 5, 1997

The Honorable Neil Abercrombie  
U.S. House of Representatives  
Washington, DC 20515-1101

Dear Congressman Abercrombie:

On behalf of the members of the American Business Conference (ABC), chief executives of fast-growing, midsize American companies, we write to ask you to support legislation extending fast-track trade negotiating authority.

You may have already heard from one or another ABC member on this issue. To our way of thinking, fast-track authority is of sufficient importance for us to revisit the matter in a letter.

In a speech before the American Society of Newspaper Editors, President Clinton correctly observed that the emergence of a world marketplace offers the United States "the greatest opportunity for prosperity we have known."

Grasping that opportunity is primarily a function of the skill and will of America's managers and workers, supported by a first-rate educational system and a fiscal environment conducive to saving and investment.

At the same time, however, the expansion of a transparent, rules-based trading system, achievable only through tough and intelligent negotiation, remains an indispensable element for our future success in the global market.

Without fast track, however, we cannot see how such negotiations will ever bear fruit. As Ambassador Charlene Barshefsky said at a recent hearing before the Ways and Means Committee, the absence of fast track authority "is the single most important factor limiting our capacity...to open markets and expand American exports and trade opportunities."

With so much at stake, there is no excuse for permitting this grave problem to persist. We need fast track now.

Providing a strong economic future for our citizens is not a partisan matter. It is a national priority. We hope that you agree and that you will stand with other Congressional leaders on both sides of the aisle in support of fast-track legislation.

Sincerely,

Richard Syron  
Chairman & CEO  
American Stock Exchange  
& Chairman, American Business Conference

Barry K. Rogstad  
President  
American Business Conference

*Fast Track*

**C.O.M.E.T.**  
**COALITION FOR OPEN MARKETS AND EXPANDED TRADE**

c/o VALIS ASSOCIATES, 1700 PENNSYLVANIA AVENUE, N.W., SUITE 950, WASHINGTON, D.C. 20006 • 202/393-5055

October 30, 1997

*I hope  
this helps -  
Best!  
W*

Memorandum For: The Honorable Mack McLarty  
The Honorable Maria Echaveste

From: Wayne Valis *Wayne*

Subject: **Fast Track Activities: Support for the President**

Pursuant to our recent discussions and meetings, the Coalition for Open Markets and Expanded Trade (COMET) has been actively supporting fast track negotiating authority.

Our coalition has worked closely with Chairman Bill Archer, Subcommittee Chairman Phil Crane, Ranking Member Bob Matsui, and others secure small business, pro-fast track witnesses at the Ways and Means Subcommittee on Trade's hearing on fast track. In addition, we are directly contacting undecided Members, urging them to vote for traditional trade negotiating authority. We have also circulated the enclosed "Action Alert" newsletter to every Member of Congress, the media, and key policy makers in Washington.

Founded in 1985, COMET represents a wide range of interests including exporters, consumers, manufacturers and others. The coalition supports international agreements that eliminate barriers to international trade. In the past several years, COMET has been active on NAFTA, GATT, MFN for China and other market-opening agreements, working with key Congressional and Executive Branch officials.

Thank you for your continued leadership on international trade. I look forward to continuing to work together in the future.

Enclosure *Wayne*

*Thank - you for your  
continued leadership and  
support.  
You are an able professional  
and a good friend. Personally,*

Fast Track

THE WHITE HOUSE  
WASHINGTON

November 4, 1997

Mr. John Smith  
General Motors Corporation  
3044 West Grand Boulevard  
14th Floor  
Detroit, MI 48009

Dear Jack:

As always, it was good to see you at our APEC luncheon today, as well as seeing you and Lydia at the China State Dinner.

Your leadership in getting a strong letter to the Hill was certainly noted and appreciated, and I think it will have a positive impact.

The count is close, particularly in the House, but I think we have a real shot, thanks to the President's commitment and strong support from people like you.

Personally,

Ullrich

(After I dictated the above note)

Senate vote just occurred - Strong  
vote with help - Clearly shows what's  
at stake and puts proper pressure on  
the House.

*Fast Track*



**UNITED STATES DEPARTMENT OF COMMERCE**  
**International Trade Administration**  
Washington, D.C. 20230

October 27, 1997

Mr. Mack McLarty  
Counselor to the President and Special Envoy for the Americas  
The Office of Thomas "Mack" McLarty  
Old Executive Office Building - Room 176  
Washington, D.C. 20502

Mr. McLarty:

Thank you very much for speaking during the White House portion of the October 22 District Export Counsel (DEC) Fast Track briefings in Washington, D.C. The feedback received from DEC members has been extremely positive. Your presentation of Fast Track issues was insightful and valuable. As indicated from the number of questions posed, there was strong interest in the Fast Track initiative. I am confident that the DEC members will take the knowledge gained from this event back to their local business communities and disseminate it.

Given the short lead time, the large number of DEC members that attended this event exemplifies the importance placed on this initiative. DEC member participation demonstrated the dedication that they have to Fast Track, the Department of Commerce and, specifically, the Office of Domestic Operations in the Commercial Service.

Once again, thank you for speaking at the White House portion of the October 22 DEC Fast Track briefings. I look forward to working with you in the future.

Sincerely,

Daniel J. McLaughlin  
Deputy Assistant Secretary  
Office of Domestic Operations

*Pleasure was  
mine. Outstanding  
and important  
group as you  
know.*

*MacD*

*cc: O'Leary  
Archer*



*Fast Track*

THE WHITE HOUSE  
WASHINGTON

October 10, 1997

Mr. Ken Duberstein  
The Duberstein Group  
Suite 350  
2100 Pennsylvania Avenue, NW  
Washington, DC 20037

Dear Ken:

Your "America First," i.e., counter to Pat Buchanan's message, has been discussed and advocated. You are on point, as usual, and I believe we will incorporate much of the thinking we discussed.

Personally,

*W. J.*

*Fast Track*

THE WHITE HOUSE  
WASHINGTON

October 9, 1997

MEMORANDUM FOR VICKI RADD

FROM: MACK McLARTY

SUBJECT: KEN DUBERSTEIN

Ken Duberstein and I visit on a regular basis and, of course, he is a strong supporter of fast track. Ken has a splendid political touch, as you know, and has an idea which I think is worth considering. While most positive about our efforts, he feels that fast track and related trade has not been put on an "America first" basis in a clear and persuasive way to achieve broad public understanding. He sent me the attached commentary by Patrick Buchanan as an example of his reasoning. He feels we can make very strong arguments about how fast track and related trade are putting America first.

I would suggest that you or Jay call Ken directly and discuss this matter with him. It is worth pursuing and considering. His number is 728-1100.

Onward.

*Mack*

Attachment

*Desk*

PATRICK BUCHANAN

# Fast track and the crisis on the right

**D**o you trust Bill Clinton? That is the question both parties will answer in the vote on "fast track," by which Congress unilaterally surrenders its right to amend any new trade deal Bill Clinton may cut.

In saying "no" to fast track, the Democratic Party has said it does not totally trust Mr. Clinton; it wants to retain the right to amend NAFTA II to protect workers. In saying "yes," the Republican Party is saying: Whatever Bill brings home is just fine with us.

Now, this seems paradoxical, but actually, it is not.

For many modern Republicans, belief in free trade is a dogma of

*Americans today want their leaders to put their own country first; they want to hear again the stirring accents of an authentic patriotism and a new American nationalism.*

faith. Most Americans may say the North American Free Trade Agreement has hurt the country, yet the GOP will vote "yes" every time — out of ideological conviction.

To discover the roots of this conviction is to understand why the conservative movement is collapsing, for belief in free trade is not a conservative idea at all. Its roots are not even American. It was part of the ideological baggage of that Utopian Woodrow Wilson who made global free trade one of his "Fourteen Points," and its great apostles were 19th century Europeans, none of whom was a conservative, most of whom were rabidly anti-nationalist.

Who were America's great antagonists of free trade?

Well, the second bill signed into law by George Washington was the Tariff Act of 1789, crafted by Alexander Hamilton, the greatest economic nationalist of his age. It

was shepherded by House Speaker James Madison, who himself imposed America's first "protective" tariff in 1816 to defeat British dumping after the War of 1812. That tariff was sponsored by Henry Clay, father of "the American System," and was supported by ex-Presidents Thomas Jefferson and John Adams, who, in their maturity, had become protectionists. In 1816, Jefferson came close to branding free traders traitors to the republic.

Clay was the idol of Abraham Lincoln, under whom tariff rates reached 47 percent. Lincoln made the GOP the party that protected U.S. manufacturing and the high wages of American workers. In the Republican era from 1865 to 1913, growth averaged 4 percent a year,

and U.S. workers became the most prosperous in all history. Under William McKinley of the McKinley Tariff, economic growth soared to 7 percent.

Warren G. Harding and Calvin Coolidge raised tariffs to 40 percent, slashed Wilson's income taxes and ignited the Roaring '20s — 7 percent growth again!

Comes the retort: What about Ronald Reagan? Well, while Ronald Reagan was a free trader, his patriotism and nationalism were most visible in his persona and role as commander in chief in a Cold War that is now history. And while reciting the free-trade catechism, Mr. Reagan had the heart of an economic nationalist, unapologetically slamming import quotas on steel, machine tools and Japanese cars, and using a 50 percent tariff to save Harley-Davidson and the all-American Harley "hog."

The Republican Party lost the White House because it lost its populist-nationalist appeal. That is the crisis of conservatism. It is trying to reconnect with Middle America and to tap into the deep springs of nationalism — with a globalist ideology of free trade that sacrifices the national interest to the "global economy."

Americans today want their leaders to put their own country first; they want to hear again the stirring accents of an authentic patriotism and a new American nationalism.

But when they look to conservatives, they find them embracing all of Bill Clinton's Wilsonian globalism — from nation building in Bosnia, to extending NAFTA to Tierra del Fuego, to "constructively engaging" Christian-bashing Chinese communists, to burbling on about "open borders," to paying "back dues" to the United Nations, to pumping out foreign aid to foreign ingrates, to extending NATO guarantees to Turkmenistan.

Woodrow Wilson would have loved these "conservatives."

The truth is, many of today's "conservatives" are not really conservatives at all. They are arrivistes, impostors, right-wing impersonators from the failed campaigns of Hubert Humphrey and Scoop Jackson, ideological boat people picked up at sea by the Old Right, which should have dumped them ashore at the first port of call, instead of letting them crash at the Reagan Transition Office.

Many of the think tanks and magazines that presume to speak for conservatism are fairly crawling with Great Society rejects who ridicule the traditions of America's greatest conservatives as "protectionism" and "isolationism," as they secretly burn their little incense sticks at the altars of Franklin D. Roosevelt, Harry Truman and John F. Kennedy.

As for today's Republicans, many are utterly oblivious to who they are and where they came, but I can tell you where they're going.

*Patrick Buchanan is a nationally syndicated columnist.*

*Fast Track  
Current* Eric Bass  
*Spur*  
*1/25/97*

**CAPITAL JOURNAL**  
By **GERALD F. SEIB**

## Myth and Reality Sometimes Collide On the Fast Track

**W**HEN PRESIDENT Clinton sat down a few days ago to talk trade with congressional Democrats, they raised their now-standard demand: In negotiating new trade pacts, they said, the U.S. should force other nations to agree to improve their labor and environmental standards.

In reply, Mr. Clinton aptly illuminated the gap between wishes and reality in this fall's great trade debate.



"Imagine if you were the head of another country," he said. "And the president of the U.S. came to you and said 'I'll make you a deal: Let us rewrite all your labor and environmental laws, and in return you send us all your money to pay for our imports.'"

Then, Mr. Clinton concluded, imagine your next visitor was the president of France, offering the same goods with no conditions. Who would get the trade?

That exchange captures the flavor of the debate over Mr. Clinton's request for "fast track" authority to negotiate new trade agreements. On both the right and left, the arguments against fast track (many well-intentioned) often are undermined by unrealistic expectations or simple misunderstandings.

This debate goes live today when Mr. Clinton speaks to AFL-CIO labor leaders, who are viscerally opposed to fast track. That isn't a surprise. What is surprising is how much Republican opposition has materialized, and how little clear public support has emerged for fast track at a time when internationalist policies have helped fuel a five-year economic boom. The explanation must lie in the myths that have arisen around the fast-track idea.

Basically, fast track gives the president (Clinton, Bush or whoever) the power to negotiate a trade deal and then present it to Congress for an up-or-down, unamended vote. Many critics assume that Mr. Clinton wants this power so he can cut a swath of free-trade deals with cheap-labor countries across Latin America, as he did with Mexico in the North American Free Trade Agreement. Yet that is precisely not where U.S. trade policy seems headed right now.

**T**HE ADMINISTRATION would, indeed, like to strike a free-trade agreement with one Latin American nation, Chile. Yet Chile isn't some low-wage knockoff of Mexico, but home of a modernized, high-tech economy. And after Chile, administration aides are far more intrigued with the thought of making free-trade agreements in Asia, or with Australia, New Zealand or South Africa, than with any Central or South American nations.

Beyond that, a top use of fast track would be to negotiate agreements at the World Trade Organization to knock down barriers that stop Americans from selling products to foreign governments, or agricultural products to foreign consumers.

The second important use of fast track would be equally America-friendly: negotiating more international agreements to knock down tariffs on specific products where the U.S. is highly competitive, including computers, semiconductors and telecommunications. Billions of dollars in American exports are at stake in these two initiatives. "These are the big-ticket items," says Charlene Barshefsky, the U.S. Trade Representative.

Still, if any bilateral free-trade deals are struck, it is legitimate to ask whether they should include demands for higher labor and environmental standards. Nobody states the case for American moral leadership in these areas more passionately than House Democratic Leader Richard Gephardt.

**B**UT CAN SUCH changes really be compelled in trade deals? Consider if the tables were reversed. If New Zealand, which has more stringent clean-air standards than the U.S., demanded tougher American environmental laws as the price for a trade agreement, that demand would be rejected out of hand by Congress and by unions interested in saving jobs in smokestack industries. Will other countries respond differently?

Which isn't to say that labor and the environment should be ignored. They shouldn't. Ultimately, lax labor and environmental standards become competitive advantages, which is a trade issue. The trick is deciding how to address them. The administration's compromise is to include in trade deals labor and environmental issues that directly affect trade, and to handle others through existing international organizations.

Here's where Republicans become unrealistic. Many don't want trade deals to include any mention of labor and environmental issues, even those that directly affect trade, even though GOP leaders in the past have proposed that step and more.

In turn, Republicans then complain that the Clinton administration isn't delivering enough Democrats to support fast track, knowing that the only way to deliver more Democrats is to make a nod toward their environmental and labor concerns. This is where trade debate becomes political posturing. If everybody can get beyond that point, there can be serious debate — and odds are good that fast track will carry the day.

THE WALL STREET JOURNAL WEDNESDAY, SEPTEMBER 24, 1997

# White House Operators? A Phone-Call Inquiry Into Clinton, Gore May Prove Murky, Complex

By PHIL KUNTZ

Staff Reporter of THE WALL STREET JOURNAL  
WASHINGTON — It has come to this: The president and vice president of the U.S. may soon be subjected to the white-hot scrutiny of an unfettered special prosecutor because they made fund-raising telephone calls from the White House that would have been perfectly legal if placed from a phone booth across the street.

Never mind allegations that the Democratic National Committee and top White House officials may have conspired to run roughshod over campaign-finance laws, turned a blind eye toward or abetted a huge flow of illegal foreign contributions and allowed a host of possible Chinese agents to buy their way into the White House. Attorney General Janet Reno has already decided that none of those matters fall under the rubric of the law that requires her to appoint an independent counsel in certain circumstances to avoid political conflicts of interest.

But that is the way it goes in the wonderland of Washington. Here's why:

Is it against the law for the president or the vice president to dial for dollars from the White House?

It depends on the political party of the person you're asking, but impartial experts seem certain: "It is not clear," writes Jack Maskell, a legislative attorney for the government's Congressional Research Service, in a recent report to Congress.

The law makes it illegal to solicit or receive money for federal campaigns in federal buildings. But there's no question that it was originally intended in 1883 to protect federal employees from shake-downs by political bosses. In fact, it has gone through several wording changes since then — none of them intended by Congress to be substantive, records show — and for several years (1948-51) it explicitly applied only to soliciting federal employees.

The Justice Department has argued in the past that the law applies to soliciting private individuals, a position that, interestingly, was opposed by the Watergate Special Prosecutor's Office in 1974. The Justice Department's last known public statement is a 1979 opinion that concluded: "Compelling arguments can be marshaled on either side."

Mr. Maskell, however, notes that in 1980 Congress reworded the law slightly

*"It shall be unlawful for any person to solicit or receive any contribution [to influence a federal election] in any room or building occupied in the discharge of official duties ... Any person who violates this section shall be fined not more than \$5,000 or imprisoned not more than three years, or both."*

—U.S. Code

and added an exemption to allow members' staff to accept unsolicited donations, suggesting to him that Congress by that time believed the law applied to soliciting private citizens. Moreover, it's common knowledge on Capitol Hill that members are supposed to make such calls elsewhere.

Can an independent counsel be named for something so mushy?

Under the law, Ms. Reno must "comply with the written or other established policies of the department" in deciding whether an independent counsel should be appointed. A Senate report on the law in 1982 explained this means that if the department "does not, as a matter of practice, prosecute the alleged violation," the attorney general shouldn't move to appoint an independent counsel.

Well, has anybody ever been prosecuted for this?

No. The CRS's Mr. Maskell, in his report on the matter, says he could find no such cases. He concludes the department's "apparent practice" is to ignore them. The department "has appeared to indicate that, as a practical matter ... it looks upon the law in its traditional historic framework as relating to activities in federal buildings directed at federal personnel."

The Justice Department considered and decided against pursuing the best-known recent case of this kind. In 1995, GOP Sen. Phil Gramm of Texas was quoted as saying he feels free to place fund-raising calls from his Senate office, as long as he used his credit card: "I do it wherever I am." When the Senate Ethics Committee asked him about it, Mr. Gramm denied explicitly soliciting anyone from his office.

The panel dropped the matter with a polite warning letter, a person familiar with the matter said, after then-Chairman Mitch McConnell adamantly opposed opening an inquiry because so many other senators were probably guilty of the same thing. These days, Mr. McConnell, a Kentucky Republican, is threatening Ms. Reno with impeachment if she doesn't appoint an independent counsel.

If the law is never enforced, why is Ms. Reno even considering an independent counsel?

Because the law gives her very little leeway at this stage of her deliberation. Right now she is in the midst of a 30-day review of whether she will launch a 90-day preliminary investigation into whether she should call in an independent counsel.

Ms. Reno can, at this point, only consider whether there is specific and credible evidence of a crime. Clearly, Mr. Gore's public admissions that he made some calls are specific and credible. President Clinton insists he can't remember if he did, but testimony from a former aide, Harold Ickes, and documents indicating that he did seem specific and credible. Mr. Ickes told Senate investigators on Monday that he has no recollection of calls by Mr. Clinton in 1995-96, but recalls him making a few in 1994 to raise "soft money," which isn't technically covered by the solicitation ban, for a campaign to promote his health-care initiative.

Ms. Reno can't even think about past department practices yet, though she can mull whether the conduct of Messrs. Clinton and Gore violated the law in the first place. During the 90-day investigation, she can consider other issues.

If one gets appointed, what exactly will the independent counsel investigate?

That's the rub: A relatively minor

matter, such as the phone calls, can balloon into a virtually limitless inquiry. The independent counsel formally would be appointed by the same special three-judge panel that picked Kenneth Starr and the other counsels now probing Clinton officials. That panel also frames the counsel's jurisdiction, based on advice from the attorney general. This is no easy task, because the prosecutor would need enough leeway to extract cooperation from lower-level witnesses. So, for example, some of Mr. Ickes's activities might have to be looked at, too.

Moreover, the Justice Department has to stay a mile away from the independent counsel's jurisdiction, so it might shed any areas currently under scrutiny that overlap with the telephone calls. This can turn into a game of dominoes: If the phone calls from the White House are fair game, shouldn't the infamous White House coffees be looked at, too? And that might bring in DNC fund-raiser John Huang and a host of other coffee attendees now of interest to federal prosecutors. And that could lead to looking into GOP accusations that Mr. Huang might have been involved in China's alleged plan to funnel money into the U.S. campaigns. And so on.

How long can an investigation last?

As long as it takes, which can be years because requests by independent counsels to expand their jurisdictions are rarely denied.

What if Ms. Reno decides the phone calls don't merit an independent counsel — can she appoint one anyway?

Yes. The law gives her discretionary authority to seek an independent counsel if she determines that there may be a "political conflict of interest" in investigating somebody.

THE WALL STREET JOURNAL WEDNESDAY, SEPTEMBER 24, 1997

MACK McLARTY

SOA -  
FAST TRACK

September 15, 1997

To: Vicki Radd

We need to follow on Congressman Kanjorski's ideas. They are good ones and speak directly to similar concerns expressed by many Democratic House members.

*cc: f*

Attachment

cc: John Hilley  
Susan Brophy

*bcc: Nelson*

*Steve*

*Don*

*Dee*

THE WHITE HOUSE  
WASHINGTON

September 15, 1997

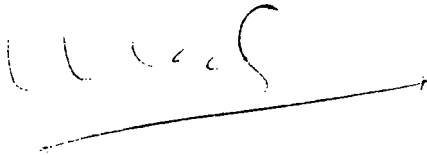
The Honorable Paul E. Kanjorski  
U.S. House of Representatives  
2353 Rayburn House Office Building  
Washington, DC 20515-3811

Dear Paul:

I received your recent missive regarding putting job creation on a "fast track". Your ideas are thoughtful ones and need to be pursued with vigilance and vigor. I promise you we will do so with the proper people both in the White House and in the respective cabinet agencies involved, and we will keep you posted as we progress.

You are a good friend of our Administration's, and you have been a good friend to me. Please know both are much appreciated.

Personally,



*I enjoyed our visit  
and hope for circumstances!*

Bill Nelson  
Steve  
Dan  
Desk

**The Honorable  
Paul E. Kanjorski**

2353 Rayburn House Office Building  
Washington, DC 20515-3811  
(202) 225-6511  
10 E. South Street  
Wilkes-Barre, PA 18701-2297  
(717) 825-2200  
Toll-Free Help Line: (800) 222-2346

11th Congressional District  
of Pennsylvania



FAX TO: MACK McLARTY

ORGANIZATION: WHITE HOUSE

FROM: REP. PAUL KANJORSKI

RECIPIENT'S FAX #: ( ) 456-2464

RECIPIENT'S PHONE #: ( ) \_\_\_\_\_

NUMBER OF PAGES (with cover): 2 DATE: 9 / 11 / 97

MESSAGE: MACK - HOPE TO SEE YOU TONIGHT.

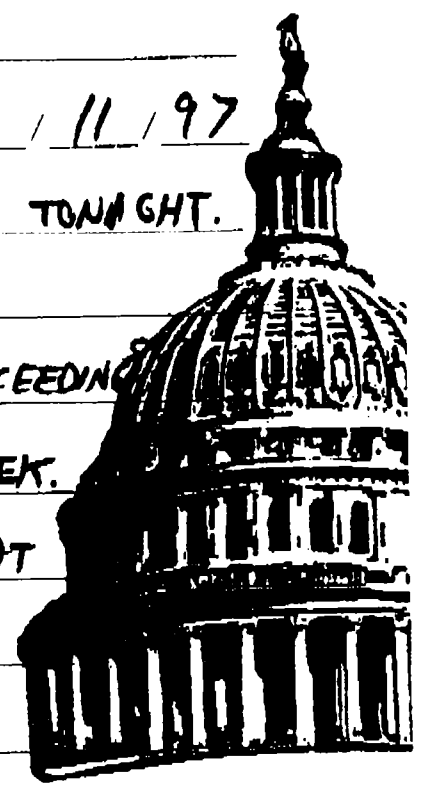
THIS IS THE OUTLINE OF THE INITIATIVE WE  
DISCUSSED DURING A BREAK IN THE PROCEEDING

AT THE GOVT REFORM COMMITTEE LAST WEEK.

WE NEED TO CREATE MORE GOOD JOBS HERE AT  
HOME IN ECONOMICALLY STRUGGLING AREAS

IF WE WANT TO PASS FAST TRACK.

*Paul*



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## M E M O R A N D U M

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**DATE:** September 11, 1997  
**TO:** Mack McLarty, Counselor to the President  
Kathleen Higgins, Deputy Secretary, Department of Labor  
**FROM:** Congressman Paul E. Kanjorski  
**RE:** Fast Track Job Opportunities Program

**PROBLEM:** Many Democratic Members of Congress believe that NAFTA, GATT and other trade agreements have led to increased unemployment in their states/districts and are thus reluctant to support any new Fast Track negotiating authority that might exacerbate their local unemployment problems. There is a mismatch between where jobs are being lost as a result of new trade agreements, and where they are being created. Existing Trade Adjustment programs do not create jobs in the communities that need them.

**SOLUTION:** Put job creation on a "fast track" by incorporating into the Fast Track legislation specific provisions to create new jobs in areas of the country which have lagged behind the rest of the nation.

*Specific Features of Fast Track Job Program:*

- Limit program eligibility to counties with an average unemployment rate at least 1% above the national unemployment rate, and an average income level at least 10% below the national average (reduces cost).
- Give a priority to projects in eligible counties with the highest unemployment rates.
- Distribute some funding through the EDA, using as a model its past programs to address Defense base closure conversion needs and the economic diversification needs of the Northeast fisheries community and the Pacific Northwest timber community.
- Distribute some funding through the SBA for additional low cost loans and loan guarantees, creation and expansion of Small Business Investment Companies (SBICs) and its Certified Development Company (CDC) program. The SBA's Defense base closure loan program (DELTA) can also serve as a model for SBA activities in this area.
- Incorporate the no cost Baker-Kanjorski-Leach Federal Home Loan Bank (FHLB) amendments which allow FHLB advances for agricultural, small business and community development lending, and which allow such loans to be pledged as collateral for FHLB advances (because it has no cost, this provision could be made available nationwide)
- Total funding should be at least \$1 billion to demonstrate the magnitude of the Administration's commitment to putting job creation on a fast track.

**Talking Points: Cabinet Member Hill Consultations**

- We plan to seek introduction of fast track legislation on September 10. We wanted to share with you our current thinking and identify issues of particular significance.
- Securing passage of fast track authority is among the President's highest priorities this Fall because he strongly believes that we must tear down foreign barriers to American goods and services if we are to keep our economy growing and creating new, good, high paying jobs.
  - Americans are enjoying the longest period of sustained growth in a generation. Much of that growth is attributable to increased export opportunities; exports today support 11 million jobs. These are high-paying jobs that we must maintain and expand.
  - We have regained our position as the world's leading exporter in a range of key products and are the world's most competitive economy.  
*make it here see it there*
- As the President has said repeatedly, and most recently in his radio address two weeks ago, he has three primary objectives that fast track authority must allow him to pursue: (1) to negotiate new agreements that expand exports to continue the economic expansion that has created new, good jobs, kept unemployment and inflation at record lows, and improved our standard of living, (2) to promote worker rights and (3) to promote responsible environmental development.  
*} mutually supportive policies trade, C&B, etc.*
- The legislation we plan to offer emerges out of significant consultations between the Administration and members of both Houses and both parties; the business community, including agriculture; and the labor and environmental communities.
- Our consultations were focused on developing legislation that could pass, would allow the President to pursue his objectives, and get maximum Democratic support. The legislation we will propose achieves these objectives.
- On the economic front, the negotiating objectives, along with renewed tariff proclamation authority that will be sought, will allow the President to negotiate tough, new, reciprocal trade agreements.
  - There are significant opportunities now to reduce foreign trade barriers on which we must capitalize; if we do not, our export opportunities will diminish at great

cost to American companies and workers.

- Opportunities exist now to reduce barriers in key sectors in which the U.S. is the most competitive, including agriculture, services, information technology, environmental equipment, energy-related equipment and others.

- Some of the opportunities arise is connection with scheduled negotiations in the WTO.

- Others arise from the impetus the APEC leaders have given to new sectoral initiatives, like the recently concluded Information Technology Agreement.

*medical, education, telecom, EPA {Anti-to complement}*

- We also need fast track to negotiate more open markets with specific countries, especially in Latin America and Asia, two of the fastest growing regions in the world (growing 3 times as fast as our economy). With 95 percent of the world's consumers living outside our borders, we must open the markets of these growing economies.

- The legislation will provide notification that we would recommence negotiations to reach a comprehensive trade agreement with Chile.

*LSE Agreements Signed*

- The legislation will also allow the President to pursue his other two commitments -- promoting worker rights and responsible environmental development.

- The legislation we propose to advance would allow the President to address labor and environmental issues that are related to trade in the trade agreement, which would be brought to Congress.

- For example, this formulation would allow us to incorporate in future trade agreements provisions that countries not lower environmental standards to attract investment.

- The President would also use his Executive Authority to address labor and environmental issues in agreements that would not need to be brought back to Congress. Such agreements could address those labor or environmental issues (or indeed other issues) of concern with a particular trading partner.

- We think this is sound as a matter of policy. It strikes the right balance so that we can pursue our top trade negotiation priorities as well as important labor and environmental concerns.

*Helping Worker*

*Doubled TNA*

*2*

*95% replaced*

*600-1.3*

*Unsubsidized / Unsubsidized helps worker*

*Future  
Programs  
②  
dual track*

- We will, of course, be discerning in selecting the partners with whom we would enter into FTAs.
  - As fast track procedures will provide for extensive consultations with Congress and with the Administration's private sector advisory groups, including labor and environment advisory groups, as part of any negotiations, there is substantial opportunity to identify any issues of which the Administration should be aware as it proceeds in negotiations.
  - And, Congress makes the final determination whether an Agreement that has been negotiated should be implemented.
- It may be appropriate to solicit views of the members on other aspects of the legislation, including:
    - duration,
    - consultations and related procedural provisions,
    - the scope of the implementing legislation, and
    - other FTA partners.
  - In developing this legislation, we considered alternatives that would appeal to those that urge that the fast track trade agreement address all labor and environmental policies and practices, not just those that are related to trade. While we can discuss the merits of that view, the practical reality is that we cannot get fast track authority from this Congress to do that.
  - The consequence of not having fast track authority is that we will sideline ourselves economically and strategically, with great cost to American companies, workers, and the country; we will also not be in a position to pursue the very objectives that are important to the labor and environmental communities.
    - Only if we are engaged can we pursue these goals.
    - The choice is about obtaining the authority that is sufficiently flexible to allow the President to pursue all three objectives or obtaining no authority, in which case no progress can be achieved on any of these fronts.

Gephardt

Aug 1 / 97

Disagreeing or how to agree

Have the same goals

Global Event

↑ Labor sides

Treaties disagree on how to  
get there

Won't get us there period.

Perdulum has swings

catch that perdulum hold &  
move → keep it from swinging  
Bad

Distrust

Hostile

Cooperation / cooperation

See A

- ① cooperation
- ② event

Close  
relationships  
penetration  
return

②

Their own domestic agenda

Cooperation

High level

Certification Event

First Track

Aug 7/97

Charlene B

Obj's.

First Track

minimize damage to Democratic Party

} L & E  
} Scope

Exec Authority to negotiate (inter)l. accords -

Chile no of trade sanctions → will agree on civ. ties.

(open ended Bill)

CLW Bill vs. Trade Related —

2 yrs ago - M. & Charlene - Trade related  
Trade related L & E could be in the Bill  
4 corners of <sup>(Bilateral)</sup> NAFTA — not the side agreements

Charlene outlined pros vs. cons re: going in position close to where we want to end up.

Gepl will position — now starting per Charlene and Enclave →

\* I don't fully agree. Need to discuss Podesta

(2)

Chile -

Worst agree to LSE in the agreement and they worst agree to trade sectors.

LABOR AGREEMENTS

- ① Wage suppression re: lower skilled workers
- ② Shifts bargaining leverage to employer
- ③ Exports high wage jobs

Chavez comments re: labor

- ① Don't put
- ② Education <sup>Broad</sup> still has disparities

Scope

Chile vs. other countries

Consultations only re: future countries -

CBI -

Help a hand

Hints per Chavez → Spratt as an example

\* Separate discussion of CBI per Chavez

Notes -

"This is crazy." Labor unions

Study

two different views of global economy

Alexis

Theological differences

Worker trans. program critical →  
Need fixes → may help w Dems

TAA - 48 hrs vs. 90 days per Alexis

PLINT closing legislation

UI question

only 1 out of 3 unempl. workers get IDS,  
and TAA's programs

Hispanic caucus

Secondary rights.

\* Alexis in El Paso on Aug. 26

Ana Maria / Dan / Steve to cover -

Eric Exposure would be great but he's probably  
on vacation.

El Paso Postal Child per the POTUS -

Day -

LABOR

Lost Inst. Trade But Wins for Labor

Gins

BAT 250 on our playing field future, engagement, jobs

Rather 400 on their playing field → defense of NAFTA.

Hilley

\* Everyone in the room wants to get this passed  
How we do it is important

\* <sup>Swing</sup> 50 Dem's → focus on them. -

Podesta

Plan to lower the pressure @ CARB.

Becker / Yorkish very hawk

Sweeney, NOT cooking for a fight

Sumner

Trade us trade agreements

Breaking down other barriers

Trade going to happen regardless per Sumner

Rubin / obj's NOT recoverable

① Trade Liberalization → successful

② Bus. community support / need Rep. support

③ Dem's → minimize tactics → cut as first 2 obj's

Ulmer

Budget analyses US. Pub. v  
dependent on Repl. way

Trying <sup>hard</sup> to have Dems on our side

Ulmer

↑ <sup>our</sup> techs ~~to~~ will

Transfer Dem. parts → Pro growth reform

PART

Popus → very cynical re. Business

What is Business prepared to do

No evidence that they have a passion for this

Im - needs to Bill to the Business community

Newsom

Speech on the 8<sup>th</sup>  
Bill on the 10<sup>th</sup>

~~xxx~~

DIST BY DIST  
93 - 94

jobs created BY NAFTA

Business shuttled

CA Ann - 21

Rahn very cynical in his attitude

Hilley

~~\*\*\*~~ Chile more forthcoming

more than what is the NAFTA side agreement -

Jay's idea

Rubio

Low skilled wages & 51-bn economy

# Clinton to press for fast-track trade power

By Lorraine Woellert  
THE WASHINGTON TIMES

President Clinton will make trade-negotiating authority a legislative priority in the coming year and already has begun working with Congress to develop a bill allowing fast-track trade deals.

Mr. Clinton said in a press conference yesterday that free trade is key to keeping the U.S. economy humming.

"We must continue to reach out to the more than 95 percent of the world's consumers who live beyond our borders," he said. "That is why I will ask Congress to give me fast-track authority to negotiate new trade agreements that will extend free and fair trade to

keep our economy going."

A fast-track bill would give the administration the authority to negotiate trade deals that are protected from congressional amendments. Administration officials already have begun trade talks with Chile, but they wouldn't say yesterday what other countries are slated for fast-track talks.

Partisan politics have held up a fast-track bill in Congress, where Democrats are insisting that any legislation include provisions that would require foreign companies exporting to the United States to adhere to the same labor and environmental regulations that U.S. companies face.

House Minority Leader Richard A. Gephardt, Missouri Democrat, is lead-

ing the fight against any fast-track bill that doesn't include those provisions. Passage of any legislation at this point appears to be hinging on the Republican majority in Congress, which has been pushing the administration to move forward on the legislation.

"It's a controversial issue, surprisingly so, because it is so clear that our economic performance is tied to our exports," U.S. Trade Representative Charlene Barshefsky said yesterday.

Administration officials wouldn't offer clues to their political strategy, but they do plan to meet with congressional leaders during the August recess to discuss the issue. Mr. Clinton already

see TRADE, page B14

## TRADE

From page B8

has met with 60 to 70 congressmen to seek their input and support.

"The administration is not going to put a bill forward in a vacuum," Mrs. Barshefsky said, adding that the White House hopes to introduce a bill in the first half of September. "We want the broadest possible consensus."

Any legislation would include provisions that the United States has already reached in trade talks with Chile, which is trying to join the United States, Canada and Mexico in the North American Free Trade Agreement.

Procedures for negotiating with other countries have yet to be worked out.

"Plainly, Congress would be involved with respect to countries beyond Chile," Mrs. Barshefsky said.

The Washington Times

THURSDAY, AUGUST 7, 1997

# U.S. echoes Netanyahu's call to speed up talks

Albright announces mission to Mideast

By Martin Sieff  
THE WASHINGTON TIMES

A1

Secretary of State Madeleine K. Albright yesterday endorsed Israeli Prime Minister Benjamin Netanyahu's plan to speed up Middle East talks by launching new negotiations for a final peace deal with the Palestinians.

But her proposal was certain to infuriate the Palestinians, who already deeply distrust the Clinton administration. They accuse it of siding with Israel.

Mrs. Albright announced she will go to the Middle East at the end of the month, her first visit to the region as secretary of state.

In Gaza, Palestinian Authority President Yasser Arafat warned of a "big struggle" and "battle" that, he said, Mr. Netanyahu "is forcing upon us."

President Clinton signaled his complete support for Mrs. Albright's proposals by using at a news conference yesterday language virtually identical to a speech given by his secretary of state at the National Press Club.

The president, virtually echoing arguments made by Mr. Netanyahu, rejected any moral equivalence between Israeli plans to build new housing projects in and around Jerusalem with Islamic terrorist bomb attacks against Israeli civilians.

A double-suicide bomb attack last week in Jerusalem's Mahane Yehuda produce market killed 15 persons, including the bombers, and wounded 170 others. It brought an immediate halt to U.S. efforts to restart negotiations between Israel and the Palestinians that crashed when the Israelis started a housing project in Jerusalem in March.

"There is no parallel between bombs and bulldozers. You cannot have an environment in which people believe that to get what they want is to kill innocent people," Mr. Clinton said.

"Let me be clear," Mrs. Albright said. "There is no moral equivalency between suicide bombers and bulldozers, between

see TALKS, page A13

## TALKS

From page A1

killing innocent people and building houses. It is not possible to address political issues seriously in a climate of intimidation and terror."

Mr. Netanyahu has urged the Clinton administration to abandon the cautious timetable of the 1993 Oslo peace accords and push for immediate negotiations on a final settlement between Israel and the Palestinians. The Palestinians opposed that, charging that such a move would allow Israel to dictate terms to them.

Mrs. Albright, in her speech, for the first time indicated that Washington might follow the Netanyahu policy.

"To restore momentum, we have to increase confidence on both sides about where the negotiating process is leading. . . [Then] it will be easier for them to overcome setbacks and avoid distractions along the way. This will require accelerating permanent status negotiations," she said. "Today, this step is urgent and important."

She also echoed Mr. Netanyahu by insisting that Mr. Arafat crack down unconditionally on terror and keep terrorists jailed instead of releasing them.

"There must be 100-percent effort, both with regard to unilateral Palestinian Authority measures against terror and in Israeli-Palestinian security cooperation," Mrs. Albright said.

"On this issue, there can be no winks, no double meanings, no double standards and, with respect to the imprisonment of terrorists, no revolving doors," she said. "Nor can the level of security cooperation ebb and flow with the ups and downs of negotiation. The Palestinian commitment to fight terror must be constant and absolute."

Mr. Netanyahu's office welcomed Mrs. Albright's speech, calling it "serious" and said "much thought was invested in it."

James Zogby, president of the Arab-American Institute in Washington, said Mrs. Albright's speech was a constructive contribution to the peace process.

The secretary "presented a

positive vision of the future," Mr. Zogby said. "She included a lot of the right things that needed to be said."

But he warned that Mr. Arafat could not and should not be blamed for terrorist attacks that appeared to have been organized from Lebanon by the Islamic Resistance Movement, or Hamas.

"Arafat is not the enemy. He is not doing the bombing. It is not being carried out from areas he controls. He is making a serious effort to prevent it," Mr. Zogby said.

Mr. Arafat was being criticized for saying that the Palestinians had lost confidence in the peace process, he added.

The Palestinian leader issued a somber statement yesterday, warning his followers of a "big struggle ahead."

He urged Palestinians "to be prepared for the battle that Netanyahu is forcing upon us — and what is coming is worse than what we have seen so far."

Palestinians would have to use all their resources of "brains, muscle and food" in the new trial of strength with the Israeli authorities, Mr. Arafat said in a statement released through the Palestinian news agency Wafa. "We are prepared to eat grass — we will not give in."

Chief PLO negotiator Saeb Erekat said Mr. Netanyahu was plotting to reoccupy Palestinian-controlled territories in the West Bank and Gaza because of threats to send troops to those areas. Israel launched a crackdown against the Palestinians after the market bombing.

"The Israeli measures indicated the Israeli government's readiness to launch a war on the Palestinian Authority, President Arafat and the Palestinian people," he told a news conference in the West Bank.

In Syria, official newspapers took a similar line. They warned that Mr. Netanyahu was pushing the Middle East toward a "grave explosion" and urged Arabs to prepare for "military and political" battles with Israel.

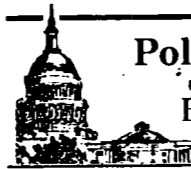
The Washington Times  
THURSDAY, AUGUST 7, 1997

# Fast or Fatal Track for Democrats?

The Irishman, as William Butler Yeats wrote, has "an abiding sense of tragedy which sustains him through temporary periods of joy." If political parties were nationalities, the Democrats would be Irish.

For Democrats, joyful over the schisms plaguing Republicans, there is a looming calamity: the fast-track initiative President Clinton will propose in September to give him authority to negotiate free-trade agreements.

There are two realities here: One, fast-track is essential if the U.S. is to continue to play a leading role in the global economy; but two, it will seriously exacerbate fault lines within the Democratic Party. It is a foregone conclusion that a decisive majority of congressional Democrats will vote against the president; the ensuing tensions will make it considerably harder for them to win back control of Congress in 1998.



## Politics & People

By Albert R. Hunt

The fast-track legislation would simply give the president the authority to negotiate trade agreements, whether bilateral deals with Chile and South Africa or sectoral pacts in areas like agriculture and financial services. These treaties then would be brought back to Congress for up-or-down approval but couldn't be amended or changed.

Without fast-track, any trade pact would become a special-interest bazaar in the legislative branch. When Congress started to reject portions of trade agreements a quarter-century ago, this procedure was necessitated. Such authority expired several years ago, and without it, any major trade deals are impossible.

As right as it is on the merits, the politics of fast-track are dicey. The opposition will include labor; many environmental-

ists, the Pat Buchanan-led economic nationalists and Ross Perot.

Despite the strong economy, the public is skeptical of unfettered free trade. In this week's Wall Street Journal/NBC News poll, respondents by a stunning 2-to-1 margin opposed giving the president fast-track authority.

Some of this is a residual effect of the 1993 North America Free Trade Agreement. U.S. Trade Representative Charlene Barshefsky, in laying the groundwork for fast-track legislation, has talked to more than 175 members of Congress, and practically every one offers a Nafta horror story of some plant that moved or jobs that were lost. Actually, much of this is exaggerated; Nafta hasn't yet produced some of the benefits proponents promised, but neither has it caused the ills critics claim.

But the White House will try strenuously to divorce fast-track from these Nafta perceptions. "We won't fight this on the Nafta battleground," says Victoria Radd, a top White House aide who has been detailed to the fast-track fight. "We will fight it on the future battleground." Similarly, Ambassador Barshefsky says: "To say that fast track is Nafta ignores the necessity for U.S. leadership in the global economy."

But no matter how the argument is framed, it splits the Democratic party. It's a little bit of the New Democrat vs. Old Democrat schism. But more than that, it reflects different constituencies—the more traditional and usually industrial districts vs. higher-tech, cutting-edge sectors of the economy.

These splits will be symbolized today. The president will meet with several dozen House Democrats at the White House to pitch fast track. At about the same time, a few hundred yards away in the AFL-CIO building, the top labor chieftain, John Sweeney, will convene a meeting of leading legislative, political and media officials from major unions to map an anti-fast-track strategy.

It also goes to the politics of 2000. Leading the fight against fast track will be House Minority Leader Dick Gephardt (I., Mo.). Within the administration sits an uncomfortable Vice President Albert Gore, who knows the issue is going to cause him grief with core constituencies.

Mr. Gephardt has tried to persuade the administration to water down any request for fast-track authority, in order to limit the political fallout; even free-trade Democrats like California's Vic Fazio have voiced concern to both Mr. Gephardt and the White House over the likely political damage. But Clinton operatives are con-

### Uphill Track

*President Clinton will ask Congress to give him "fast-track" authority to negotiate more free trade agreements. This would mean that once the negotiations are completed, Congress would take an up-or-down vote, but not make any amendments or changes. Do you favor or oppose this?*



Poll taken July 26-28, 1997.

THE WALL STREET JOURNAL/NBC NEWS PCLL

temptuous of Mr. Gephardt's motives, charging he only advances thinly disguised protectionist pitches that the president finds unacceptable.

The administration plans an all-out push. It has hired an outside lobbyist to direct the campaign; the top cabinet officials will be actively engaged this fall; and it has enlisted two highly resourceful former members of congress, Republican Vin Weber and Democrat Tom Downey, a close confidant of Mr. Gore.

The battle will be waged first in the House, where Republicans publicly insist the White House must deliver 90 Democ-

rats—privately, that number is more like 70—out of the 206 total House Democrats. But according to a reliable Democratic strategist, there are currently fewer than 60 Democratic votes for fast-track. At a White House meeting last week, Rep. Charles Rangel of New York, the ranking Democrat on the Ways and Means committee, pointedly warned the president he has to do more for workers displaced by trade pacts.

Other concessions may prove very elusive. The Nafta side agreement on labor and environment has proven toothless. Leading congressional Republicans now insist on going the other way, telling the White House there must be language that makes it clear that any trade negotiations involving labor and environmental matters will be very limited.

"If the president tries to cater to Dick Gephardt and John Sweeney, he's not going to get fast-track," bluntly warns Rep. David Dreier (R., Calif.), a key GOP trade strategist.

In the end, the president will probably succeed. Despite public opinion and formidable opposition, presidents almost invariably win major foreign policy and trade initiatives. Moreover, for all the rhetoric of labor, the pro-trade business community has more resources. And there would be consequences if fast-track fails. Trade negotiations would continue without the U.S.; only recently Canada cut a deal with Chile.

Moreover, as the president showed in the recently completed budget deal, when he needlessly caved in on some tax provisions in order to get a quick deal—to clear the decks for fast-track this fall—he often prefers dealing with Republicans. Thus, the likely final resolution—another second-term victory for the White House that virtually assures continued GOP control of the House in 1998—is a bargain to which Bill Clinton and congressional Republicans are growing accustomed.

## Something's Out There, Somewhere

When I was young my cousin explained to me that the Dow had just gone above 600 for the first time in history, and that we were lucky to see it. He speculated that it might even go above 1000 in our lifetimes. That it would be closing near 8000 was quite out of anyone's experience, and hence was not considered possible. I am struck, then, by the timing of the July 16 editorial-page piece by Guillermo Gonzalez, "Nobody Here but Us Earthlings." Mr. Gonzalez joins a long line of experts who have stated that nothing can exist that they, personally, can't imagine, based on their own experience. I am not convinced.

When I worked at NASA in the 1980s I was convinced that a fair number of astrophysicists and astronomers would have been willing to prove that life on Earth was so improbable that it, too, couldn't exist. Thankfully, this group has had to consider the data, in addition to their own prejudice. In fact, the history of modern astronomy has repeatedly demonstrated that Earth is not all that special, our own egos aside. There are probably millions of Earth-like planets in this galaxy alone. Because we Earthlings are here, it is much more likely that we aren't alone.

Mr. Gonzalez claimed to "consider the necessary conditions for both the origin of life" and its maintenance. This is remarkable, since the conditions for the origin of life are quite unknown. His list of conditions is thus somewhat laughable: only by finding life elsewhere will we ever be able to consider the common conditions that allow life, and throw out those that are merely "the way it was" on Earth. Far from weakening the case for extraterrestrial life, recent discoveries in astronomy (gamma-ray bursts, black holes, and asteroid impacts, etc.) only serve to tell us that we grew up in a tough neighborhood. Juxtaposed is the current understanding that life was widespread on Earth as much as 3.5 billion years ago (about one-third the age of the universe). Life here must have formed at a time when the bombardment of Earth by asteroids and comets was many times greater in both frequency and intensity, and at a time when Earth probably didn't even have an ozone layer to protect the surface from solar ultraviolet radiation.

I do agree with Mr. Gonzalez that "Why are we here?" is a perfectly reasonable question. Nonetheless, "Are we alone?" remains one of the most fascinating questions in science today.

JOHN D. RUMMEL, PH.D.  
Marine Biological Laboratory  
Woods Hole, Mass.

It amazes me that a professional astronomer should have such a stunningly inflexible mind as Mr. Gonzalez. Mr. Gonzalez argues that extraterrestrial life does not exist because it is statistically unlikely to occur elsewhere precisely the same way it occurred on Earth. Can he not imagine any possible scenario other than exactly what occurred here on Earth? He states that, if one "looks at the astronomical data with an open mind" it becomes obvious that "early estimates [of habitable worlds in the universe] were wildly optimistic." Mr. Gonzalez leaps from stating "Given that the laws of chemistry and physics are universal" to the hypothesis that life is only possible if an environment has "liquid water, a long-term stable energy source and" 17 particular elements. He also states that such an environment must also enjoy another 31 astronomical conditions for life to occur, leading to a "small window of opportunity."

Mr. Gonzalez apparently knows every possible way that life can develop, perhaps after a brief consultation with God.

This kind of narrow thinking is deplorable in a scientist, trying to state that because certain conditions occurred in test case A (Earth) they must be present in test case B (elsewhere) for life to exist. For example, I concede that the presence of a

### NOW's Opposition To Promise Keepers

The Rev. Ann K. Larson, in her July 22 Letter to the Editor, writes that I misrepresented her in my July 11 editorial-page piece "NOW's Time Is Past," by implying that she was a supporter of the Promise Keepers. For the record, the Rev. Larson made it clear to me when I interviewed her for the piece that she opposed the group. Her opposition should be evident from the fact that she sought to amend, rather than reject, NOW's virulently anti-Promise Keeper resolution. Nonetheless, I appreciated the fact that she was open-minded enough to grant in her amendment language that men have needs, too—something many of her colleagues at NOW cannot bring themselves to acknowledge.

SALLY L. SATEL

Washington

nearby gas giant like Jupiter would greatly ease the process of life developing on a planet, but it would be unprofessional to state categorically that a gas giant is necessary for the development of life. Further, the vast majority of Mr. Gonzalez's conditions have less merit than the gas giant hypothesis. The evidence does not support his conclusions.

JOHN HAUGH

Atlanta

Clearly, the parameters within which life (as we know it) can emerge, are narrow (i.e.: liquid water, moderate temperature range, etc.). Likewise, as our knowledge increases we find additional constraints which further define these boundaries. However, Mr. Gonzalez fails to mention that simultaneous with our discovery of narrowing pre-conditions for life, we're also finding a universe that is vastly larger, with millions of galaxies, "each" containing "billions" of stars. Obviously, while life will emerge only in special environments, the statistical probability of more and more such opportunities existing increases exponentially the further we look out toward the expanding edge of the universe.

Life indeed is a delicate achievement of nature. However, it is a fragility with broad dimensions. There are sponges and crabs thriving on this planet in total darkness next to undersea volcanic vents that spew toxic minerals and where the water would boil but for the intense pressure. There are fish in Antarctica who exist in subfreezing temperatures with blood chemically analogous to antifreeze. There are microbes that exist and propagate in pools of minerals and acids. Clearly, the size of the "window" for life is not as diminutive, nor as rare, as Mr. Gonzalez would have us believe.

The universe admittedly is a hostile place, as Mr. Gonzalez asserts. Galaxies do appear to harbor, at their center, massive black holes that spew dangerous radiation. Such a massive black hole, in fact, is most likely what lies at the center of our own Milky Way galaxy. Yet we and the dinosaurs before us managed to evolve into existence from one-celled life forms and collectively survived a couple of mass extinctions to ensure a couple of hundred million years of continuing life on this fragile sphere.

Yes, life is fragile and unique, but those are relative terms at best. The fragility is one honed in the raging furnaces of stars and therefore resilient and enduring. The uniqueness is one that is intrinsic, like a snowflake: each one different, but with infinite variations. While the creation of life surely requires nature to "follow the directions carefully when baking," per Mr. Gonzalez, we need to realize that our universe is comprised of nothing but trillions of "ovens" all cooking at once. Whether we choose to call the baker God or Nature, the sheer volume of implements at His disposal prove He has a fairly boundless margin of error in His recipes, and life is most likely His "soup du jour." Life is not a question. It is an imperative from the chef.

ANTONIO GONZALEZ

Pembroke Pines, Fla.

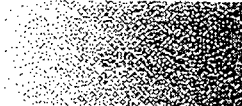
### A Misunderstanding, Not Act of Bad Faith

In regard to your article about the breakup of Conrail, I would like to clarify several points regarding our relationship with the Norfolk Southern Railroad. During the winter and early spring we had several discussions with NS representatives on their proposed acquisition of Conrail and how it would affect our railroads. NS did make certain commitments to us at that time. Subsequent discussions with NS revealed that there was a misunderstanding between the parties as to the exact details of those commitments.

The tone of your article was that NS, having won the battle for acquisition of Conrail, was now reneging on promises made. I want to stress that, based on our subsequent conversations with NS, we believe this was an honest misunderstanding between the parties. We do not believe that NS acted in bad faith in dealing with us.

Our subsequent conversations with NS officials also resulted in their furnishing us with the details of what operating, commercial and service arrangements they will put in place when they take over Conrail. These arrangements are a distinct improvement over what we now have with Conrail, and we believe they are a strong foundation for further good faith discussions that we hope will result in the best commercial and industrial development environment in the North Central Pennsylvania region that we serve.

RICHARD D. ROBEY  
President  
North Shore Railroad Co.  
Northumberland, Pa.



Michael W. Williams

07/30/97 01:26:49 PM

*Made,*

*For mtg  
Thurs. night.  
Steve*

Record Type: Record

To: Steven J. Ronnel/WHO/EOP

cc:

Subject: Fast Track Mtg.

EVENT: Congressional Fast Track Meeting  
DATE: Thursday, July 31  
TIME: 6:30 PM - 7:30 PM  
LOCATION: Yellow Oval Room

\*\*\*Please note, Members of Congress should enter the NW Gate at 6:15PM and park on the NW Drive.

MEMBERS PENDING (5):

- Rep. John Murtha
- Rep. Joseph Kennedy
- Rep. Bob Menendez
- Rep. Donald Payne
- Rep. Julian Dixon

MEMBERS CONFIRMED TO ATTEND (28):

- Rep. Robert Matsui
- Rep. James Moran
- Rep. Vic Fazio
- Rep. Silvestre Reyes
- Rep. Charles Stenholm
- Rep. Peter Deutsch
- Rep. Zoe Lofgren
- Rep. Tom Barrett
- Rep. Norm Dicks
- Rep. Jay Johnson
- Rep. Chris John
- Rep. Adam Smith
- Rep. David Minge
- Rep. Nita Lowey
- Rep. Bill Luther
- Rep. Vic Synder
- Rep. Lee Hamilton

Rep. Martin Meehan  
Rep. Michael McIntyre  
Rep. David Price  
Rep. Floyd Flake  
Rep. Bob Clement  
Rep. Harold Ford Jr.  
Rep. Ellen Tauscher  
Rep. Ike Skelton  
Rep. Bob Etheridge  
Rep. Jane Harman  
Rep. Carolyn McCarthy

**MEMBERS INVITED BUT UNABLE TO ATTEND:**

Rep. Martin Frost  
Rep. Lloyd Doggett

**ADMINISTRATION PARTICIPANTS:**

The President  
The Vice President  
Secretary Rubin  
Secretary Glickman  
Secretary Daly  
Secretary Herman  
Ambassador Barshefsky  
Administrator Browner  
Counselor McLarty  
Under Secretary Eizenstat

Spartan

Aug 11/57

Voted for NAFTA

Lost 3500 mfg jobs COURT Big firms  
little firms

every time plant that closes is NAFTA

Court / phase out of quotas much more  
concerning

Jana Lee plants / Cameron  
closed 2  
UT

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Shipping Mex. 10% - 0%  
Cost Adv.  
closed the plant

Demo -

White collar support

Blue ✓ ✓ court affair + case

Hen-zing  
Mazda  
850 people

(over)

Unempl. J.C. → 30,000  
MARLBORO

12.9%  
11.7%

Chester County  
11.1%

P. 11.0%  
10.7

Lee 9.6%

counties

1/2 Unempl

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it goals

S.C. 8000 - 19

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B, A } { part }

paper flows / median wage / no health care

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Turtle / 5 million strategy / Backup integrate  
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MEMORANDUM  
OF CALL

Previous editions usable

TO:

Mack

YOU WERE CALLED BY-  YOU WERE VISITED BY-

Phil Barnett

OF (Organization)

Memphis Nat'l Cotton Council

PLEASE PHONE ▶  FTS  AUTOVON

901 274 9030

WILL CALL AGAIN  IS WAITING TO SEE YOU

RETURNED YOUR CALL  WISHES AN APPOINTMENT

MESSAGE

} Re: CBI Parody  
John Cusdy -

RECEIVED BY	DATE	TIME
<u>Ana</u>	<u>7/25</u>	<u>3:15</u>

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3:30

224-1835 Base Line

Unit D

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give it to him.

Hiller does it raise it

Do you want CB 1

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return -  
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Rubis - Trent

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Rep - open

MEMORANDUM OF CALL

Previous editions usable

TO:

Mada

YOU WERE CALLED BY—  YOU WERE VISITED BY—

Ken Dubenstein

OF (Organization)

PLEASE PHONE (Enter area code, if necessary)  DSN

728-1100

WILL CALL AGAIN  IS WAITING TO SEE YOU  
 RETURNED YOUR CALL  WISHES AN APPOINTMENT

MESSAGE

Client please can a 2  
pt to enter and get it done

[Treat Lott →]

can priority or record

RECEIVED BY

P

DATE

2/11

TIME

4:58

NSN 7540-00-634-4018  
50383-111  
UNICOR FPI-SST

OPTIONAL FORM 363 (Rev. 7-84)  
General Services Administration

WED

① Treat Lott

② Ken (Legas/Anker)  
③ Ben Anker

Franky / Lott Treat

Europe started him up

D-6 1982/1983

CBE Std. Bennew

NAFTA Regs/B-1/Cl-16

ent

Lott / D-6 / positive/negative

Charlene

July 1977

MEMORANDUM OF CALL

Previous editions usable

TO:

YOU WERE CALLED BY —  YOU WERE VISITED BY —

OF (Organization)

PLEASE PHONE (Enter area code if necessary) \*  DSN

WILL CALL AGAIN  IS WAITING TO SEE YOU

RETURNED YOUR CALL  WISHES AN APPOINTMENT

MESSAGE  
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NSN 7540-00-834-4018  
50363-111  
UNICOR FPI-SST

OPTIONAL FORM 363 (Rev. 7-94)  
General Services Administration

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give <sup>to</sup> care people Textol

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Papl / 1-11-77 } —

Lot - letter Charlene

MEMORANDUM OF CALL

TO:

Maed "Catch up" B.A.U.

YOU WERE CALLED BY —  YOU WERE VISITED BY —

John Duncan on CBI

OF (Organization)

A.A. to Sen. Roth

PLEASE PHONE (Enter area code, if necessary)  DSN

224-3679 Exec Board

WILL CALL AGAIN  IS WAITING TO SEE YOU

RETURNED YOUR CALL  WISHES AN APPOINTMENT

MESSAGE

Trying to assemble small group to work out CBI. Who would you like to designate as Admin. contact person. House Bill

RECEIVED BY

P.

DATE

7/11

TIME

10:15

NSN 7540-00-834-4018

50383-111

UNICOR FPI-SST

OPTIONAL FORM 363 (Rev. 7-94) General Services Administration

(I believe Helen left a msg. for him.)

Duncan

Some group

CBI Executive Board

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House version -> NOT

Working groups B. part in Bicameral on the other issues

Exec Board

Ans } House signat  
Sus. }

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Three issues

Stack paper ready to act if leaders wish to act (Project USA)

ESP intel + record routing  
Trade position

MEMORANDUM  
OF CALL

Previous editions usable

TO: Mod. L'ow

YOU WERE CALLED BY —  YOU WERE VISITED BY —

Kern Duberstein

OF (Organization)

PLEASE PHONE (Enter area code if necessary)  DSN

728-1100

WILL CALL AGAIN —  IS WAITING TO SEE YOU

RETURNED YOUR CALL  WISHES AN APPOINTMENT

MESSAGE

Talk to him for 1 min.  
before you call John  
Duncan — it is a  
priority & good news.

RECEIVED BY: P. / DATE: 7/11 TIME: 10:45

NSN 7540-00-834-4018  
50363-111  
UNICOR FPI-SST

OPTIONAL FORM 363 (Rev. 7-94)  
General Services Administration

Steve Chislow July 11, 94

Frank Paulin & Chase

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Trade staff support sev.  
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Cy John Matsui.

Matsui cost.

Bruce Wilson Page

Michael ConTE (Mike)

Our office incl. Paulin  
Adm will wait out  
Status is record

MEMORANDUM OF CALL

Previous editions usable

TO: Mack

YOU WERE CALLED BY — Ken Duberstein  YOU WERE VISITED BY —

OF (Organization)

PLEASE PHONE (Enter area code, if necessary) 728 1100  DSN

WILL CALL AGAIN  IS WAITING TO SEE YOU  
 RETURNED YOUR CALL  WISHES AN APPOINTMENT

MESSAGE  
Please phone ASAP —

NOTE - There is a personal letter for you from him in your blue folder.

RECEIVED BY: ANA DATE: 7/16 TIME: 4:35

NSN 7540-00-634-4018 50363-111 UNICOR FPI-SST OPTIONAL FORM 363 (Rev. 7-94) General Services Administration

Uel

① { Secy Madeline  
Rita Seal

② / Newt / McCaffrey  
Trent  
Rita

③ Archie / Michael  
Lew Long

④ Peter / Lott

MEMORANDUM OF CALL

Previous editions usable

TO: Mack

YOU WERE CALLED BY—  YOU WERE VISITED BY—  
Rita Hayes

OF (Organization)

PLEASE PHONE (Enter area code, if necessary)  DSN  
53026

WILL CALL AGAIN  IS WAITING TO SEE YOU

RETURNED YOUR CALL  WISHES AN APPOINTMENT

MESSAGE

"Very important"  
Chantese / Rita reports to me  
Candid letter is -

RECEIVED BY Ana DATE 7/21 TIME 12:30

NSN 7540-00-634-4018  
50363-111 UNICOR FPI-SST  
OPTIONAL FORM 363 (Rev. 7-94)  
General Services Administration

July 1977

USTN

Rita Hayes  
Cong. Affairs USTN

Get together

ATMI - { support ??  
Cinse Bill  
AMA

Jurassic

} Textiles is it → }  
} Apparel only } WANTS }  
} } particular }

Apparel & Textile  
with our present differences  
per Rita

THE WHITE HOUSE

July 17 1997

Bob -

Help needed now as may in the  
per earlier taching points to you. Discussions  
at a critical point. Can needs to  
Be today to moderate Morrison. He  
probably won't be supportive But moderate  
A his position will help.

Remember this is a Presidential commitment.  
Pope restated LAST night his concern about  
this matter. Consequence of not making good on  
our commitment

---

Could meet Bent people illegal migrants  
to your <sup>Burhood</sup> hometown A Minn.

Respectfully —

Wael

July 17/97

Mike -

Please get Bob to make his call  
to managers today. Try to be  
President and imp. matters.

Mary Tab

Mack

MEMORANDUM OF CALL

Previous editions usable

TO:

Mack

YOU WERE CALLED BY—  YOU WERE VISITED BY—

Ron Klain

OF (Organization)

PLEASE PHONE (Enter area code, if necessary)

DSN

66605

WILL CALL AGAIN

IS WAITING TO SEE YOU

RETURNED YOUR CALL

WISHES AN APPOINTMENT

MESSAGE

USTN - NESOCENTIS

Mack -  
Nelson is  
going to fax  
talking points  
to Truman.  
P.

RECEIVED BY

Ana

DATE

7/18

TIME

9.06

Ron Klain @ OVP  
07/18/97 11:07:32 AM

Record Type: Record

To: Patricia A. McHugh/WHO/EOP

cc:

Subject: CBI

I have been trying to reach Mack to tell him that the VP is VERY CONCERNED about where we are headed on CBI and environmental conditions. He has been distressed by recent reports on this. Can you pass this along to Mack? Thanks.



OFFICE OF MACK MCLARTY

Counselor to the President

Special Envoy for the Americas

FAX TRANSMITTAL SHEET

TO: MIKE FROMAN

FAX: 622-0073

PHONE:

FROM: MACK MCLARTY

SUBJECT:

DATE: 7/17/97

NUMBER OF PAGES (Including Cover): 3

MESSAGES:

(NOTE FAXED TO ANNABELLA'S  
ATTENTION FOR SECRETARY RUBIN.)

If all pages are not received, please call 202/456-2000: 2463

The document accompanying this facsimile transmittal sheet is intended only for the use of the individual or entity to whom it is addressed. This message contains information which may be privileged, confidential or exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any disclosure, dissemination, copying, or distribution, or the taking of any action in reliance on the contents of this communication is strictly prohibited.

THE WHITE HOUSE

July 17/97

Mike -

Please get Bob to make his call  
to managers today. Imp to the  
President and imp. matter.

Mary Trals

Wael

THE WHITE HOUSE

July 17 1977

Bob -

Help needed now or may in the  
per earlier talking points to you. Discussions  
at a critical point. Can needs to  
be today to moderate Moscow. He  
probably won't be supportive but moderation  
A his position will help.

Remember this is a Presidential commitment.  
Pope restated last night his concern about  
this matter. Consequence of not making such ones  
on commitment

Could new Boat people illegal migrants  
to your hometown <sup>Burkhead</sup> of Miami.

Respectfully -

W. J.



OFFICE OF MACK MCLARTY

Counselor to the President

Special Envoy for the Americas

FAX TRANSMITTAL SHEET

TO: SECRETARY RUBIN - ATTN: ANNABELLA

FAX: 622-0000

PHONE:

FROM: MACK MCLARTY

SUBJECT:

DATE: 7/17/97

NUMBER OF PAGES (Including Cover): 2

MESSAGES:

If all pages are not received, please call 202/456-2600. 2463

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MESSAGE CONFIRMATION

JUL-17-97 10:03

FAX NUMBER : 2024562215

NAME :

FAX NUMBER : 96220000

PAGE : 02

ELAPSED TIME : 00' 39"

MODE : G3 STD

RESULTS : O.K

MESSAGE CONFIRMATION

JUL-17-97 10:05

FAX NUMBER : 2024562215

NAME :

FAX NUMBER : 96220073

PAGE : 03

ELAPSED TIME : 00'50"

MODE : G3 STD

RESULTS : O.K

Sent by Fax

THE WHITE HOUSE  
WASHINGTON

July 17, 1997

MEMORANDUM FOR BRUCE LINDSEY

FROM: MACK McLARTY *Mack*  
SUBJECT: PHONE CALL BY THE PRESIDENT TO SENATOR LOTT

Attached are talking points for the President's use in a call to Senator Lott. The President agreed to call Lott in a conversation with ~~Lott~~ last night. USTR has cleared the language. *ME*

Thank you.

*NEC/NSC*

## TALKING POINTS FOR CALL TO SENATOR LOTT:

### CARIBBEAN BASIN INITIATIVE (CBI) TRADE ENHANCEMENT

- I am calling to touch base on negotiations over the Caribbean Basin Initiative (CBI) Trade Enhancement provisions in the budget reconciliation conference.
- As you know, I have been committed for several years to providing trade relief to the Caribbean and Central American nations in the Caribbean Basin. When I was in Costa Rica and Barbados this Spring, I reaffirmed that commitment to the region's leaders.
- I was obviously pleased at your statement of support last week for trade relief for the CBI nations.  
**Note: Lott stated in a press conference that he supported CBI trade relief, and was inclined toward the Crane bill, which differs in important respects from the Administration version.**
- Of the two versions of CBI Trade Enhancement, we obviously prefer the Administration's proposal over the Crane bill because it helps move the Caribbean Basin nations toward free trade accession. But we see some flexibility in fashioning a compromise between the two.
- Chairman Roth has taken a very positive step by convening a bicameral working group that includes Administration representatives to work through the issues. I understand a good start has been made.
- Please know that you have my Administration's support for keeping a negotiated CBI trade provision in the budget reconciliation bill.

### Tuna-Dolphin Bill

**Senator Lott has agreed to file for cloture today (against a Boxer/Biden filibuster) and to bring up Tuna-Dolphin for a vote early next week. The bill has passed the House and the Senate Commerce Committee. You sent a letter yesterday to Sen. Lott (see attached) asking him to support quick passage of our bill.**

- You should thank him for his support. You can also tell him that at his request we have worked to secure the support of Democratic Senators, and now have ten who will support Tuna-Dolphin in a cloture vote.

THE WHITE HOUSE

July 17/97

March

Bonny -

We need your Sivgula leadership  
today with the attached excel list.

Important commitment of the President  
and of ours (March and Bonny) as  
well.

Many thanks - Again.

Uced

THE WHITE HOUSE  
WASHINGTON

July 17, 1997

**MEMORANDUM FOR THE DIRECTOR OF THE OFFICE OF NATIONAL DRUG  
CONTROL POLICY BARRY MCCAFFREY**

**FROM: MACK MCLARTY**   
**COUNSELOR TO THE PRESIDENT AND SPECIAL ENVOY FOR THE  
AMERICAS**

**Subject: Provision in the Budget Reconciliation Bill Providing Enhanced Trade  
Benefits to Nations Involved in The Caribbean Basin Initiative**

---

Senator Roth has convened a conference committee process this week seeking to resolve differences between the Senate and House over a the provision in the Budget Reconciliation bill that will provide enhanced trade benefits to nations involved in the Caribbean Basin Initiative. The House bill includes a one-year provision with back-ended conditionality. It differs substantially from the Administration's eight-year bill with tougher conditionality. The Senate did not include any trade related issues in its Budget Reconciliation bill, but Senators Roth and Lott are favorably disposed to keeping a CBI enhanced trade benefit provision in conference.

While substantial differences remain to be worked out between the Senate and House and the Administration, I think with the right push from the Administration we can make a difference in strengthening commitments from key Senate and House conferees to ensure that every consideration is made aimed at achieving a successful resolution of this provision.

**Suggested Actions:**

- ▶ Given your leadership role in the Caribbean region on the security/counter narcotics front, your key role at the Bridgetown Summit nailing down the Declaration of Principles, and that in CBI nations there is a strong link between economic opportunities through enhanced trade benefits and reducing dependency on the drug trade for survival, it would be particularly beneficial to have you call Majority Leader Lott, Senator Roth and Chairman Archer as soon as possible and express those views. The message is that this is a priority issue for the Administration, both from a regional economic and security front, and there is some flexibility on the content of the legislation. Senators Roth and Lott received similar messages from me within the past week.

**Administration Involvement To Date:**

- ▶ The President's commitment to the legislation has been firm all along, beginning with its inclusion in his FY 1998 budget submission to the Congress in February. It has served as the catalyst to get us where we are today
- ▶ The Administration's legislation was transmitted to the Congress on June 17th, and was

- introduced by Senator Graham (S.984) co-sponsored by Senators Mack, McCain, Dewine and Moseley-Braun. In the House, Congressman Rangel introduced it (H.R. 2096).
- ▶ Treasury Secretary Rubin sent a letter on July 3 letter to the House Conferees indicating the high priority that the Administration places on keeping a provision in the Budget Reconciliation bill that will provide enhanced benefits to Nations involved in the Caribbean Basin Initiative.

**Background:**

- ▶ Caribbean nations will be in a much better position to combat narcotics trafficking as pledged to in the Bridgetown Declaration. Unless these nations are able to stem the diversionary impact that NAFTA is having on their trade and investment, workers who are displaced from their jobs will have few choices to turn to.
- ▶ The inclusion of a trade enhancement provision in the final budget reconciliation bill will serve to firm up the President's commitments outlined in the Bridgetown Declaration of Principles, and signed by the Heads of State, to increase cooperation along the regional economic and security front. The declaration states in very direct terms:  
  
"We pledge to enhance the Caribbean-U.S. trade relationship by supporting the expeditious passage of legislation by the United States, to confer CBI treatment on an extended basis, to products of Caribbean origin which are currently excluded."  
  
▶ The proposed U.S. - Caribbean Basin Trade Enhancement bill is part of an integrated Administration-wide strategy to advance economic progress and promote regional cooperation throughout the Caribbean. It signals our intention to expand trade with Caribbean countries on terms consistent with the objectives of the Free Trade Area of the Americas.
- ▶ The key to the success of the existing CBI program, and of what is contemplated in the enhance benefit measure, is that the trade provides benefits to both the U.S. and to the Caribbean countries. The majority of our apparel imports from Caribbean countries contain substantial U.S. content. This means U.S. producers and workers make the fabric and the other inputs (linings, sewing thread, notions) that go into the CBI's apparel; U.S. companies employ people in cutting and distribution in the U.S. and so on. By expanding the benefits, particularly in the textile and apparel sector, to Caribbean nations, U.S. companies will increase market share of apparel made with U.S. content.

Jan Friel

CB 1

MEMORANDUM  
OF CALL

Previous editions usable

TO:

Mach

YOU WERE CALLED BY—  YOU WERE VISITED BY—

Amb. Vega

OF (Organization)

Dominican Rep.

PLEASE PHONE (Enter area code if necessary)  DSN

332-1786

WILL CALL AGAIN  IS WAITING TO SEE YOU

RETURNED YOUR CALL  WISHES AN APPOINTMENT

MESSAGE

[ Eric will call him back ]

667 - 5700

RECEIVED BY

D. J.

DATE

7/10

TIME

noon

NSN 7540-00-634-4018  
50363-111  
UNICOR FPI-SST

OPTIONAL FORM 383 (Rev. 7-94)  
General Services Administration



Neil Weid

July 10/97

Not 100% w the Adm →  
good for CBI

Cott priorities

Short List

Equities

Alternative Bill → House  
"Ripped or torn" Dems  
Stick w the Bill

Conlon  
↓  
Budget

As Dem alternative }  
made both happen }  
Bipartisanship 80 votes

D  
Ansche  
—

Bob Graham

Lott / support

- 5000 note

Undecided pressure on Both  
Sides

} M. Helms -

} Farley - Front of the Line

What is Farley's objective  
to Charles's Bill

What can we do to accommodate  
Farley

Helms / Farley

THE WHITE HOUSE  
WASHINGTON



OFFICE OF MACK MCLARTY

Counselor to the President

Special Envoy for the Americas

FAX TRANSMITTAL SHEET

TO: Nelson Cunningham

ANA - please pass to Nelson  
ASAP.

FAX: 62215

PHONE:

① Mack

FROM: DAN LESMEZ

② Steve

SUBJECT: CRITERIA INFO.

③ Eric

DATE: 7/17/97

④ Nelson

NUMBER OF PAGES (Including Cover): 5

MESSAGES:

1) Letter from McCain + Graha to Roth.

2) Article in today's Journal of Commerce  
on <sup>Senate</sup> Parliamentarian's inclination  
to rule Byrd Rule in order.

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# United States Senate

WASHINGTON, DC 20510

July 16, 1997

The Honorable William V. Roth, Jr.  
Chairman  
Committee on Finance  
104 Hart Senate Office Building  
Washington, D.C. 20510-0801

Dear Chairman:

The joint Senate-House budget reconciliation conference is considering a proposal to reduce tariffs on products, such as textile and apparels, from countries in the Caribbean Basin, and could include this measure in the final conference agreement. The proposal was included in the House version of the reconciliation bill, but has not been addressed in the Senate. I respectfully ask you to support this significant initiative.

The Caribbean Basin Initiative (CBI) was set up in 1983 to provide incentives for American investment and trade with Caribbean countries. Many American companies, particularly in the apparel industry, have invested in the Caribbean Basin during the past decade due to these incentives. During 1994 alone, some \$4.6 billion in textile and apparel products were shipped to the United States from this region.

The North American Free Trade Agreement (NAFTA) has created a trade diversion that has unfairly impacted the CBI countries and companies invested in them. Because of NAFTA, goods shipped from Mexico are becoming less expensive relative to products shipped from the Caribbean countries, where tariffs are higher. As a result, the rate of growth for apparel imports from CBI countries into the United States fell from 25 percent during 1995 to about 8 percent in 1996, while apparel imports from Mexico grew by 41 percent during the same five-month period.

The diversion created by NAFTA has also enhanced the attractiveness of Mexico as a site for investing in manufacturing operations for export to the United States. Companies in the Caribbean Basin are considering relocating to Mexico because of the less costly trade restrictions. Industry groups say that approximately 275,000 American jobs that depend on current Caribbean trade may be at risk. American factories located in this region are being hurt by this trade diversion, and the CBI

The Honorable William V. Roth, Jr.  
July 16, 1997  
Page 2

countries are complaining that they are being treated unfairly by NAFTA.

It is important that the people of the Caribbean Basin have real opportunities in the legal economy so that they are not forced to turn to drug trafficking to feed their family. The Caribbean has been one of the principal transit regions for drug traffickers moving their poisonous cargo from the source countries of South America. In addition, the recent WTO decision on bananas could have a devastating effect on the economies of several countries in the region, thereby exacerbating the potential for people to turn to illegal activities. Strengthening Caribbean economies through enhanced trade and economic activity will help keep drugs off the streets of America, and out of the hands of America's children.

There are also security interests at stake in the Caribbean. We have seen time and again how economic instability can foment political turmoil, which in turn can require American political or military involvement. In the past, economic and political instability has also resulted in massive refugee flows to the United States, which places an unfair burden on taxpayers.

You are encouraged to support NAFTA parity for Caribbean Basin countries. It is in our interest to treat these countries fairly. If we fail to seize this opportunity, others will take our place of leadership, and our economy will be the loser.

Sincerely,



John McCain  
United States Senator



Bob Graham  
United States Senator

# Technicality may snag Nafta parity

• *Senate's parliamentarian says the plan to give free-trade benefits to Central America and the Caribbean doesn't belong in the big budget bill before Congress.*

BY JOHN MAGGS

JOURNAL OF COMMERCE STAFF

JUL 17 1997

WASHINGTON — An effort to extend free-trade benefits to Central America and the Caribbean was in jeopardy Wednesday because of a technicality.

The Senate's parliamentarian said the plan, which affects \$5.8 billion in imports from the region, does not belong in the giant budget bill now before Congress.

If the plan is scuttled, it would be a setback to some U.S.-based apparel companies seeking to expand production in Central America and the Caribbean.

The parliamentarian's decision makes it more likely that U.S. underwear maker and lobbying powerhouse Fruit of the Loom will succeed in either defeating the Caribbean plan or forcing changes that will benefit that company's cotton fabric factories in the United States.

The Caribbean plan, known as "Nafta parity," would offer Central American and Caribbean nations the same tariff and quota cuts for apparel

See *PARITY*, Page 5A

that Mexico earned under the North American Free Trade Agreement.

Unlike that pact, in which Mexico agreed to lower all its barriers to U.S. exports, Nafta parity involves no reciprocal trade benefits for the United States.

## Out of place

But on Wednesday, Parliamentarian Robert Dove, who is the arbiter of disputes on Senate procedure, said the Caribbean plan is out of place in the budget bill. His ruling would require supporters of the Caribbean plan to muster 60 Senate votes to prevent the measure from being stripped out of the budget bill.

A Senate rule — named the Byrd Rule after Sen. Robert Byrd, D-W.Va., who first proposed it — generally prohibits the addition of non-budgetary riders to budget legislation.

In an interview, Mr. Dove said the Caribbean bill violates the Byrd rule because it involves "serious policy questions" that are unrelated to spending or revenue-raising.

Parity has been pushed by U.S.-based apparel makers with factories in Central America, led by Chicago-based Sara Lee Corp. Chairman John Bryan is one of President Clinton's most loyal business supporters.

## Budget bill attachment

After repeatedly failing to pass Nafta parity in a free-standing trade bill, these supporters succeeded in getting it attached to the budget bill that passed the House last month. The Senate and House this week are trying to reconcile competing budget bills, and one of the differences is over Nafta parity.

Unlike previous years when the Caribbean plan met a quick death in Congress, it appeared until recently that some version of the bill had a much better chance of passage in 1997.

A crucial factor has been the advocacy of President Clinton, who promised Central American and Caribbean leaders in May that he would fight for the plan.

Officials for these governments have argued that Nafta has hurt them by giving Mexico an advantage in textile and apparel exporting to the United States.

But trade data show that Central America and the Caribbean have actually gained a larger share of the U.S. market since Nafta was enacted.

#### Advisers push hard

This aside, two of Mr. Clinton's foreign policy advisers — counselor Mack McLarty and

National Security Adviser Sandy Berger — have pushed hard for Nafta parity as an economic boon for the region that will give its people an alternative to drug trafficking.

Even without the procedural "Byrd Rule" complaint raised by Mr. Dove, Nafta parity has faced considerable opposition in the Senate. Fourteen senators signed a letter to President Clinton last week opposing the House plan, and the top Republican and Democrat on the tax- and tariff-writing Senate Finance Committee are against including it in the budget bill.

House and Senate aides Wednesday were previously unaware of Mr. Dove's judgment, but most agreed that it probably makes more likely some

kind of compromise in the House version of the bill.

"Fruit (of the Loom) has the advantage of being perfectly happy to kill the (House) bill," said one Senate staffer. "They are only helped by any Byrd Rule problem."

Fruit of the Loom has its own apparel factories in Central America and the Caribbean, which use fabric made by the company's factories in the United States. It fears competition from apparel makers in the Caribbean region with access to lower-cost fabric from Asia and elsewhere.

---

CBI To Do

July 10/97

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① D&B
  - ✓ ② Newt Can be 100 D
  - ✓ ③ Can Controversy
  - ④ Rabbit discuss  
Finnis ✓  
Moyinid  
① Janice  
② D/Dep  
③ Angus
  - ✓ ⑤ Site Can re. Report
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① Synatt
  - ✓ ⑦ Can. hard support
-

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Benson - Alley

MEMORANDUM OF CALL Previous editions usable

TO: James [unclear] Joyce

YOU WERE CALLED BY  YOU WERE VISITED BY

Ken Aulerstein

OF (Organization)

PLEASE PHONE (Enter area code if necessary)  DSN

728-1100

WILL CALL AGAIN  IS WAITING TO SEE YOU

RETURNED YOUR CALL  WISHES AN APPOINTMENT

MESSAGE Sidney Inth

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can get a Bin  
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not approved

RECEIVED BY: [Signature] DATE: 7/9 TIME: 1:25

NSN 7540-00-834-4018  
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General Services Administration

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{ checkers up }

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# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001: memo	Ana Buque to the WAVES Center; RE: Personally Identifiable Information [partial] (1 page)	07/14/1997	#Error

### COLLECTION:

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Fast Track - Current (9/97) [1]

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- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

July 14, 1997

MEMORANDUM FOR WAVES CENTER

FROM: ANA DUQUE, OFFICE OF MACK MCLARTY

RE: Appointment request for 4:30 pm

Please wave the following Ambassadors in for 4:30 pm today. They will be meeting Thomas "Mack" McLarty in room 476, OEOB.

Flores Bermudez, Roberto	Honduras	[001]
Picado, Sonia	Costa Rica	
Lamport, Pedro	Guatemala	
Vega, Bernardo	Dominican Republic	
Sol, Ana Cristina	El Salvador	
Aguirre, Francisco	Nicaragua	

(b)(6)

*Hopeful time*  
*Peace regards*

My extension is x65290 if there are any questions. Thanks.

- ① 3rd directors / long-term commitment of ... (int) UNCA Syst
- ② ~~... of ...~~ } no es justo } no retroactiva
- ③ Help Peru } regional } And } Free step } Brazil Free Trade } Chile } FTAA } Take necessary steps
- ④ Come working together -
- ⑤ Santiago Summit - education - partnership

~~\*\* Transit of the Loom~~ → C&D compromise is reached

Date / to Lobby As. CBI → origin fabric

July 14/99

~~\*\* Popus' support~~ → NOT as a limb

Conditionality issue per A/C Christina  
A/C Christina concern → She is difficult

**Some Problems with the Administration's Caribbean Basin Trade Enhancement Act**

While the real objective is a free trade treaty with the United States, Nafta parity is a positive intermediate step. However there are problems in the text of the CBTEA:

- ① Nelson
- ② Eric
- ③ Steve
- ④ Dan
- ⑤ original to MacIs

**I - Nafta Issues**

The Administration's Caribbean Basin Trade Enhancement Act includes a number of conditions for receiving the trade benefits, after three years, which are really matters to be included in the text of a bilateral trade agreement, but because of their bilateral nature, are not appropriately issues to be included in the legislation of an individual country. If the Enhancement Act were to be revoked say, in five years, the beneficiary countries would lose the trade benefits but would have had to comply with the conditionalities, and would have no recourse to obtain remedies.

While it is true that the legislation seeks to be a stepping stone to Nafta membership, it should not unilaterally obligate a beneficiary country to adopt and comply with a number of chapters of the Nafta treaty to which this country is not yet a party to. The three countries that have signed the Nafta have recourse to a dispute settlement mechanism, but the Central American and Caribbean countries would have no access to it. Also, Mexico was granted a number of years to comply with these requirements, while Central American and Caribbean countries would have to comply immediately.

The specific issues involved are:

**a) Conditionalities**

The administration's discretionary authority to determine if CBI countries have satisfactorily, fulfilled conditionalities are too extensive.

Change  
from Conditionality to condition

Case Bill Amend

orig Textile → China → NOT taking away from U.S

Dept Textile → Committee Trade Issue

b) Intellectual Property Rights

The Enhancement Act correctly requires that beneficiary countries comply with Uruguay Round Agreement Act IPR issues. However it also requires compliance with the additional standards established in chapter 17 and article 1711 (6) of the Nafta.

c) Protection to U.S. Investors and Investments

The Enhancement Act conditions benefits to compliance with chapter 11 of the Nafta.

d) Most Favored Treatment to U.S. Goods

This is also a matter for international convention, not the law of one country.

e) Safeguard Provisions

The safeguard provision is really a treaty matter and would imply the renouncing of WTO rights.

**II Non-Nafta and Non-Trade Issues**

The Enhancement Act also includes conditions which were never required from Mexico under the Nafta, because they are not trade related. They should not be included in a trade bill.

These are:

- 1) "Certification" on drug-trafficking.
- 2) Having signed a convention regarding extradition of nationals.
- 3) Having signed the Inter-American convention against corruption.

The San José declaration provides the adequate institutional mechanism which will permit continuous treatment of all the above mentioned issues and this mechanism should be enhanced

**III Some Provisions Included in the House Bill which are Beneficial to the Caribbean and Central America and which do not Appear in the Administration Bill**

**Section 809**

The bill approved by the House includes duty free imports under section 809. This allows imports of apparel, made out of US cloth cut in beneficiary countries.

**IV Other Provisions Included in the Administration Bill which are Prejudicial to the Caribbean and Central America and which do not Appear in the Bill Approved by the House.**

**Ratchet Down**

The administration bill reduces the bilateral textile quotas negotiated with each country by an amount equal to the quantity of apparel imported under the Caribbean Trade Enhancement Act.

This provision violates the principles established under the agreement in textiles and clothing (ATC) which clearly states that a member's access to a market, can not be reduced (Art. 4)

July 14, 1997

BRIEFING MEMORANDUM FOR MACK MCLARTY

From: Dan Lesmez

cc: Nelson Cunningham  
Eric Farnsworth  
Steve Ronnel

Subject: Briefing for the Central American Ambassadors on the CBI Trade Enhancement Legislation Regarding the Administration's Involvement, the Status and Outlook for the Legislation

This is the third meeting you are holding with the Central American Ambassadors related to the CBI Trade Enhancement Act (CBITEA) over the last year and half. This meeting is taking place at their request.

Administration Involvement

- The President's commitment to the legislation has been firm all along, beginning with its inclusion in his FY 1998 budget submission to the Congress in February. It has served as the catalyst to get us where we are today.
- The President asked me, some time ago, to take the lead in pushing this legislation, and he has recently asked me to coordinate Presidential trip follow-up, and to heighten my role as coordinator for Caribbean Basin issues.
- For the past several months, my office along with the USTR, NEC and NSC has convened several inter-agency meetings to advance the legislative process. The Administration's legislation was transmitted to the Congress on June 17th. Subsequently, I had a few conversations with Senator Graham, and he agreed to introduce the Administration's bill (S.984) co-sponsored by Senators Mack, McCain, Dewine and Moseley-Braun. Congressman Rangel introduced it in the House (H.R. 2096).
- Last week was very productive for this legislation, as I proceeded to contact a number of key legislators to impress upon them the high priority that the Administration places on the CBITEA legislation and that we remain flexible on the content of the legislation. I spoke with Majority Leader Lott, Senators Lautenberg and Lugar, and the staffs of Chairman Roth and Speaker Gingrich about this legislation and asked for their support during the conference process. And Senator Lott, at his daily press conference the next morning stated that he favored expanded trade relations with Caribbean nations.
- This week my office will be working closely with Chairman Roth's staff, whom the Chairman designated to direct a conference process involving key bipartisan staff from the Senate and the House aimed at obtaining a joint conference offer.

- Internally, I also have coordinated efforts on CBITEA with Treasury Secretary Rubin, Undersecretary Stu Eizenstadt, and several key people at the White House.
- Secretary of Treasury Rubin sent a letter to the House Conferees which contained information indicating to them the President's strong commitment to provide relief to CBI nations from the unanticipated trade and investment diversionary effects of the NAFTA. And, last week Secretary Rubin agreed to speak with Senator Moynihan about this issue, as the Senator appears to be softening his stance in firm opposition to the CBITEA. Again, a very productive week.

### *The Competing Proposals and Outlook*

- The proposal sponsored by Rep. Crane includes a year-plus authority, which hardly begins to provide the type of relief that is needed for the CBI region. It is understandable that with such a short time horizon in the Crane proposal, it would be hard justify inclusion of the phased-in benefits and reciprocity that are sought in the legislation sent up by the Administration.
- The Administration's proposal, in keeping with Summit of the Americas declaration of principles, as well as that of other follow-on Summits, believes that the enhanced trade benefits that CBI nation's will receive need to be used wisely to simultaneously help prepare these nations for the incorporation into the FTAA by 2005. All of the democratically-elected governments of the hemisphere are committed to making substantial progress by the year 2000, and that is why the Administration's proposal includes the phased-in benefits and reciprocity.
- As I stated earlier, we remain flexible on the content of the legislation. Ideally, we would prefer our 8 year proposal. However, politics is the art of compromise, so this week I am convening an interagency process to come up with the Administration's position on CBITEA legislation and communicate it to the conferees. We are doing what we can, and we need you to maintain your active involvement.

*Central America Trade and Investment Council Meeting*

If asked about the Central America Trade and Investment Council (TIC) meeting, USTR sent a communique last week to all the countries that attended the San Jose Summit, informing the Trade Ministers of the upcoming TIC meeting in Washington on July 23rd including a proposed agenda.

MEMORANDUM OF CALL

Previous editions usable

TO: MAK

YOU WERE CALLED BY —  YOU WERE VISITED BY —

Stu Eisenstadt

OF (Organization) Per  
CAROLYN KEENE

PLEASE PHONE 047 7575  DSN  
(Enter area code if necessary)

WILL CALL AGAIN  IS WAITING TO SEE YOU  
 RETURNED YOUR CALL  WISHES AN APPOINTMENT

MESSAGE  
He will be at WH (Roosevelt Rm)  
2-3:30 - will talk  
stop day after  
will call

RECEIVED BY: Ana DATE: 7/11 TIME: 8:45

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OPTIONAL FORM 363 (Rev. 7-94)  
General Services Administration

~~Exhibit~~ 1555

Stu. E

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② Coordination

③ CSP Law Sense

④ JPA Willingness

⑤ Fabric ATN, US Fabric

Stu--

July 11, 1997

News  
Stu  
P 5

**For your meeting with Mack:**

- Anything less than an energetic campaign from the White House on this issue will be seen in Central America and especially the Caribbean as backtracking on the President's commitment during his San Jose and Barbados summits.

-- We are preparing talkers for Secretary Albright to follow up with Moynihan and Roth

AAMA's take on Moynihan, after the call with apparel industry reps, is that he might be winnable, at least not to actively oppose the bill

-- According to Crane's trade staffer, Meredith Broadbent, the majority of House conferees are lined up in favor of CBI enhancement.

-- We need to kick off a negotiation to revise the Crane bill. USTR leadership and dedication to the process will be crucial.

-- Assuming we go with the Crane bill's level of benefits, we see four main issues for negotiation:

Length: If we can't get eight years, we ought to try for four, noting that the Andean Preferences Act terminates in December 2001, or at a minimum two. Of course, the longer the program, the richer the off-sets (about \$200 million-per year at zero duties).

Conditionality: Our bill's labor and environment provisions are tied closely to current GSP language and ought to be saleable to Republicans while helping to buck up Moynihan. We could look at something like "willingness" to engage in discussions to improve investment and IPR regimes. We would probably have to shed some of our dozen conditions.

Fabric: Our bill ties eligibility to greater use of U.S. fabric in apparel manufacture. ATMI has opposed the Crane bill's rules of origin as too loose.

Other exports: A major ATMI complaint, the Crane bill does not reduce CBI's current access for apparel assembled from "third-country" (non-U.S. and non-CBI) components. Our bill reduces access but provides a petition mechanism to allow some trade. ATMI prefers our provision.

Bryan

Clear: EB:Shaun Donnelly

July 10, 1997

**BRIEFING MEMORANDUM FOR THE SECRETARY OF THE TREASURY  
ROBERT RUBIN**

**FROM: MACK MCLARTY  
COUNSELOR TO THE PRESIDENT AND SPECIAL ENVOY FOR THE  
AMERICAS**

**Subject: Provision in the Budget Reconciliation Bill Providing Enhanced Trade  
Benefits to Nations Involved in The Caribbean Basin Initiative**

---

This is to follow up on the conversation we had this morning regarding your meeting at Noon today with Senator Moynihan to review the Administration's position on a host of provisions currently attached to the Budget Reconciliation measure moving through the House of Representatives and the Senate.

I was glad to see that in your July 3 letter to the House Conferees you indicate that high priority that the Administration places on keeping a provision in the Budget Reconciliation bill that will provide enhanced benefits to Nations involved in the Caribbean Basin Initiative. The letter helps to affirm the President's pledge to these nations, during his trip in May, to work with the Congress to provide relief from the unanticipated trade and investment diversionary effects that NAFTA has had on them during the past three years.

The inclusion of a trade enhancement provision in the final budget reconciliation bill will also serve as a strong signal that the President is following through on the commitments outlined in the Bridgetown Declaration of Principles, signed by the Heads of State, to increase cooperation along the regional economic and security front. The introductory paragraph of this declaration states the following:

"We, the Heads of State and Government of Caribbean nations of ...[each nation is listed] ... and of the United States of America, meeting in Bridgetown, Barbados on May 10, 1997, pledge to strengthen our cooperation in responding to the challenges of the coming millennium, in a spirit of partnership and mutual respect."

The proposed U.S.- Caribbean Basin Trade Enhancement bill is part of an integrated Administration-wide strategy to advance economic progress and promote regional cooperation throughout the Caribbean. It signals our intention to expand trade with Caribbean countries on terms consistent with the objectives of the Free Trade Area of the Americas.

The key to the success of the existing CBI program, and of what is contemplated in the enhance benefit measure, is that the trade provides benefits to both the U.S. and to the Caribbean countries. The majority of our apparel imports from Caribbean countries contain substantial U.S. content. This means U.S. producers and workers make the fabric and the other inputs (linings, sewing thread, notions) that go into the CBI's apparel; U.S. companies employ people in cutting

and distribution in the U.S. and so on. By expanding the benefits, particularly in the textile and apparel sector, to Caribbean nations, U.S. companies will increase market share of apparel made with U.S. content, particularly as we approach the opening up this sector under the WTO Sectoral provision in 2005. Otherwise, U.S. producers will be susceptible to greater imports from countries outside of the region that do not use U.S. content in their apparel.

Beyond the economic benefit of the enhance trade, Caribbean nations will be in a much better position to combat the evil forces of narcotics trafficking as pledged to in the Bridgetown Declaration. Unless these nations are able to stem the diversionary impact that NAFTA is having on their trade and investment, workers who are displaced from their jobs will have few choices to turn to.

You should know that Senator Lautenberg, a conferee on tax matters, met yesterday with Senator Moynihan on this issue. He brought along with him a CEO from a major apparel manufacturing firm based in his State, with facilities in the majority of the States. During the meeting, Senator Moynihan surprised both the Senator and CEO stating that he understood the diversionary effects that NAFTA is having on the Caribbean region and that he felt that it is time to provide these nations with some relief through enhance trade benefits.



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

July 3, 1997

① Mack

② Dan

③ Steve

④ Eric

⑤ Nelson

See last page

U.S. House of Representatives  
Washington, D.C. 20515

Dear Conferee:

We are pleased that substantial progress has been made toward implementing the terms of the historic bipartisan budget agreement between the President and the Congress. We look forward to continuing bipartisan cooperation as we work together to produce a tax-cut package that fulfills the agreement and best serves the American people. To that end, I would like to share with you the Administration's views on major issues in conference on the tax portions of revenue reconciliation. In addition, we expect to communicate further with you regarding provisions not addressed in this letter.

In general, as we have previously indicated, the Administration strongly believes that any tax-cut package must meet four basic tests to reflect sound policy. First, the tax cuts must be fiscally responsible by avoiding an explosion in revenue costs in later years. Second, the tax cuts must provide a fair balance of benefits for working Americans. Third, the tax cuts must encourage economic growth. Fourth, the tax package must reflect the terms of the bipartisan budget agreement, including a significant expansion of opportunities for higher education for Americans of all ages. Neither bill meets these tests.

While the Senate bill is an improvement over the House bill, both bills provide too little tax relief to middle-income families. In both the House and Senate bills, the middle sixty-percent of families receive just one-third of the tax cut; these families would receive twice as large a share under the President's proposal.

### Education Tax Incentives

We are pleased that each bill contains a version of the President's HOPE Scholarship proposal. Nonetheless, both the House and Senate bills are inconsistent with the bipartisan budget agreement because they fall far short of meeting the specific agreement of providing roughly \$35 billion over five years of higher education incentives along the lines of the President's HOPE Scholarship credit and tuition deduction proposals.

While the HOPE Scholarship credit as modified in the Senate bill is an improvement over the version in the House bill, each bill significantly reduces the value of education benefits for millions of students attending low-cost institutions by cutting the percentage of expenses covered by the credit (50% in the House bill, 50% to 75% in the Senate bill).

Neither bill includes a widely available tuition deduction or credit to help beyond the first two years of higher education that is consistent with the tuition deduction in the President's budget proposal. We are particularly concerned that neither bill significantly promotes life-long learning, which we believe is a critical component of education in our changing economy. In addition, neither bill offers low-income students and students who work to pay tuition meaningful help beyond the first two years of higher education. Instead, the bills require taxpayers to have the funds available to put into savings in order to be entitled to any assistance other than for the first two years.

We also object to the education IRAs and prepaid tuition account provisions of both bills. These provisions fail to place sufficient limits on the income of contributors, the amounts contributed, and the uses of funds to ensure that the tax benefits go to those who need real relief from the costs of higher education. Because most workers already have an opportunity to contribute to tax deductible IRAs and the President has proposed to allow penalty-free IRA withdrawals to be used to finance higher education expenses, the education IRAs and prepaid tuition plans in the House and Senate bills will largely become vehicles to provide tax breaks for saving by upper income taxpayers that would have occurred anyway. We also object to the provision in the Senate bill that allows tax-free withdrawals from these accounts for primary and secondary school tuition, because it provides Federal subsidies to parents who send their children to private elementary and secondary schools.

Overall, as compared to the President's proposals, both packages direct more benefits toward upper-income families while reducing the benefits to lower-income families, particularly those who rely on their earnings to finance higher education. The packages are clearly inconsistent with the bipartisan budget agreement.

#### **Administration Position:**

**HOPE Scholarship and 20 percent Tuition Credit:** The Administration remains strongly committed to the principle that the education tax incentives must be fair, must genuinely expand educational opportunities for Americans, and must promote life-long learning. To accomplish these objectives, the Administration believes the conferees should provide roughly \$35 billion over five years for higher education by adopting the HOPE Scholarship, which gives a credit of 100 percent of the first \$1,000 of tuition and fees, and 50 percent of the next \$1,000 in 1998 through 2002. Students must attend school at least half time in the first two years of a post-secondary degree or certificate program. If a student is not eligible for the HOPE Scholarship but is pursuing a post-secondary degree or certificate or is enrolled in classes to improve job skills, a 20-percent credit for tuition and fees up to \$5,000 through 2000 and \$10,000 thereafter should be granted.

This proposal addresses Congressional concerns in two ways: it lessens concerns about tuition inflation by limiting the marginal subsidy of the HOPE Scholarship to 50 cents on the dollar (rather than dollar for dollar) for students with tuition between \$1,000 and

\$2,000. It also increases the progressivity of the tuition deduction by converting it into a 20-percent credit.

#### Administration Position on Other Features in the Education Packages

In addition to providing \$35 billion for the HOPE Scholarship and 20-percent tuition credit, the Administration believes that the tax package should do the following:

- Adopt proposals to aid K-12 public school construction (and other activities) in poor neighborhoods.
- Make permanent the exclusion of employer-provided educational assistance from taxable income and extend the exclusion to graduate education (Section 127).
- Adopt a student-loan interest deduction and a loan forgiveness exemption similar to those contained in the Senate bill.
- Provide tax incentives to help public elementary and secondary schools obtain up-to-date computer technology.
- Include a proposal to repeal the \$150 million bond cap for new capital expenditures by private colleges and universities.

#### Child Credit

We are pleased that both the Senate and House bills include credits for families with children. We are deeply concerned, however, that relative to the President's proposals, the Senate bill denies the child credit to 3.8 million low-income, working families who earn less than \$30,000, and the House bill denies the credit to 4.8 million of these working families. These families pay significant payroll and other federal taxes, and deserve a child credit to help raise their children just as much as other families. Accordingly, we object to stacking any portion of the child credit after the earned income tax credit unless the child credit is fully refundable. We note that both the 1995 Balanced Budget Act passed by Congress and the legislation introduced by Majority Leader Lott (S.2) this year, stacked the child credit before the EITC, as did the Democratic alternatives drafted by Representative Rangel and Senator Daschle. The Democratic packages also contained refundability features consistent with the Administration's proposal. In addition, we have a major objection to the provision in the House bill that would reduce tax benefits for many working families who are entitled to a tax credit for their child-care expenses under current law.

**Administration Position:** The Administration believes the child credit should be stacked **before** the EITC. The \$500 child credit (\$400 in 1998) should be available for children under 17 through 2002 and under 19 thereafter. In addition, the child credit should be refundable to the extent that the family's payroll taxes exceed their earned income tax

credit. The credit should be accompanied by an optional Kidsave Account that allows parents the option to contribute up to the amount of the credit plus \$500 per child to a nondeductible, backloaded IRA-type savings vehicle. Under this proposal earnings could be distributed tax-free for a child's post-secondary education or purchase of a first home, or for the parent's retirement, and the income limits would be the same as in the President's proposal (phased out between \$60,000-\$75,000 through 2000, and \$80,000-\$100,000 thereafter). The child credit and its income thresholds should be indexed for inflation.

We note that the Senate adopted Senator Kohl's amendment to provide new incentives to expand the availability of licensed, accredited day-care facilities for working parents. Improving the quality and availability of child care for working families is an objective we share.

### **Capital Gains Relief**

We are pleased that both the Senate and House bills contain the President's proposal to exclude up to \$500,000 of capital gains from home sales. The Administration has recently announced its intention to expand the scope of existing provisions for targeted small-business capital gains relief. We are pleased that the Senate bill incorporates a provision that is, in many respects, consistent with our proposal, although we have concerns about certain aspects of the Senate version.

We object to the additional across-the-board capital gains relief in both bills, which is too generous and would disproportionately benefit the wealthy over lower- and middle-income wage earners. Moreover, we are opposed to indexing capital gains as is done in the House bill. Indexing would contribute to an explosive revenue cost after 2007, possibly jeopardizing all our important work on deficit reduction. In addition, indexing is enormously complex and would be difficult to administer. We also object to the provision in the House bill for corporate capital gains relief, which is unwarranted and unlikely to create any significant economic growth.

**Administration Position:** The Administration urges the conferees to provide a 30-percent exclusion for long-term capital gains. This reduces the top rate on capital gains to 27.72 percent for taxpayers in the 39.6 percent bracket. The President's proposal reduces the tax rate to 19.6 percent for taxpayers in the 28 percent bracket and reduces the tax rate to 10.5 percent for taxpayers in the 15 percent bracket. The proposal would include the President's home sale provision and targeted small-business capital gains relief.

### **Alternative Minimum Tax Relief**

We are pleased that the House bill incorporates a version of the President's proposal to exempt small corporations from the AMT. We also acknowledge the importance of provisions in each bill designed to compensate for the previous lack of indexing of the individual AMT exclusion for inflation. We object, however, to the House provision that would provide \$22 billion over five years in unwarranted AMT relief for large corporations.

**Administration Position:** The House provision for AMT relief for large corporations should not be adopted.

### **IRAs and Other Savings Incentives**

The Administration continues to believe strongly in the importance of encouraging savings, particularly for retirement and education, and supports the IRA concept. The President's proposal includes a new saving vehicle targeted toward middle- and lower-income families, allowing parents to contribute to Kidsave accounts for their children's education, first-time home purchase, or the parents' retirement. The Administration's proposal would also encourage increased savings by middle- and lower-income families by making existing IRAs more flexible.

We believe it is important that new savings incentives be sufficiently targeted in order to ensure they generate new savings and to provide savings for those who need them most. The back-loaded IRAs in both the Senate and House bills are not sufficiently targeted to lower- and middle-income families. The lack of income limits for contributors to these back-loaded IRAs compounds the out-year cost explosion. Out-year explosion of revenue cost is inconsistent with the bipartisan budget agreement. Because most workers can contribute to tax-deductible IRAs, the new provisions will largely displace saving that would have otherwise occurred by upper income taxpayers. Targeted incentives such as the Administration's optional Kidsave proposal will be more successful in significantly increasing new saving. The back-loaded IRA provisions contained in the Senate and House bills also add significantly to the problem of unfair distribution of tax benefits.

**Administration Position:** The current structure of IRAs should be continued with the following modifications. Penalty-free withdrawals from existing IRAs should be allowed to finance higher education expenses, for first-time home purchases, and for certain other limited purposes. Optional Kidsave accounts should be provided for taxpayers who are entitled to a child credit, with contributions limited to the amount of the child credit plus \$500 per child.

### **Estate Tax Relief**

We are pleased that both the Senate and House bills have included versions of the Administration's proposal to provide liquidity relief for estates containing small businesses and farms. We object, however, to the sweeping estate tax relief in both bills because it is too expensive and will be of no benefit to average Americans. It contributes to the problem of exploding out-year costs. We also object to the provisions in the Senate bill that would allow inappropriate tax-planning opportunities by providing special estate and gift tax treatment for pre-paid tuition plans and an estate tax exclusion for conservation easements. Further, the unlimited repeal of the so-called "throw-back" rules in the House bill would allow certain trusts that are already tax-advantaged to reap additional, unwarranted tax benefits. We believe that estate and gift tax relief is most productively targeted to owners of small businesses and farms, along the lines of the small-business and farm provisions in the Senate bill.

**Administration Position:** The Administration believes a special exemption should be given for \$900,000 of value in a qualified farm or small business in addition to the \$600,000 value of the unified credit; the value of estates eligible for liquidity relief should be included as proposed in the Administration's FY 98 budget. The throw-back rules should be repealed, but the status quo should be retained under the throw-back rules for the pre-1984 trusts that are already entitled to a special exemption from the multiple trust rules.

### **Distressed Areas and Urban Tax Initiatives**

The May 15, 1997 letter to the President from Speaker Gingrich and Majority Leader Lott pledged to seek inclusion of the President's proposals intended to revitalize distressed urban and rural areas throughout the country. We object to the inclusion in the Senate and House bills of only very limited aspects of some of these initiatives, and omission of other important initiatives altogether. For example, the President's brownfields proposal, which provides a tax incentive for environmental cleanup and encourages economic development in formerly contaminated areas, has been strongly supported in urban and rural communities and by the Nation's mayors. In addition, while we are pleased the House included a modified version of the President's welfare-to-work tax credit proposal, we are disappointed the Work Opportunity Tax Credit (WOTC) contained in both the House and Senate bills allows employers to claim the WOTC for hiring workers for a very short period of time and does not expand the Food Stamp target group in the WOTC to cover childless, able-bodied adults ages 18-50 who are subject to the Food Stamp time limit and work requirements.

We are also pleased that both the Senate and House bills include tax incentives for the District of Columbia, but we have significant concerns with specific proposals in both bills. We look forward to working with you to pass a package of D.C. incentives that will be of greater benefit low-income District residents.

**Administration Position:** The tax bill should include the following provisions to help address the problems of distressed areas and our cities.

- Include the President's D.C. incentives.
- Provide tax incentives to clean up brownfields in distressed communities across the United States.
- Expand Empowerment Zones and Enterprise Communities.
- Stimulate investments in Community Development Financial Institutions.

While we would support the House provision on the enhanced welfare-to-work tax credit for long-term welfare recipients, the credit should be changed to 50 percent for both years. In addition, we would make no change in the current structure of the WOTC regarding

number of hours or credit structure, and would expand the Food Stamp target group to cover the 18-50 year olds. The package should also include provisions to facilitate restructuring our Nation's affordable housing portfolio, and provide tax incentives for new economic activity in Puerto Rico.

### **Superfund**

Consistent with the President's 1998 budget, the Administration supports the extension of the current Superfund taxes through 2007 in order to fully carry out the President's initiative to achieve clean-up at two-thirds of the national priority list sites by the year 2000. Funding for this initiative was a protected priority under the bipartisan budget agreement.

### **Independent Contractors**

We object to provisions such as those in the House bill that would provide a new safe harbor for independent contractor status. These provisions would permit employers to avoid essential worker protections and could lead to widespread shifting of employees to independent contractor status, resulting in loss of worker protections such as pension and health coverage, and wage and hour protections, unemployment insurance benefits and compensation for work-related injuries. An issue of such significance requires much deeper and fuller study and input from all affected parties.

**Administration Position:** Do not include provisions on independent contractor status.

### **Extension of Airport and Airways Trust Fund Taxes**

We object to the changes in the structure of the airport and airways taxes made in the House and Senate bills. Just last year Congress directed the creation of the National Civil Aviation Review Commission to perform a thorough analysis of the costs of providing FAA services to ensure that any new fee structures would reflect the use of those services. Both the House and the Senate bills would set new fee structures without the benefit of the Commission study. These proposed fee structures could have enormous unintended consequences for the U.S. airline industry.

**Administration Position:** Extend the current airport and airways trust fund taxes so the National Civil Aviation Review Commission has sufficient time to study the issue. When it has completed its work, its findings should be taken into account in modifying or amending these taxes.

### **Tobacco Tax**

The Senate bill contains a provision to raise tobacco taxes by 20 cents a pack, using part of the tax to fund children's health care. We have a significant concern about the use of the revenues from this tax. All of these revenues should be committed to benefit children and health care, and not to pay for tax cuts. We are also concerned that the funding for children's health derived from

the tobacco tax sunsets in FY 2002. We urge the conferees to continue funding for children's health beyond FY 2002.

**Administration Position:** We support a 20-cent increase in the tobacco tax – we agree that it complements the budget agreement – and we endorse the idea of using all of the revenues raised by such an increase for initiatives that focus on the needs of children and health. We urge the Conferees to invest all of these funds wisely in order to ensure meaningful coverage for millions of uninsured children.

### **The Deductibility of Health Insurance Premiums**

The Administration does not support the proposal included in the Senate bill to increase deductibility of health insurance premiums for the self-employed to 100 percent by 2007. It is unlikely that parity between the tax treatment of health insurance costs for employees and for self-employed individuals would result from increasing the tax deductibility of health insurance premiums for the self-employed to 100 percent. Since it is typical for employers to pay for only a portion of their employees' (or retirees') health care costs, the rest often is paid by employees and former employees in the form of after-tax contributions. The increase to an 80-percent deduction that the Administration supported in HIPAA will come closer to providing rough parity between employees over their careers and self-employed individuals than a 100-percent deduction for self-employed individuals. The Administration believes that HIPAA addresses this issue in an appropriate way and will continue to work in support of proposals that expand health insurance coverage in an equitable manner.

### **Explosion of Costs in Out Years**

As discussed in the May 15, 1997 letter from Speaker Gingrich and Majority Leader Lott, tax provisions of the budget reconciliation bill "shall not cause costs to explode in the outyears." This statement notwithstanding, the net tax cuts called for in the House bill increase to \$40.9 billion in 2007 from \$29.7 billion in 2004. The net cuts in the Senate bill increase to \$41.1 billion in 2007 from \$29.0 billion in 2004. This trajectory of revenue loss is not the inevitable consequence of the tax cuts specified in the bipartisan budget agreement. The net cuts in the President's proposal, for example, only increase from \$30.5 billion in 2004 to \$34.1 billion in 2007.

The tax items causing out-year costs to increase sharply are those that disproportionately benefit high-income taxpayers. In contrast, provisions that benefit middle-income families, such as the President's education proposals and the child credit, over time become much less significant in the overall revenue loss under the House and Senate bills. Over the first five years, education and child credit provisions account for 84.5 percent of the total tax cut in the President's proposal, 72.1 percent in the House bill, and 70.4 percent in the Senate bill. By 2007, these provisions account for 83.3 percent of the total tax cut in the President's package, but only 38.1 percent in the House bill and 43.2 percent in the Senate bill. While the significance of provisions targeted toward middle-income families diminishes over time in the Congressional packages, the cost of

provisions disproportionately benefiting high-income individuals explode. The capital gains, AMT, savings and estate tax provisions increase from 10.8 and 12.4 percent of the total gross tax cuts in the House and Senate bills respectively over the first five years to 55.4 and 53 percent respectively of the total gross tax cuts in 2007. The rapid growth in the cost of these provisions between 2003 and 2007 causes us to be greatly concerned about the cost of the Congressional packages beyond the ten-year budget window.

### Simplification

The Administration is strongly committed to simplifying the tax laws and enhancing taxpayers' rights. In April, we released a revenue-neutral package of some 60 measures designed to further these objectives. We are pleased that 48 of these proposals are reflected in measures included in the House or Senate bills. We urge the conferees to give careful consideration to the remaining simplification measures in the Administration's package, such as the equitable tolling proposal that would protect the rights of disabled taxpayers, the proposal to simplify the child dependency exemption rules, and the proposal to modify the rules that apply to financial hedging transactions.

We are concerned that the sheer multitude of miscellaneous tax code amendments, many with little policy merit, contained in the House and Senate bills will contribute significantly to complexity for taxpayers and tax planners. For instance, a provision in House bill would change the current 110 percent safe harbor for estimated taxes to 109 percent for 1997, to 105 percent for 1998, and back to 110 percent thereafter. This provision is simply a budget gimmick to artificially shift revenues among fiscal years; it will significantly increase complexity for taxpayers who must cope with the changing rules.

We urge that all proposals being considered for inclusion in the conference agreement be carefully analyzed from the standpoint of avoiding needless complexity. Treasury and IRS staff would be pleased to work with Congressional staff on a technical level to simplify and improve the administrability of provisions under consideration.

### Other Issues of Concern

The Administration is pleased that the House and Senate bills include a provision for foreign sales corporation treatment for software licensed abroad. We are also pleased that both the House and Senate bills recognize the importance of the continued assurance of tax benefits for ethanol to encourage the use of alternative fuels. Earlier this year, the Administration proposed extension of the excise tax exemption for ethanol in our ISTEPA reauthorization proposal. We would support the Senate bill extending the incentives through 2007, but without phasing down the rates of the benefits. We also oppose the new scorekeeping language included in the House bill.

The House and Senate bills contain other provisions, however, that raise significant concerns. For instance, the Administration has serious concerns about the provision in the Senate bill transferring the 4.3 cents per gallon in fuel taxes currently dedicated to deficit reduction from the General Fund to transportation trust funds. While the transfer provision in itself has no revenue or

spending effect, transferring the revenue may spur efforts to move the trust funds off-budget and create pressure to increase ground transportation spending to levels significantly higher than contemplated by the bipartisan budget agreement.

The Administration encourages the Senate to recede to the House regarding the Generalized System of Preferences. While we find the current language in the House bill unacceptable, the Administration looks forward to working with the conferees on language providing enhanced benefits to nations involved in the Caribbean Basin Initiative.

The Administration also has technical and/or policy concerns about a number of other provisions in the House and Senate bills, including, for example: the provision in the House bill that extends reporting and proxy tax requirements for political and lobbying expenditures; the treatment of corporate spin-offs within a consolidated group under the House bill's provision relating to so-called "Morris Trust" transactions; and the provision that removes controlled foreign corporations from the application of the passive foreign investment company rules. We will be communicating with you further about such issues in the future. We believe by working together, our staffs should be able to address many of these problems, and we strongly urge the conferees to authorize the staffs to begin working on such issues as soon as possible.

Both the Senate and House bills are heavily laden with special-interest provisions, such as a special exemption from U.S. income tax for foreign seafarers, special tax benefits for vacation timeshare associations, new tax benefits for friends and family riding corporate jets, and special treatment of travel and meals expenses for targeted groups of taxpayers. We believe that it is inappropriate to use this reconciliation bill as a vehicle for new tax breaks for special interests. We urge the conferees to keep the revenue reconciliation bill clean of all special-interest provisions.

As the revenue reconciliation bill proceeds to conference, we remain eager to work with the Congress on a bipartisan basis to fashion, and ultimately sign, tax-cut legislation that is faithful to the bipartisan budget agreement, meets the four tests outlined at the beginning of the letter, and is fair to all Americans.


Sincerely,

A handwritten signature in black ink that reads "Robert E. Rubin". The signature is written in a cursive, slightly slanted style.

Robert E. Rubin

June 27, 1997

MEMORANDUM TO MACK MCLARTY

From: Dan Lesmez 

cc: Nelson Cunningham  
Eric Farnsworth  
Steve Ronnel  
Ana Maria Salazar  
Andrew Friendly

Subject: CBI Trade Enhancement Legislation Update

Yesterday morning, there was a small meeting in Bill Danvers' office, including representatives from USTR, NSC and our office, to discuss the status of the CBI Trade Enhancement (CBITEA) bill -- the Administration's proposal and the provision included in the House Ways and Means Committee. The meeting also provided us an opportunity to begin to map out a strategy for dealing with some of the potential "road-blocks."

Activity heated up on both sides of the Capitol this week, as key parties to be affected by the CBITEA brought some of their leading representatives to Washington to try to work out a compromise bill or seek to kill the proposal in the House or in the Conference Committee. The strongest opposition is coming from the American Textile Manufacture Institute, led by Fruit of the Loom (FOL) and Milliken (its yarn supplier), unhappy with the Crane provision and the Administration's bill on two counts: (1) the provision allowing for unlimited export of apparel made of CBI regional fabric in the region; and (2) the level in the reduction of trade preference tariffs for qualifying countries that export apparel made of non-regional fabric.

A well focused effort by the Administration should lead to a workable compromise, which appears to be within reach. There are two or three Senators who are on ATMI's side: Breaux, Hollings and Thurmond (unclear how much he is willing to weigh in). Prevailing view on Breaux is that if FOL's concerns can be addressed, he would be willing to back off and maybe support the inclusion of a CBITEA provision in conference. The ports in Louisiana stand to be among the biggest gainers from the increased trade resulting from this bill. Moreover, it appears that FOL is particularly interested in an exemption for "blank" t-shirts -- setting up a phase-in period over the next 5 to 8 years for increased imports under this category within the "regional fabric apparel assembly" provision (WTO sectoral provisions start to kick. Liz Arky at USTR Congressional Affairs is checking into the feasibility of pursuing such technical changes to the bill with USTR textile experts.

Senator Moynihan has quite stated that he may pursue the Byrd rule, in a show of support for Labor, to attempt to knock out the provision from the Budget Reconciliation bill. The Byrd rule is a technical matter, with a large grey area, by which a provision attached to revenue legislation can be ruled out of order if judged to require a policy change greater than or equal to

the level of the revenue change. If the parliamentarian rules the Byrd rule in order (usually subject to the call of the Majority Leader), a 60 vote majority is required to overturn that ruling. As of yesterday, there were indications that Moynihan may not be as committed as was thought to pursuing the Byrd rule. Were the Senator to pursue the Byrd Rule, he would likely turn to Chairman Roth and request that he alert Majority Leader Lott of his intention. Such a move would effectively knock the CBI provision out the conference bill, as it would be unlikely that Lott would want to fight for this provision on those grounds.

*Action On The Administration's Bill:*

The good news is that Congressman Rangel introduced the Administration's bill in the House yesterday -- H.R. 2096.

Senator Graham introduced the bill this afternoon with the following original co-sponsors: McCain, Mack, Dewine and Moseley-Braun. Senator Graham's staff spent the past two days with USTR reviewing the legislation and making technical corrections. Other Senators rumored to be interested in co-sponsoring the measure, include: Dodd, Toricelli, Lugar and Grassley. Breaux may sign on [see write up on previous page].

*Emerging Short-term Strategy:*

Sen. Breaux -- USTR will continue working with his staff next week to get him on board.

Sen. Moynihan -- if he insists on pursuing the Byrd rule, it may be necessary to have cabinet level contact with him. Suggestions are to have Sec. Rubin or Sec. Albright, who have worked well with him in the past.

Sen. Hollings -- USTR will maintain contact with his staff.

*Longer Term Strategy:*

It will be easier to map out an Administration strategy once we know who will be on the Conference Committee. However, the chances of keeping some reciprocity in the bill will depend on level of involvement by the Administration (i.e. calls on the Chairmen and Leadership).

*Action For The Office of the Special Envoy:*

Of more immediate concern, and an issue that should be dealt with next week is what is the Administration willing to live with in a compromise proposal. The Administration's eight-year proposal includes phased-in stepped up reciprocity after the end of the third year. Yet, the proposal that is likely to emerge from the Conference Committee is likely to include a one-to-three-year provision. Liz Arky stated that she was unsure about where the Administration would come out on reciprocity, but that she would check with the technical staff at USTR to see how the reciprocity might be changed in view of the shorter implementation period.



**Office of  
the  
Western  
Hemisphere**

600 17TH STREET, N.W.  
WASHINGTON, D.C. 20508

PHONE 202-395-5190  
FAX 202-395-9675

To: Mac McLarty

From: Peter Allgeier

Attached are some talking points we have done on the CBTEA.

cc: Dan Lesmez

## U.S. Caribbean Basin Trade Enhancement Act

### Talking Points:

#### Trade Policy and Economic Growth

- The increased openness of most Caribbean economies over the past decade, improved macroeconomic stability, and the growth of foreign direct investment has set CBI countries on a path toward improved economic growth.
- However, these countries will need to make structural reforms in order to take advantage of the benefits to be derived from a hemisphere-wide free trade zone.
- There is a perception among the CBI countries that with the passage of the NAFTA their opportunities for expanding trade to the United States have been diminished. Our proposed legislation will encourage countries to make needed structural changes while addressing their concerns regarding the NAFTA.
- The proposed U.S.- Caribbean Basin Trade Enhancement Act is part of an integrated Administration-wide strategy to advance economic progress and promote regional cooperation throughout the Caribbean. It signals our intention to expand trade with Caribbean countries on terms consistent with the objectives of the Free Trade Area of the Americas.
- The CBTEA will allow countries in the Caribbean Basin to enjoy enhanced trade while helping them to prepare for participation in the Free Trade Area of the Americas. These new trade preferences would cover all of the products not included in the existing CBI legislation (i.e., textiles/ apparel, petroleum, footwear, certain categories of flat goods and gloves, leather apparel, canned tuna and a category of watches).
- Certain textiles/apparel products would receive quota-free treatment. The bill would apply to textile/apparel products meeting the NAFTA rules of origin (essentially a "yarn-forward" requirement), to certain products assembled from U.S. cut and formed fabrics made from U.S. yarn, and to handicrafts. The CBTEA includes tariff and quota safeguards for textiles/ apparel products.
- Trade preferences for CBI beneficiaries would be phased-in, with 50 percent of the benefits available upon implementation of the legislation.
- After three years, the second phase of the trade preferences would be granted. Countries would be able to enjoy full CBTEA benefits by meeting conditions imposed by the legislation with respect to: (1) compliance with the rules of international trade set forth in the WTO agreements; (2) intellectual property rights; (3) investment; (4) market access for certain goods; (5) workers' rights; (6) environmental protection; (7) narcotics enforcement; (8) corruption; (9) tax information exchange. (10) government procurement;

---

(11) customs valuation; and (12) the provision to certain products of the United States tariff treatment no less favorable than that afforded by a CBI country to other countries under any new free trade agreement

- After this second phase, the incentive to meet the conditions would remain, as countries could begin to enjoy the increased benefits as soon as they could demonstrate that they have met the criteria imposed by the legislation.
- This new trade enhancement program would not be open-ended. Since it is designed as a bridge to the FTAA, it would terminate in 2005. At that time FTAA negotiations will have been completed and all beneficiary countries should begin to reap the benefits of the Free Trade Area of the Americas.
- The expanded economic development that will follow enactment of the U.S. Caribbean Trade Enhancement Act will encourage citizens in beneficiary countries to direct their energies toward opportunities available in a growing formal economy. Increased economic growth among CBI countries will provide growing markets for U.S. products and enhance the ability of our neighbors to ensure justice and security within their own borders.

## **Textiles**

- The common goal of the Administration and many in the textile and apparel industry groups has been to expand CBI trade preferences to the textile and apparel sector, which has until now largely been excluded from duty preferences.
- This is to respond to the concerns of the CBI countries that feel that they have been disadvantaged by Mexico having NAFTA benefits for apparel shipments to the U.S., and also to respond to the concerns of U.S. industry that their own investments and partnership production operations in the Caribbean have continued viability and success.
- The key to the success of the existing CBI program is that the trade provides benefits to both the U.S. and to the Caribbean countries. The majority of our apparel imports from the Caribbean countries contains substantial U.S. content.
- This means that our producers and our workers make the fabric and the other inputs (linings, sewing thread, notions) that go into the CBI's apparel; our companies employ people in cutting and distribution in the U.S., and so on.
- The real benefit to the program is that we have seen apparel production come back to our hemisphere from Asian sources, including China. Last year, imports of apparel from the CBI grew 12 percent while imports from China were flat and imports from Hong Kong, Korea and Taiwan declined 8 percent.
- Over the 10 year life of the quota preference program for the CBI, imports of apparel

EXECUTIVE OFFICE OF THE PRESIDENT  
THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON, D.C. 20508

- ① Mack
- ② Steve
- ③ Eric
- ④ Dan
- ⑤ Nelson

JUN 17 1997

The Honorable Albert Gore, Jr.  
President  
United States Senate  
Washington, D.C. 20510

Dear Mr. President:

I am transmitting the enclosed draft "United States - Caribbean Basin Trade Enhancement Act" on behalf of the President. The bill would extend to eligible Caribbean Basin Initiative (CBI) beneficiary countries certain trade preferences essentially equivalent to those Mexico receives under the North American Free Trade Agreement (NAFTA). The bill is designed as a transitional mechanism to ensure that interested countries make meaningful policy changes that will help them to prepare for accession to the Free Trade Area of the Americas (FTAA).

The bill, as drafted, provides that the benefits would remain in effect until September 30, 2005, which is based on the date for concluding negotiation of the FTAA.

The Omnibus Budget and Reconciliation Act (OBRA) requires that all revenue and direct spending legislation meet a pay-as-you-go (PAYGO) requirement. This proposal would reduce receipts by \$101 million in fiscal year 1998 and by \$1.3 billion for fiscal years 1998-2002; therefore, it is subject to the PAYGO requirement. This proposal was included in the President's FY 1998 Budget. The Administration will work with the Congress to find offsets for this proposal consistent with the policy of balancing the budget by 2002.

The Office of Management and Budget has advised that there is no objection to the presentation of this proposal to Congress and that its enactment would be in accord with the program of the President.

Sincerely,



Charlene Barshefsky

Enclosures: Draft United States - Caribbean Basin Trade Enhancement Act  
Section-by-Section Analysis

Liz Anby

June 17/97

Will survive in the House

Smith try to strike per Peter James

{ Sent to Finance Staff  
Sara Lee LOBBY -

Bill up / Don Lesmets

{ Lacc - Cos - Bill up  
memo to POTUS

Bill / Adm  
Gushon

Rec'd <sup>of</sup> ~~NOT~~ press in Comm. Finance

Amendment offer prob. NOT

Trans MLU -

our Conference "Carry on with" per Liz

Proposer is Conf come close is Conf

Staff Trans on Bill - Because of reciprocity

Case is <sup>give away</sup> ~~give away~~ program  
"Pestley Brand rule" problem / NEXT no problem ours

Senate feels it does  
LBJ agree

{ Senate floor  
Ruled out of order  
60 votes needed }

Fran is a trade partner of several positions

Hillel had a # of conversations w Spurr/Kott

{ Ecos justified / Fran was  
Our proposal helps debate Be less negative }

Steve Chynoweth

June 17/84

Chairman wants App. with

NOT in reconciliation per Roth - John Dusen

GSP ✓ ✓ \* ✓ ✓

Roth sympathetic to cost →

vs. Trade <sup>NOT</sup> in reconciliation

House / Smith concerns

back Back in the House

TAX

Bill next week per Steve C. →

TAX Bill before July 4 recess

Slowing down → gives more

Chairman narrow / COST

No understanding why there is no request

POPS request

NO request

POPS NOT for this !!

now - support

POPS

Excuse to Dept. to BAIL OUT

No pressure on Dem side yet

Connie Mack help

THE WHITE HOUSE  
WASHINGTON

*Nelson  
Eric (has)  
J. Fine*

INFORMATION

MEMORANDUM FOR THE PRESIDENT

*Desl*

FROM: SAMUEL R. BERGER *SB*  
GENE SPERLING  
DANIEL K. TARULLO  
JOHN HILLEY *John Hilley*  
MACK McLARTY *mmf*

SUBJECT: Caribbean Trade Enhancement

Purpose

To update you on our efforts to make good on your pledge to secure legislation enhancing trade benefits for the Caribbean.

Background

During your visit to the Caribbean and Central America, you reaffirmed your commitment to work for legislation providing the same market access to Caribbean and Central American countries as that provided by NAFTA. We are ready to introduce the Caribbean Basin Trade Enhancement Act (CBTEA), which would expand the Caribbean Basin Initiative (CBI) to include textile and apparel products that are currently restricted. The bill is crafted to satisfy the domestic textile and apparel industries. It would phase in over six years duty-free treatment for apparel made with U.S. or Caribbean cloth. Benefits would be conditioned on meeting criteria designed to prepare beneficiaries for entry into the FTAA. They include protections for labor and the environment.

Legislative Approach

There is broad support for expanding Caribbean trade preferences among the Congressional Black Caucus, the Florida delegation and Republican free traders. The Textile Caucus is strongly opposed, and they may be joined by Democrats concerned about opposition from the apparel union, UNITE.

We believe that Caribbean trade legislation will not pass this year unless it is included in reconciliation. USTR had originally hoped to introduce our legislation with bipartisan support from key members of Senate Finance and House Ways and Means. However, Senate Finance Chairman Bill Roth and Ranking

cc: the Vice President  
the Chief of Staff

Member Pat Moynihan oppose its inclusion in reconciliation. On the House side, Ways and Means Chairman Bill Archer has included funding for a Caribbean trade program in the tax bill, and Ranking Member Charlie Rangel is a strong supporter.

The House Republican proposal contains inadequate protections for labor and the environment. Thus, we should not support it, since that could jeopardize our position with some Democrats in the run-up to the fast track debate. Neither should we oppose the Republican proposal now, since it provides a placeholder for Caribbean trade enhancement in the reconciliation bill -- which is more than we expect on the Senate side. Therefore, NSC/NEC principals agree that we should remain silent on the Archer proposal, while working with Bob Graham, the bill's strongest supporter in the Senate, to introduce our legislation next week.

### Textile Caucus

Although our original budget proposal included offsets for CBTEA, the budget agreement does not earmark funds for this or any other trade legislation. John Spratt, the Ranking Member of the House Budget Committee and a critical ally in the budget process, strongly opposes this legislation. In his role as Chairman of the Textile Caucus, he was the chief architect of the defeat of Caribbean trade legislation in 1995. This year, Spratt insisted that the budget agreement contain no provisions for Caribbean trade legislation. On the other hand, he understands that we will go forward with a Caribbean trade bill, and acknowledges that the budget agreement in no way precludes funding such legislation as part of reconciliation.

The Textile Caucus has legitimate concerns. Jobs in the apparel industry -- generally low-wage, low-skill jobs -- have fallen by 149,000 (15 percent) since NAFTA was signed. The textile industry -- which includes technologically advanced segments -- has lost 63,000 jobs (9 percent of the total) over the same period. These job losses have been concentrated in the six southeast states that account for 44 percent of national textile and apparel employment, well above their 13 percent share of total employment. On the other hand, overall employment has grown 8 percent in these states, roughly in line with the national rate.

### Labor and the Environment

The Archer proposal contains no environmental protections and weak labor protections. Both Archer and Phil Crane, Chairman of the Ways and Means Subcommittee on Trade, strongly oppose our proposed labor and environment conditions, apparently motivated by positioning for the fast track debate. On the other side,

Moynihan's staff has indicated that our bill is not sufficiently forward leaning on labor issues.

### Caribbean Interests

Caribbean beneficiaries may perceive the Republican bill to be more generous than ours: it makes full NAFTA benefits unconditionally available in the first year and provides duty-free treatment to all Caribbean apparel, regardless of the origin of the fabric. However, we believe the same provisions also make the Republican bill less politically viable. In addition, our bill is economically more meaningful because it includes funding for five years, while Archer provides funding for a single year.

## THE WHITE HOUSE

WASHINGTON

June 9, 1997

ACTION

MEMORANDUM FOR SAMUEL R. BERGER  
GENE SPERLING  
DANIEL K. TARULLO  
JOHN HILLEY  
MACK McLARTY

FROM: LAEL BRAINARD <sup>sub</sup>

SUBJECT: Memorandum to the President Regarding Caribbean  
Trade Enhancement

Please find attached a memorandum to the President informing him  
or your intention to submit Caribbean trade enhancement  
legislation next week and describing the implications.

Concurrence by: Bill Danvers, Jim Dobbins <sup>sub</sup>

RECOMMENDATION

That you forward the memorandum attached at Tab I to the  
President.

Attachment

Tab I

Memorandum to the President

5/20  
MACK - ANNIE HUGHES  
IN DUBERSTEIN'S OFFICE  
WILL LET HIM KNOW  
YOU ARE WORKING THE  
CBI ISSUE HARD -  
BACK FROM LATIN  
AMER. THURS. - HOPE  
TO HAVE ANS. THEN.  
D.

MEMORANDUM  
OF CALL

Previous editions usable

TO:

MACK

YOU WERE CALLED BY -  YOU WERE VISITED BY -

REN DUBERSTEIN

OF (Organization)

PLEASE PHONE - (Enter area code if necessary)  DSN

28-1100

WILL CALL AGAIN  IS WAITING TO SEE YOU

RETURNED YOUR CALL  WISHES AN APPOINTMENT

MESSAGE

CBI - Bu →  
revised

RECEIVED BY

D

DATE

5/15/53

TIME

NSN 7540-00-834-4018  
50363-111  
UNICOR FPI-SST

OPTIONAL FORM 383 (Rev. 7-94)  
General Services Administration

Friday 1 Charles Byline / Jack Lee / Dobbs / Liz ①

CBI Enhancement

June 9 / 97

\* Pyatt memo -

Why didn't I get a copy

Earlier meetings w Charles / Dates

Need to track + Enforce

---

Friday opened meeting w proper planning -

Imp of CBI -

Friday cited tip POTUS commitment

Push this need a POTUS to default on public  
commitment

Charles

50 / 50 Approach

Break / Reassess

↓ costs

respond to concerns of the Hill

LSE - ??

Charles doesn't feel Bill will survive in  
reconciliation

Costs previous for Charles

Lew

X

Spatt opposition -  
Neutral per Lew.

Repl. 30 members

\* Matsui not in consultation  
Talk to Steve Chapples

} LABER & CBI / UNITE ATTITUDE  
} QUEST ?? Who did I hear this from  
Steve Cull  
Steve Chapples

\* } Our position in the House ??  
NOT <sup>that's</sup> sure where we are ??

Spatt → decision / POPUS decision  
CROSSROADS

\*\* Memo ~~from~~ <sup>to</sup> Spatt to Popus -  
I need to see

Bites @ the Apple - may NOT BE RIGHT  
Repl. strength per case

Hilley view is imp.

Chambers

Can we respond to Spott's

concerns @ least somewhat of  
(occupancy, fabric etc)

We significantly improve the Bill

in the Senate ~~and~~ <sup>?</sup> and is conference.

THE WHITE HOUSE  
WASHINGTON

(1)

June 9/97

Champlin

Anchor 1990 reconciliation Bill

had keyes

Carroll's staff drafted the Bill

Retailers

Importers

Sanna Lee interested } good

Approved AAMA O.K.

Fabric met ATMI

ATMI

Doug Bulca

} O.K.

Fabric made in the region

more fabric in El Salvador

Region will like Bill BUT

concerned about 1990

negotiations - NOT much  
material

(2)

I issue → per Necso

} Receipts  
} Benefits

---

USM - will have problems

Senate

Bob Graham

Amendments

→

---

Ben will be in conf where  
the papers will show up

↓

Tax piece passed by July 4

↓

Conf is July

---

AKS hope <sup>USM</sup> is Senate and is Conf

Steve Chanclin?

5/6 9/15

after 7pm

Closing in on Archer &  
Case → some problems  
putting it in reconciliation

TPL provision

1.2 Billion

Spencer Suppattui But reluctant  
to let Archer to do it.

Matsui o.k.

GSP. CBT - in reconc. input

GSP Archer says  
reconciliation

Trade was Brechtel

Are we asking for it?

---

Industry -

left w/ TPL's

retailers more willing  
But still reluctant

ATM i to get

Ind. Bill - NOT GET

---

June 16 tax piece  
Archer's mark