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Fast Track - Current (9/97) [3]

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CRP has made growing wheat in America uncompetitive. In 10 of the last 11 years, the United States has had to import wheat, mainly from Canada, riling U.S. wheat producers and creating ill-tempered trade disputes with our northern neighbor.

The economic situation in rural America has changed dramatically since the mid-1980s. Except for wheat, U.S. farmers are the most competitive grain producers in the world and have become the country's single biggest exporters. Stocks are depleted and prices sturdy. There is no reason landowners should be receiving government handouts just for the asking.

CRP is the only unfinished business from last year's overhaul of the 1930s farm subsidies program. Mr. Glickman deserves credit for redirecting the program. He should take one step further and begin returning arable land into production.

Retreating on trade

President Clinton, who has exhorted Americans to "compete and not retreat" on free trade, seems headed toward a historic retreat of his own. White House spokesman Mike McCurry said this week that final passage of "fast track" legislation to give the president trade negotiating authority may have to wait until next year.

Delaying until 1998 would be a huge mistake. In an election year, with House Minority Leader Dick Gephardt trying to retake the House and also kick off his 2000 presidential campaign, passing such a controversial bill will be next to impossible.

Mr. Clinton is being prodded into action by Republicans who know time is running out for the fast track legislation. His own advisers tell him to wait until the fall in order to get budget legislation and fight over trade relations with China off the agenda. That would mean courting defeat. As his disastrous efforts to pass new authority in 1994 and 1995 showed, such waiting only allows opponents of fast track to organize and stall.

President Clinton's dithering over fast track exemplifies his weakness as president. Unwilling to challenge Democrats and unsure of his own priorities, he twists in the wind and lets historic opportunities pass. In this case, huge gains for U.S. exporters and workers are being sacrificed. Europe now trades more with Latin America than does the United States, and Japan is gaining ground fast.

Cynics in the White House say Republicans are trying to lure Mr. Clinton into a debilitating trade fight within his own party. Even if that is so, he should not retreat.

Trade is one of the few areas where Bill Clinton could make his mark in history. Another free-trader who made that mark, John F. Kennedy, is said to be a model for Mr. Clinton. In 1962, JFK exhorted a crowd of 100,000 in New Orleans to embrace trade and resist the temptation to "pull back from the world." Thirty-five years later, his warning should be heeded by Bill Clinton: The United States "must either trade, or fade."

Shifting land

BY KENDELL W. KEITH

The future competitiveness of U.S. agriculture may well be decided in a matter of days.

At stake is the 10-year fate of more than 25 million acres of U.S. farmland, about 9% of our total cultivated acreage for field crops like wheat, corn and soybeans.

One day next week, Secretary of Agriculture Dan Glickman will render his decision concerning the number of acres to be idled in the Conservation Reserve Program. The outcome will largely determine whether U.S. agriculture will be positioned to capture the burgeoning growth in world markets.

Last year, the USDA pledged to create a "new" reserve program, one focused on enrolling truly environmentally sensitive land. Gone, it said, were the days of using the program to idle productive farmland.

But in January, it issued a final rule that qualified nearly two-thirds of U.S. cropland.

So what happened when Agriculture conducted the first sign-up under its "new" Conservation Reserve Program? Of the 25.6 million acres offered, 18.1 million were already enrolled in the "old" program.

The USDA's own data show that more than 50% of acreage enrolled in the "old" program is productive farmland that can be cropped using proper conservation practices. About 25% of land in the "old" conservation program is of such good quality that it would not even require a conservation-compliance plan to be farmed.

Now, the question is whether the USDA will have the political fortitude to follow through on its pledge to reform the program by saying no to bids that represent productive farmland.

The enormity of this pending decision dwarfs the ill-fated USDA decision in 1995 that idled 7.5% of U.S. corn acreage. That decision, coupled with adverse weather, caused acute shortages of U.S. feed grains.

The undersupplies drove escalated production livestock and poultry, growth in demand, U.S. exports and curbed production of corn-based for industrial uses, such as ethanol.

If a similar mistake with the Conservation Program, it will last years. And the economic side effects will be beyond that.

If productive farmland allowed to be re-enrolled in the program, the most dramatic impact will be on the grain and meat sectors.

Already, wheat is competing very effectively with other crops for the base because of yield case problems.

If productive farmland allowed to be re-enrolled in the program, the devastating impact on the wheat and meat sectors will be beyond that.

Restoring to production 18.1 million wheat acres enrolled in the "old" program would be a step, reversing the trend of declining U.S. exports, which is causing a shortage of wheat.

The U.S. wheat would also gain value to invest in research to enhance wheat output and ease resistance.

Conversely, if the States continues to allow amounts of productive farmland, U.S. imports of wheat will continue to increase. Exports currently amount to about 6% of domestic production.

Hopefully, we will see the situation we now have with oats, in which 40% of the use is supplied with imports.

Further, if meat exports are to continue, current double-digit

THE JOURNAL OF COMMERCE WORLD TRADE

Slow going

White House again delays action on fast-track authority

President eyeing September push

BY JOHN MAGGS
JOURNAL OF COMMERCE STAFF

WASHINGTON — The Clinton administration has again put off action on securing new trade negotiating authority from Congress, but there are hints of progress despite this latest setback.

President Clinton is supposedly considering two options from his Cabinet: Act now on the trade bill or let it slide until September.

But White House spokesman Mike McCurry said Wednesday that the president would not act until after Congress' August recess. He said a struggle on trade authority could "overload the circuits" when the president is also pushing Congress to finalize the budget deal and renew normal trade treatment for China.

This statement was prompted by House Republicans, who tried to push the White House to act this week by putting forward their own proposal for trade authority.

Democrats on the House Ways and Means Committee attacked the proposal immediately, and administration officials condemned the move as partisan and unproductive.

Meanwhile, Treasury Secretary Robert Rubin said on Thursday that President Clinton faced an uphill battle to win new trade negotiating authority from Congress and the odds were running against him.

Mr. Rubin told an investment group that although the administration was trying to work with lawmakers to win support for so-called fast track legislation, it "is going to be very difficult and the odds clearly are not in our favor."

The three-month delay in seeking fast track rights further lengthens the odds that President Clinton will obtain authority to cut tariffs and expand free trade to Latin America.

Most Democrats oppose this idea, and a divisive fight lies ahead on the role of labor and environmental provisions in future trade accords. It is widely believed that final passage of the bill will be even harder in 1998, when Democrats and Republicans will be fighting over

control of the House.

But there are signs that some progress on building support for "fast track" authority could continue in the interim.

For one, Mr. McCurry's comments on postponing fast track publicly linked the fight for trade authority to next March's meeting of Western hemisphere leaders in Chile.

While a similar link had been made in the past between fast track and Mr. Clinton's tour of Latin America this spring, the McCurry comments provide a clear target.

Second, the Senate is finally showing signs of leadership on the issue after letting the House drive the process.

Jolted to life by Senate Commerce Committee Chairman John McCain, R-Ariz., who would like to take over responsibility for trade matters, Finance Committee Chairman Bill Roth, R-Del., has finally planned a hearing on new trade authority in early June.

Even if Sen. Roth does no more than this, Sen. McCain already has announced plans to work with Sen. Bob Graham, D-Fla., to put forward a trade-authority bill.

Continued from Page 1A

ILO

In a biting aside, he Americans who want the to link free trade and rights "are still dreaming."

Those dreams, however at the heart of a disagreement that has split the Clinton administration down the middle as it seeks to win congressional support for new trade negotiating authority to expand North American Free Agreement to Chile.

Pressure on administration

Largely due to pressure from the AFL-CIO and Rep. Gephardt, the administration has been reluctant to introduce that legislation in Congress. That has drawn criticism from Republicans, who threatened this to introduce their own bill.

On the global front, the demands to include a rights clause in the WTO December caused deep uneasiness with developing countries in Asia and Africa, who view U.S. strategy as an apparent power play and a thinly disguised form of protectionism.

Over the next year, members states and its ruling body will seek to build international consensus to force seven core ILO standards through a system of monitoring, product labeling, political pressure rather than trade sanctions.

In his interview, Mr. Hines described the ILO's approach as a delicate compromise. "Economic sanctions have been useful for enforcing labor standards because companies in developing countries "operating in a global context need more than that to have a good image."

At the conference, Sen. Patrick Moynihan, former chairman of the Finance Committee, said that the ILO's role in resolving the labor issue could solve "the crisis in U.S. international trade policy" caused by the rift over labor rights.

By introducing "labor standards to trade agreements" that are acceptable to both sides, Moynihan said, "the

of waiting, on Iraq trade

Mr. Erkovan said. "But rather than wasting time and losing more money, I decided to find an alternate route."

On the black market, Mr. Erkovan and other Turkish traders in the same position are paying Jordanian merchants for licenses they received from the United Nations months ago.

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

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To: Mack	From: Green
Dept./Agency	Phone #
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NSN 7540-01-317-7368 5099-101 GENERAL SERVICES ADMINISTRATION

NEW DELHI — Leaders of a seven-nation South Asian group, pledging to hasten the creation of a free-trade area, are asking developed countries to cut tariff and non-tariff barriers and stop restrictive trade practices.

the trade area, and security, recognition of the need to encourage political consultation among members.

When Saarc was formed in 1985, the objective was to concentrate on economic cooperation.

justification for the possible nonstrations and the registra- (Article on Page A14)

prosecutors will seek the against Theodore Kaczynski, rials in California and New suspected of killing three and ith mail bombs. Attorney Gen- leared the move, saying his ed premeditation in two cases.

luttle was launched on a mis- r a new oxygen generator and a astronaut to the Russian Mir 1. It is to dock late tonight for a 7. The two cosmonauts and one the 11-year-old Mir have relied oxygen system since March.

Archbishop Tutu said he found it eve former South African Presi- erk's testimony that he was murder and torture by his regime's security forces. Tutu, in al statement, said de Klerk's made his apology meaningless.

tice Department is weighing an ruling by a U.S. judge in Florida d deportation of 14,000 Nicara- r the new immigration law. The the Nicaraguans, many of whom the U.S.-backed contra war of the be sent home without hearings.

of an African food crop increased ub-Saharan nations following the n of a South American insect that ests that damage cassava plants, said. Cassava is a staple for many id's poor. (Article on Page A14)

.S. will apologize today for the nt's Tuskegee syphilis study, in black men from Alabama were left from 1932 to 1972 to see how the ogressed. Four survivors, ages 91 due at a White House ceremony.

advertises northern Chinese prostitutes "recommended by Fat Dragon" (false ad- vertising, the columnist says).

Success has made him brash enough to tackle political themes in a city that is, for the moment anyway, obsessed with politics. He regularly lambastes the Chinese Communist Party and ridicules Hong Kong politicians for cozying up to Beijing. Under the recent headline, "Sex Industry More Prosperous Post-1997," Fat Dragon taunted the overlords who will soon take over his beloved anything-goes district. "You may try to clean it up, but I will have fun anyway," he wrote.

In another column, he suggested that Hong Kong police will be for sale after Britain hands back the colony on June 30 because, he says, China's police are easily bribed. "One country, two systems, who believes that?" he asked, referring to Deng Xiaoping's famous formula for preserving Hong Kong's way of life after its return to Chinese rule.

'It's Quite an Achievement'

The irreverent ton Dragon a celebrity. A columns, called the Fat is in its second printin weekly magazine based 70,000 copies each issi achievement in my life, phone. He says he is ne friend with two product want to make Fat Drago his smuggling activities also helped produce a pornographic t rpe that will be available on video compact disk soon.

For such a busy man, Fat Dragon is surprisingly invisible. "Many people want to find me out," he says in moting, halting English during a three-hour, late-night phone conversation. The police, who read him religiously, say they would love to catch him and put him away.

So far, it seems no one but his editors Please Turn to Page A9, Column

Democrats urge two well-regarded governors - Colorado's Romer and Georgia's Miller - to challenge GOP Senate incumbents.

TOE DIPPING? Former Clinton political adviser Dick Morris may be turning his sights to presidential candidates abroad. He talks with Venezuelan presidential candidate Lewis Perez about signing on to his campaign. But a contract seems unlikely at the moment.

GEPHARDT MULLS a competing tax-cut bill for the balanced-budget plan, focusing "on the people who need it." The House Democratic leader would target tax breaks to middle-income Americans and forgo a broad-based capital-gains cut. But Democrats on the tax-writing Ways and Means panel are leery.

HELP WANTED: White House economist Alicia Munnell quits, opening a spot on the three-member Council of Economic Advisers. Munnell, who did a stint at the Department earlier in Clinton's

network's analysts. ... react to a slew of high-level departures at the network. An harnessing the talent and er two organizations, Disney ar cials are still haggling over question of who the network should be: the hip, young v have been corralled by NBC ABC's more traditional, main ily audience.

"So far, I think this synerg: says William Ryan, owner o ates in Miami and San Antoni

In other parts of its empire seemingly made synergy wor ter created in an animated m Aladdin can generate hundre of dollars as it spins throug consumer products and them such synergy is really just the of one idea in several channel tion. What Disney has passe ergy at ABC is more like cros it has yet to come up with ar new ideas or programming work

y's promotional att en forced and gimn yers from Disney's M Hockey League tea s "Boy Meets World idea was to plug the t es a ratings boost. players aren't well- ne Gretzky who can c y Meets World," a as hardly a publicity

for the Anaheim, Calif., team is what benefit Disney or ABC Disney's idea of setting a f right TV movie in the Toy terill ride at Walt Disney W

Still, there is some evide ey's other operations bene association with ABC. Thou: opera fans flocked to Disney n Orlando, Fla., last fall to such ABC shows as "All My "One Life to Live." And Dis ESPN-themed restaurant : that has become a big draw resort property.

Scrambling for New Slat But for ABC, all the cros the world can't help if the isn't good, something the ne cally trying to fix. ABC President Jamie Tarses i unveil her fall schedule, un scrutiny and persistent run is already in jeopardy af year on the job. Favoring i she will replace aging favor anne" and "Coach" w unnamed slate of newcom

ABC executives will co ing their fall schedule ovi Shows currently expected include "Cracker," a dete ported from Britain; "The version of the Robert Alt

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OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

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To Mack From Gene Dept./Agency Phone # Fax # WST 9116

NSN 7540-01 37-7368 5099-101 GENERAL SERVICES ADMINISTRATION

CLINTON PONDERs how fast to move on 'fast-track' trade legislation.

Trade Representative Barshefsky and Staff Chief Bowles send Clinton a decision memo on Wednesday. The options: send a bill in June or September for fast-track, which lets the president expand Nafta and negotiate future trade deals. Barshefsky, and Treasury's Rubin and Summers push for June in order to move ahead quickly on global initiatives.

But Clinton adviser Gene Sperling frets that moving on fast track now will make it harder to win renewal of favored-nation trade status for China. Gore also resists pushing fast track; the trade policy could make him vulnerable to attacks from Nafta foe Gephardt, a potential presidential rival in 2000.

"Clinton is being held hostage to Gore," one official fumes. "I thought the second term was when you were supposed to govern."

MINOR MEMOS: The Gore years? Sen. McCain says Clintonites consider spending increases after the year 2000 as the "let-It-do-it budget." ... Not boring: Newly engaged Gore daughter, Karenna, wears such a big engagement ring that some friends who had lunch with her simply say they lunched with "the Rock." ... Ex-Texas Rep. Charles Wilson, now a Washington lobbyist, calls himself "a FIP - former important person."

-RONALD G. SHAFER

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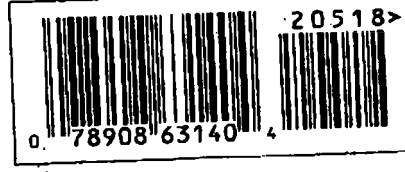
POLITICS & POLICY: Effect of welfare overhaul on largest states, A20.

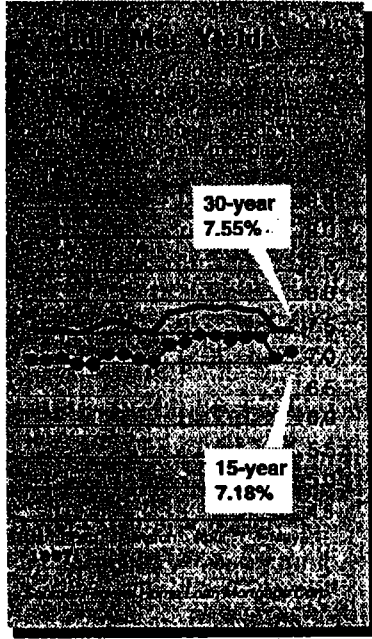
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The New York Times

On-Store-Brand Sales

By Bloomberg News
Federated Department Stores Inc. reported robust first-quarter earnings yesterday, helped by higher sales of store-brand clothing and lower expenses.

The company, which operates Macy's, Bloomingdale's and other department store chains, earned \$24.1 million, or 12 cents a share, compared with a loss of \$37.9 million, or 18 cents a share, in the quarter a year earlier.

In the 1996 quarter, Federated took a pretax charge of \$77 million for integrating the Broadway retail chain into its operations and adjusting inventory. Before the charge,

Qtr. to May 3	1997	1996	%Ch
Sales	3,409,091,000	3,300,665,000	+3.3
Net inc.	24,059,000	b57,946,000	
Sh. earn	.12	(.18)	
Sh. out.	208,235,000	206,710,000	

b-Net loss (Loss)
 Federated Department Stores said that its year-ago net operating income was \$9.3 million, or 4 cents a share, excluding inventory valuation adjustments and business integration and consolidation expenses related primarily to the integration of Broadway Stores. The results are for the first quarter.

Yesterday's closing price: **\$38.75**
 RCB ↑ \$2

ing how it distributes merchandise and orders inventory; the changes reduced sales, general and adminis-

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

To: *Mack* From: *Gru* # of pages: *7*

Dept./Agency: Phone #: Fax #: *NYT*

NSN 7540-01-317-7388 5099-101 GENERAL SERVICES ADMINISTRATION

Key Rates

in percent	Yesterday	Previous Day	Year Ago
*PRIME RATE	8.50	8.50	8.25
DISCOUNT RATE	6.00	5.00	5.00
FEDERAL FUNDS**	5.44	5.42	5.47
1-MO. TREAS. BILLS	5.01	5.05	4.99
3-MO. TREAS. BILLS	5.28	5.31	5.09
10-YR. TREAS. INFL.**	3.57	3.58	N.A.
10-YR. TREAS. NOTES	6.66	6.71	6.63
30-YR. TREAS. BONDS	6.88	6.92	6.83
TELEPHONE BONDS	7.95	8.03	7.97
MUNICIPAL BONDS***	6.79	5.82	5.98

Estimated daily average, Dow Jones Markets
 *Realized dollar amount rises with inflation
 **Municipal Bond Index, The Bond Buyer
 ***Salomon Brothers and Dow Jones Markets or Treasury's bellwether bonds, notes and bills

week, and one of the main questions in the bond-market has been whether it will raise rates again.

Though the Fed has made it clear that the main concern in setting monetary policy is the pace of demand growth, not necessarily actual evidence of inflation, the new numbers must have given the central bank pause, Mr. McCarthy said. The net result is an economic environment that certainly does not warrant further increases in interest rates," he said, "and we expect the Fed to refrain from raising rates in May and indeed through the rest of the year."

In yesterday's huge corporate offering, Norfolk Southern sold debt in eight levels, ranging from \$400 million of three-year notes, at a price to yield 6.75 percent, to \$350 million of 10-year bonds, priced to yield 7.91 percent. The three-year yield is about 36-hundredths of a percentage point higher than that of a comparable Treasury. The 100-year yield is about 97-hundredths higher than a year Treasury. Those higher yields were one reason the corporate issue siphoned off some of the strength of the rally in Treasuries.

Clinton Now Sees Nafta Extension in '98

By Bloomberg News
WASHINGTON, May 14 — President Clinton does not expect Congress to grant him the negotiating authority to expand the North American Free Trade Agreement to Chile and other Latin American countries until next year, his press secretary said today.

"We are frying a lot of fish right now and the kettle is only so big," the White House spokesman, Michael D. McCurry, told reporters when asked why efforts to renew the President's fast-track trade negotiating authority, which limits Congress to accepting or rejecting broad trade agreements, appeared to be stalled.

"Realistically, we would have to take a look at the Congressional calendar," Mr. McCurry said. In light of the debate over a balanced Federal budget — which

Mr. Clinton has identified as his top priority — the President hopes to get fast-track authority approved "before he goes to Santiago, Chile, for the second Summit of the Americas" early in 1998, Mr. McCurry said.

Representative Bill Archer, Republican of Texas and chairman of the House Ways and Means Committee, in a statement following Mr. McCurry's remarks, urged the President to "reverse this decision to delay." Mr. Archer had sought to get fast-track authority renewed quickly, but key Democrats earlier this week rejected a compromise bill that included only trade-related labor and environment clauses.

Mr. Archer said a delay would mean that "many trade opportunities, amounting to billions of dollars and thousands of American jobs, will be lost."

Foreign Sales Vital to French Auto Makers

By Bloomberg News
PARIS, May 14 — France's car makers posted higher sales in the first quarter as growth from foreign activities offset a slumping domestic market.

PSA Peugeot Citroën S.A., the country's largest car maker, said today that worldwide sales rose six-tenths of 1 percent while Renault S.A., the No. 2, said global sales jumped 3 percent. The sales reports came as European Union figures showed French car registrations were the only ones in Western Europe to decline in the first

Peugeot's sales rose six-tenths of a percent, to 43.51 billion francs (\$7.61 billion), with a 19 percent rise in sales outside France offsetting a 30 percent domestic dive. The company's unit sales in Western Europe excluding France rose 16 percent and rose 34 percent in the rest of the world.

Renault said "gains in Western European sales outside France were slightly higher than expected."

Renault's 47.20 billion francs of sales reflected a 23 percent plunge in domestic sales and a rise of 5 percent

For periods shown. In parentheses, the first one to five letters before the comma are the company's stock ticker symbol. If after the comma indicates stock is listed on the New York Stock Exchange. A the American Stock Exchange, NNA Nasdaq National Market System, NSC Nasdaq Small Capitalization, and ECA Emerging Company Marketplace.

American Israel Paper Mills Ltd. (AIP, A)

1st qtr to Mar 31	1997	1996
Sales	87,800,000	90,000,000
Net inc.	3,700,000	4,100,000
Share earns	.98	1.08
Shares outst.	3,700,000	4,100,000

American Re Corp.

1st qtr to Mar 31	1997	1996
Revenue	\$36,100,000	488,600,000
Net inc.	629,900,000	649,100,000

b-Included net realized capital losses of \$1.2 million for the latest quarter and net realized capital gains of \$1.3 million for the year-ago period.

Atmos Energy Corp. (ATO, N)

2nd qtr to Mar 31	1997	1996
Revenue	199,847,000	191,104,000
Net inc.	614,511,000	16,383,000
Share earns	.90	1.15
Shares outst.	16,140,000	15,927,000

b-Included an after-tax charge of \$2.8 million, or 17 cents a share, on one-time payments made in satisfaction of certain contractual benefits to two former executives.

Berkshire Hathaway Inc. (BRK, A, N)

1st qtr to Mar 31	1997	1996
Net inc.	284,400,000	1,668,700,000
Share earns	231.00	1,398.00
Shares outst.	1,232,245	1,193,512

Berkshire Hathaway reported investment gains of \$11.3 million for the latest quarter and \$1,508,500,000 for the year-ago period.

The company said it had earnings from operations of \$263.1 million, or \$214 a share, for the latest quarter, compared with \$160.2 million, or \$134 a share, for the year-ago period.

Borders Group Inc. (BGP, N)

1st qtr to Apr 27	1997	1996
Sales	463,400,000	404,000,000
Net inc.	400,000	b3,400,000
Share earns	.16	(.04)
Shares outst.	81,868,000	81,834,000

b-Net loss (Loss)
 The year-ago period ended April 28.

Carlson Pire Scott & Co. (CRP, N)

1st qtr to May 3	1997	1996
Sales	258,134,000	236,769,000
Net inc.	62,409,000	c9,484,000
Share earns	.16	.58

b-Included a charge of \$400,000, or 2 cents a share, on costs associated with addressing the year-2000 problem and a gain of \$100,000 on the sale of investment. The gain did not have an effect on share earnings. Excluding one-time items, net income was \$2.9 million, or 18 cents a share.

c-After a gain of \$9 million, or 53 cents a share, on sale of Profitfit's Inc. stock; a charge of \$1.5 million, or 9 cents a share, on a charitable contribution; and, \$206,000, or 1 cent a share, on write-off of loan fees. Excluding one-time items, net income was \$2.4 million, or 15 cents a share.

Canadian Occidental Petroleum Ltd. (CX, T, A)

1st qtr to Mar 31	1997	1996
Sales	363,000,000	319,000,000
Net inc.	73,000,000	50,000,000
Share earns	.53	.37

Results are in Canadian dollars.

Canadian Utilities Ltd. (CU, T, A)

1st qtr to Mar 31	1997	1996
Revenue	644,300,000	563,000,000
Net inc.	65,300,000	666,400,000
Share earns	1.02	1.04

b-Included a gain of \$1.5 million, or 2 cents a share from the sale of AT-COR, and a gain of \$5.2 million, or 9 cents a share, as a result of colder weather.

Canadian Utilities is listed on the Toronto Stock Exchange with the ticker symbol CU.
 Results are in Canadian dollars.

Clark USA Inc.

1st qtr to Mar 31	1997	1996
Revenue	999,200,000	1,140,200,000
Net loss	47,400,000	24,400,000

Clark USA said special items reduced pretax earnings by \$47 million in the latest quarter, while the year-ago first quarter included a pretax gain of \$9.3 million.

Donaldson Co. (DCI, N)

3rd qtr to Apr 30	1997	1996
Sales	713,876,000	183,726,000

Washington Post Staff Writer

The House Judiciary Committee yesterday approved by voice vote a bill that would loosen the government's control of one of the most arcane yet crucial technologies of the information age—“encryption” technology, or the means for scrambling information to keep it private.

In approving the bill, introduced by Rep. Robert W. Goodlatte (R-Va.), the House took a step toward a showdown with the administration, which has worked hard since the start of President Clinton's first term to check the spread of sophisticated encryption technology.

istration] regulations on the part of industry, business in general and groups across the spectrum.” Goo He predicted that support for hi continue to grow as people unde important encryption is to so many t

Also yesterday, a group called Democratic Coalition, led by Reps. Dooley (D-Calif.), James P. Moran and Timothy J. Roemer (D-Ind.), ser Clinton signed by 43 members of calling for the administration to lift restrictions on encryption technolog

See ENCRYPTION, E5, Col.

Washington Post

DIGEST

DOW
7286.16
UP 11.95
DETAILS ON
PAGE 2



to start drafting a bill today were scrapped, but Rep. Philip M. Crane (R-Ill.), chairman of the House trade subcommittee, said that unless bill writing starts by May 22, no legislation is likely to pass before next year's congressional election campaign begins.

BONDS

30-YEAR TREASURIES
6.88% YIELD
- 0.04

DOLLAR

VS. JAPANESE YEN (N.Y.)
117.20 YEN
- 1.30 YEN

Amazon.com Inc. bumped up the size and price of its initial public offering, a sign of healthy demand for shares in the Internet book seller. The Seattle-based company plans to sell 3 million common shares at \$14 to \$16 each, according to a regulatory filing. Amazon.com initially planned to sell 2.5 million shares for \$12 to \$14 each.

Striking workers at General Motors' electrical components plants in Warren, Ohio, began to resume production following a tentative contract deal that provides them with improved job security. The agreement ended a daylong strike by 8,200 members of the

See DIGEST, E2, Col. 2

President Clinton is considering two dates, June and September, for introducing a “fast track” bill authorizing new trade negotiations, Clinton administration officials said. Plans by congressional Republicans

- Rudolph A. Pyatt Jr. on black-owned firms' future.
- Union official criticizes US Airways' downsizing.

Page E3
Page E5

Mack - FYI - Per
Nelson. P.

Date: 05/15/97 Time: 10:42

CWhite House to push ahead for fast-track authority in trade talks

WASHINGTON (AP) After a key congressman accused President Clinton of backpedaling, the White House today reaffirmed its commitment to push Congress this year for authority to negotiate a hemisphere-wide free trade agreement.

"We've always said we will try to get it this year, it's just not clear when we're going to try to get it," White House spokesman Mike McCurry said today.

A day earlier, McCurry had indicated that Clinton wants the "fast-track" authority in place before he goes to Chile next spring for the second Summit of the Americas. That remark prompted Rep. Bill Archer, R-Texas, chairman of the House Ways and Means Committee, to accuse the administration of backpedaling on its timetable.

"Many trade opportunities amounting to billions of dollars and thousands of American jobs will be lost because the administration has failed to pursue this vital legislation," Archer said.

McCurry said today that his comments on Chile had been misinterpreted, and that fast-track trade negotiations had to be in place well before that 1998 summit.

"In order to have that happen the president needs fast-track authority and we're going to seek and hopefully obtain it this year," he said.

Clinton has pledged to ask Congress for "fast-track" authority to negotiate trade agreements under expedited procedures that require Congress to accept or reject them without amendments.

Asked on Wednesday why the administration was not pursuing the legislation right now, McCurry said, "Because we are frying a lot of fish right now and the kettle is only so big."

APNP-05-15-97 1056EDT

NEC Principals Meeting
July 1, 1997

Agenda

I. Tobacco Settlement

CBI { Customs } Adam Ben
RNGee

II. Race Initiative

Textile & Apparel issue

III. Climate Change

Have NOT gone to grips

W our strategy

Bad report

IV. New Ideas

Snyder's comments re "Bad report"
"Damas's report & info"

V. Trade

Newsol
HXX

- NAFTA Report
- Fast Track
- Africa

Discuss w Newsol
Paris are "Beids wanted" ??
Nancy called Hite Chomv
No one pushed Bad of

VI. Updates

The date

- Budget and Tax
- Products Liability Reform

Section 108 report
Trade agreements

Give Sperling's Cost can
of Sweden

Put section 108 w Inst

Trade → wait until Sept

DN & Give put together in the
House → Bob Uyle to chair
Outreach to Business community

Costs of ATe B. in developed w }

policy statement

Uyle meetings
to narrow to get
things started
Ad lay some of
the groundwork
of policy ad
communication

Thank you A is meetings

Friday B meetings June 25 1977

Debbie

- ① Confronts w/ Chivá man
① Ros Lehman / Cuba
- ② Trade Agenda / SOA vis. w/
 - ① Legacy
 - ② LAmc - jobs
 - ③ NAFTA review
 - ④ First Trade
 - ⑤ LAmc trips / Chile SOA -
- ③ org needed / yesterday -
 - ① Start from where you are
 - ② Pat
 - ③ David Johnson
 - ④ R. Treoff.
- ④ Othe
- ⑤ Friday update —

THE WHITE HOUSE

Doug -

I have an idea we need to discuss today re: you. Can we get together after the 8:15 am?

Your older friend
and supporter -

Ulf

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
OFFICE OF CONGRESSIONAL AFFAIRS
600 17TH STREET, N.W.
WASHINGTON, DC 20508

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

DATE June 27, 1997

NUMBER OF PAGES EXCLUDING COVER: 6

NAME	AGENCY	PHONE#	FAX#
<u>Michael Claussen</u>	<u>State</u>	<u>647-1050</u>	<u>647-2762</u>
<u>Nelson Cunningham</u>		<u>X51269-67575</u>	<u>X62464</u>
<u>Mike Williams</u>		<u>X66493</u>	<u>X66468 62604</u>
<u>Todd Menotti</u>	<u>Commerce</u>	<u>482-3372</u>	<u>482-4420</u>

FROM: Liz Acky
Assistant U.S. Trade Representative

PHONE: (202) 395-6951 FAX: (202) 395-4656

SUBJECT: Congressional Rollout of NAFTA Report List

REMARKS: In preparation for today's conference call at 2:45pm.

CONGRESSIONAL ROLL-OUT OF NAFTA REPORT

In keeping with the overall press strategy, the goal of our Hill strategy should be to present a low-key positive message about the NAFTA in the context of overall trade policy. Members who are our advocates on trade policy in general, and specifically fast track, will need to be armed with positive arguments. While we do not want to link NAFTA with fast track, our opponents will and therefore our advocates need to be able to respond to the charges that NAFTA is a failure. Members who have been willing to "keep their powder dry" will also need positive reinforcement, particularly with sectoral-specific and state-specific information (where possible). This strategy assumes release of the report on July 1st (or at least before the 4th, during the Congressional recess).

Pre-Announcement

- Provide Members willing to be validators with Executive Summary and sectoral specific information. Preliminary list includes:

House:

Crane - Chicago
Matsui - Sacramento
Dooley - Fresno/Bakersfield
Kolbe - Tucson
Dreier - Claremont
Ortiz - Corpus Christi

Senate:

Roth - Wilmington
McCain - Phoenix
Breaux - New Orleans
Lugar - Indianapolis
Harkin - Des Moines
Grassley - Des Moines
Cnabee - Rhode Island

- Ask these Members to issue press statements and/or do talk radio in their districts (where they will be during recess).
- Matsui's office has offered to do a Dear Colleague prior to recess to send around the Wall Street Journal article

Announcement

- Provide Executive Summary, Presidential transmittal letter and press release to every Congressional office by faxpop. Only 200 copies of full report will be available on date of transmission, to be sent to attached list (since Bonior and several colleagues made a

document request, these Members will be among the first 200 to get the full report). Once GPO printing is complete, every office will receive a copy.

- o Send targetted sector-specific transmittal letters to "keep your powder dry" Members.

Post-Announcement

- o Congressional staff briefings for: Ways and Means, Finance, House and Senate Commerce, House International Relations, Senate Foreign Relations, House and Senate Agriculture, leadership, New Democrats
- o Member briefing for House Fast Track whip group
- o Congressional hearings: Ways and Means Trade Subcommittee (July 15th?); Senate Commerce (week of July 8th, however, may just invite private sector); House International Trade Subcommittee (date needs to be changed from July 9th)
- o Coordinate Dear Colleagues on pro-NAFTA articles
- o Coordinate letters from Browner, Babbitt and Herman regarding labor and environment to "keep your powder dry" group

*First 200 Copies of NAFTA Report*House Advocates

Rep. Matsui
Rep. Eshoo
Rep. Dooley
Rep. Ortiz
Rep. Stenholm
Rep. Tauscher
Rep. Jim Davis
Rep. McCarthy
Rep. Jim Moran
Rep. Dicks

Rep. Archer
Rep. Crane
Rep. Kolbe
Rep. Dreier
Rep. Manzullo
Rep. Bereuter

House Keep Powder Dry

Rep. Rangel
Rep. Kennelly
Rep. Cardin
Rep. Levin
Rep. Jefferson
Rep. McNulty
Rep. Neal
Rep. Thurman
Rep. Becerra
Rep. McDermott
Rep. Lewis
Rep. Fazio
Rep. Sawyer
Rep. Frost
Rep. Chet Edwards
Rep. Dingell
Rep. Harman
Rep. Visclosky
Rep. Johnson
Rep. Snyder
Rep. Stabenow
Rep. Clement
Rep. Luther

Rep. Price
Rep. Sanchez
Rep. Pomeroy
Rep. Serrano
Rep. Boswell
Rep. Kind
Rep. Berry
Rep. John
Rep. Roemer
Rep. Tanner
Rep. Lowey

Other House Offices with NAFTA Interest

Rep. Gephardt
Rep. Bonior (sent letter requesting documents relating to report)
Rep. Kaptur (Bonior letter)
Rep. Brown, Sherrod (Bonior letter)
Rep. Klink (Bonior letter)
Rep. Meek (Bonior letter)
Rep. Hinchey (Bonior letter)
Rep. Sanders (Bonior letter)
Rep. Miller (Bonior letter)
Rep. DeLauro (Bonior letter)
Rep. DeFazio (Bonior letter)
Rep. Kucinich (Bonior letter)
Rep. Obey (Bonior letter)
Rep. Mink (Bonior letter)
Rep. Pascarell (Bonior letter)
Rep. Stupak (Bonior letter)
Rep. Waters

Rep. Armev
Rep. Cox
Rep. Boehner
Rep. DeLay
Rep. Upton
Rep. Young
Rep. Morella
Rep. Hastert
Rep. Barrett
Rep. Ewing
Rep. Gilchrest
Rep. Boehlert
Rep. Campbell

Senate Advocates

Sen. Roth
Sen. McCain
Sen. Grassley
Sen. Lugar
Sen. Breaux
Sen. Harkin
Sen. Chafee
Sen. Gramm
Sen. Hatch

Senate Keep Powder Dry

Sen. Baucus
Sen. Brownback
Sen. Bryan
Sen. Cochran
Sen. Collins
Sen. Craig
Sen. Daschle
Sen. Dodd
Sen. Domenici
Sen. Durbin
Sen. Feinstein
Sen. Graham
Sen. Gregg
Sen. Hutchison, Kay
Sen. Jeffords
Sen. Kennedy
Sen. Kerrey
Sen. Kerry
Sen. Kyl
Sen. Landrieu
Sen. Leahy
Sen. Lieberman
Sen. Lott
Sen. Mack
Sen. Moseley-Braun
Sen. Murkowski
Sen. Murray
Sen. Nickles
Sen. Robb
Sen. Roberts
Sen. Rockefeller
Sen. Thomas
Sen. Torricelli

Sen Wyden

The Big 8 Trade Staff (8 Copies)

Bruce Wilson, House Ways and Means Committee, Democratic Staff
Thelma Askey, House Ways and Means Committee
Debbie Lamb, Senate Finance Committee, Democratic Staff
Erik Autor, Senate Finance Committee, Democratic Staff
Miss Wessel, Office of Minority Leader
Gardner Peckham, Office of Speaker Gingrich
Boif Lundberg, Office of Senate Majority Leader
Nick Samans, Office of the Senate Democratic Leader

Other Primary Trade Staff (60 copies)

Cynthia Johnson, Rep. Matsui, Ranking on WM Trade Subcommittee
Meredith Broadbent, Rep. Crane, Chair on WM Trade Subcommittee
Jeremy Preiss, Senate Finance Committee
Linda Menghetti, Senate Finance Committee, Democratic Staff
Bill Froymoyer, Office of Minority Leader
WM Committee LA's (57 copies)
Finance Committee LA's (18 copies)

Chair and Ranking Members for Relevant Committees (35 copies)

House International Relations Committee
 Subcommittee on Economic Policy and Trade
 Subcommittee on Western Hemisphere
House Agriculture Committee
House Commerce Committee
House Appropriations Committee
 Subcommittee on Commerce, State, and Justice
House Banking Committee
House Judiciary Committee
Senate Agriculture Committee
Senate Foreign Relations Committee
 Subcommittee on Economic Policy, Export, and Trade Promotion
 Subcommittee on Western Hemisphere
Senate Commerce Committee
Senate Judiciary Committee
Senate Appropriations Committee
 Subcommittee on Commerce, State, and Justice

Ensh. 2c

July 14/57

- ① Bernard update / deed 66
- ② His leadership - Uic.
- ③ Announcement Status - Potes

my note - Chambers
Too much

{ Chambers - strong equities
rune

{ { Witt
Caliver } }

integrate

show strength

System

intermediate strength

new fresh energy

Advocate / coordinator / spokesman
Co-Cha

Canadian
Ensh. se
LA Centre

June 17 / 97

Ensh. se Visit

Status 1 First Trade
Needs Planning

Thought / Coordination / Rollout / Energy / Focus

PAT Griffith / Support

Build support / Bill - Hill - / Budget Repl.
DLC

LAme / Business

Contribute

Time

Resources

① Steve

② Andrew

Equities

Daley

Chambers

Rub. J

Albright

} Support my role
} Warn - new friends
} Expectation
} LAme credibility

my attitude -

NAFTA review

History - Chile

inevitable

can't lie about

& walk away
from it

Emphasize good stories
re: LAme re: the ports

THE WHITE HOUSE

WASHINGTON

June 10, 1997

MEMORANDUM FOR MACK McLARTY

FROM:

NELSON CUNNINGHAM *NC*

ANDREW FRIENDLY *AF*

STEVE RONNEL *SR*

SUBJECT: GOALS AND TALKING POINTS FOR FAST TRACK MEETING WITH
CHIEF OF STAFF

Per your request, here is a memo outlining specific goals and talking points for a conversation with Erskine Bowles.

GOALS

1. GET A STATUS REPORT FROM COS ON WHITE HOUSE STRUCTURE AND ROLL OUT STRATEGY

Talking points:

Has Pat Griffin agreed to join the team? When do you want to announce your team on fast track? Who will be the principals and what will be their roles? How do you see my role as it relates to Pat Griffin and Charlene?

2. GET A COMMITMENT FROM COS THAT YOU WILL BE A PART OF THE INITIAL ANNOUNCEMENT AND A KEY FIGURE (CO-CHAIRMAN) ON THE TEAM

Talking points:

As you know, I want to contribute to the fast track strategy as a principal. I hope you will announce my involvement when you announce Pat Griffin and the rest of our team. I would like to be a "co-chairman" of the WH task force.

In the region, I am expected -- as Special Envoy -- to help lead the charge for fast track.

Fast track is critical to our credibility in the hemisphere. As you know, the President will take two more trips to Latin America. Our ability to advance the ball on fast track will directly effect the outcome of the President's travel, especially at the summit in Santiago next March -- where we promised to deliver on fast track and make progress toward the FTAA.

Also, my standing in the business community, my contacts in the media, and my relationships on the Hill, all should be seen as an additive to this team and should make my serving as a co-chair a natural assignment.

Furthermore, I have resources in my Office of Special Envoy that I would be willing to contribute to the task force staff.

2. DEFINE WHAT YOUR ROLE SHOULD BE

Talking points:

I believe my role as a co-chair should be the following:

- A public advocate, traveling the country (this summer and fall) and the hemisphere (possible CODEL in August) with a clear message about the importance of trade, NAFTA's success, the need for U.S. leadership in international commerce, and the need for fast track.
- A primary liaison to the business community, working to secure endorsements and public support from business.
- A primary spokesman, getting our message out in the media -- helping to shape stories and respond quickly to false info and attacks from critics.
- A Congressional lobbyist, supporting Pat Griffin and Charlene on the Hill -- especially with Republican members. My ties are strong on both sides of the aisle.

3. PUSH COS FOR AN EARLY ANNOUNCEMENT OF FAST TRACK TEAM

Talking points:

As you know, the NAFTA review is due July 1. The perceived value of NAFTA will directly impact our ability to win votes in Congress on fast track. We have much work to do to convince others that NAFTA has been a good deal. As a result, I believe our "fast track team" should be announced ASAP, certainly before July 1, to help get our message out about the benefits of NAFTA and trade

in general.

Also, an early announcement will help stem the current criticism over our “September strategy.” We must fill the vacuum that currently exists with an early announcement of the President’s team.

We must begin putting our message out. Currently, 64% of Americans believe trade is bad for the U.S. (According to US Dept. of Commerce). I believe that much work can be done NOW to publicly define the value of trade and exports to our economy. Frankly, I believe our opposition already has the upper hand. We simply can not afford to wait -- we must begin delivering these messages BEFORE we introduce our fast track legislation and before we reach consensus on labor and environment.

Enshure

May 29/97

Paradise my interest

Retirement funds

NSP
notes
→

} JOA -
} Bus. interest
} Congress

Client Legacy -
Trade
Hemisphere

JOA SAT 50

} Communicating
} Roll out
} Support - Andrew

NAFTA review
First Trial

Participant

Volunteering to do - step up & support

Printer
my stuff

Enslin
Snyder
Dobbin
Rest

NOTIONAL PROGRAM FOR SPECIAL ENVOY MCLARTY

OAS GENERAL ASSEMBLY AND RELATED EVENTS

Friday, May 30

- 12:57 PM **AMERICAN #813 DEPARTS NATIONAL EN ROUTE MIAMI**
- 3:36 PM **ARRIVE MIAMI**
- 4:55 PM **AMERICAN #917 DEPARTS MIAMI EN ROUTE LIMA, PERU**
- 9:51 PM **ARRIVE LIMA**
Note: Ambassador Dennis C. Jett will meet you
Check into Oro Verde Hotel
Av. Santo Toribio 173
San Isidro, Lima tel: (51-1- 4-21-4400)

Saturday, May 31

- MORNING **OPEN (CAR AND DRIVER AVAILABLE)**
- 1:00 PM **LUNCH**
Location: Jose Antonio Restaurant
Attending: You, Donna, DCM and Mrs. Sheila Mack
Note: This will be followed by tour of Lima by car
- 3:30 PM **RETURN TO HOTEL**
- 4:00 PM **OAS DELEGATION MEETING**
Location: Sala "El Mirador" - El Olivar Hotel, 6th floor.
(optional)
- 6:00 PM **DEPART EN ROUTE AMBASSADOR'S RESIDENCE**
- 6:30 PM **INFORMAL CHAT W/ AMBASSADOR JETT**
- 7:00 PM **DINNER**
Location: Ambassador's residence

Amb. Babbitt
Prime Minister and wife
Vice Foreign Minister
President of the Congress (invited)
(all English speakers)

RON **ORO VERDE HOTEL**

Sunday, June 1

MORNING PRE-BRIEFING FOR MEETINGS

9:45 AM **PULL ASIDE W/ INSULZA**

10:00 AM **CO-CHAIR OF SUMMIT OF AMERICAS FOLLOW-UP MTG.**

*******LUNCH IS OPEN*******

2:15 PM **COURTESY CALL ON SEC. GEN. GAVIRIA**

3:00 PM **INFORMAL DIALOGUE OF OAS FOREIGN MINISTERS**

Location: Oro Verde Hotel

Note: you will make brief remarks focused on OAS and administration policy towards hemisphere; adopt "Commitment of Lima" (text now under study)

4:00 PM **MEETING WITH FOREIGN MINISTER TUDELA**

Location: Oro Verde Hotel; room will be prepared for Peruvian Delegation

Note: you will be accompanied by AS Davidow, Ambassadors Jett and Babbitt.

6:00 PM **ATTEND FORMAL OPENING CEREMONY**

Location: Ursula (across street from hotel)

Note: you will be seated on stage with other heads of delegation; speeches by President Fujimori, Sec.Gen Gaviria at Colegio Santa

7:00 PM **CALL ON PRESIDENT FUJIMORI**

Location: Presidential Palace

Note: you will be accompanied by A/S Davidow, Ambassadors Jett and Babbitt

8:00 PM **DINNER FOR HEADS OF DELEGATION**

Location: Palacio de Gobierno

Note: will be hosted by President Fujimori

Monday, June 2

MORNING U.S. BASED PRESS ROUNDTABLE BREAKFAST

10:00 AM OASGA PLENARY SESSION

Note: you will be the 4th speaker, speech focused on results of POTUS trip

*******LUNCH OPEN (POSSIBLE BILATERAL OR MULTILATERAL MTG.*******

TIME TBD BILATERALS

Note: with Mexico, El Salvador, Trinidad and Tobago, Panama.

8:00 PM RECEPTION HOSTED BY AMBASSADOR JETT

Location: U.S. Embassy

RON ORO VERDE HOTEL

Tuesday, June 3

8:00 AM BREAKFAST SPEECH TO AMERICAN C.O.C.

Location: Club de la Banca, Banco de Santander - 18th floor, San Isidro.

9:00 AM PRESS AVAILABILITY

10:00 AM MEETING W/ JORGE SANTISTEVAN

Location: Oro Verde Hotel

Note: he is Peru's Human Rights Ombudsman

10:30 AM TOUR OF USAID PROJECT

Note: you will be accompanied by Ambassador Jett, Hernan de Soto, AID Director Don Boyd, and USAID Assistant Administrator Norma Parker. Donna will join you and you will have lunch en route to Airport.

1:30 PM DEPART EN ROUTE AIRPORT

3:00 PM AVIANCA #78 DEPARTS EN ROUTE QUITO

- 5:00 PM **ARRIVE QUITO, ECUADOR**
Note: you will be met by Ambassador Leslie Alexander and Control Officer. Transfer to Ambassador's residence (Counselor and Mrs. McLarty and A/S Davidow) - and Hotel Colon (rest of delegation).
Hotel Colon
Avenidas Amazonas y Patria
Quito, Ecuador
Tels: 593-2-561-333 or
593-2-562-888
- 5:30 PM **ARRIVE RESIDENCE**
- 7:00 PM **DEPART FOR PRESIDENCY**
- 7:30 PM **MTG. W/ PRESIDENT FABIAN ALARCON**
- 8:30 PM **DINNER**
Location: Presidential Palace
Note: dinner will be hosted by President Alarcon and attended by Special Envoy and Mrs. McLarty, Assistant Secretary Davidow and Ambassador Alexander
- 10:30 PM **DEPART PALACE EN ROUTE RESIDENCE**
- RON: **RESIDENCE**

Wednesday, June 4

- 7:00 AM **BREAKFAST**
Location: Residence
Note: rest of delegation has breakfast at Hotel Colon.
- 8:00 AM **POSSIBLE PRESS AVAILABILITY**
- 8:30 AM **DEPART RESIDENCE EN ROUTE MILITARY AIRPORT**
- 9:00 AM **DEPART QUITO VIA U.S. AIR FORCE C-21 FOR MACAS**
- 09:40 AM **ARRIVE MACAS**
Note: transfer to US Army Blackhawk helicopters
- 09:50 AM **DEPART FOR PATUCA (MOMEPEL BASE ON BORDER)**
- 10:15 AM **ARRIVE PATUCA**

10:30 AM **BRIEFING BY MOMEPE**

11:30 AM **DEPART FOR HELICOPTER OVERFLIGHT OF THE DMZ**
(weather permitting)

12:30 PM **RETURN TO PATUCA**

12:45 PM **LUNCH WITH U.S. TROOPS**

1:45 PM **WALK-THROUGH MOMEPE FACILITIES AND HOUSING FOR U.S.**
TROOPS

2:00 PM **DEPART PATUCA VIA HELICOPTER FOR MACAS**

2:25 PM **ARRIVE MACAS, TRANSFER TO C-21**

2:35 PM **DEPART MACAS FOR QUITO**

3:15 PM **ARRIVE QUITO MILITARY AIRPORT - TRANSFER TO RESIDENCE**

3:30 PM **ARRIVE RESIDENCE**

4:30 PM **COFFEE**
Location: Residence
Note: American business leaders and selected Ecuadorian participants

6:00 PM **DINNER**
Location: Residence
Note: the dinner will be with Foreign Minister Ayala Lasso and Border
Negotiator Teran, hosted by Ambassador Alexander.

8:15 PM **DEPART FOR AIRPORT**

9:15 PM **DEPART QUITO BY AIR FOR LIMA**

11:15 PM **ARRIVE LIMA - PROCEED TO ORO VERDE HOTEL**

Thursday, June 5

4:30 AM **DEPART HOTEL FOR AIRPORT**

6:10 AM **DEPART BY AIR FOR CUZCO**

7:15 AM ARRIVE CUZCO

*****Free day for touring (Cuzco is historic and beautiful city)*****

Friday, June 6

ALL DAY TRAVEL TO MACCHU PICCHU AND BACK

**RON: CUZCO, PERU
Hotel Monasterio**

Saturday, June 7

10:35 AM AEROPERU #615 DEPARTS CUZCO EN ROUTE LIMA

11:45 AM ARRIVE LIMA

*****SIGHTSEEING IN LIMA*****

11:20 PM AMERICAN #918 DEPARTS LIMA EN ROUTE MIAMI

Sunday, June 8

5:58 AM ARRIVE MIAMI

7:55 AM AMERICAN #214 DEPARTS EN ROUTE WASHINGTON NATIONAL

10:17 AM ARRIVE NATIONAL AIRPORT

EB, Gene, Vicki, Dr T, Podesta, Susan B

Jay Berner

July 11/97

} Lamar Harcox Testimony questioned But favorable
} Vicki ?? 7/7 100% ready

* Principles meeting of WAF for Dr T
NEC 16D - 21-22 July

* Susan B meeting today
Are we in or out?

Susan

Meeting w POTUS - 2 requests -

Caucus - meeting per Susan B

Susan B - Business - none

Steve + Matsui of mod

Vicki + Ann Announcement middle of the week

inside / outside game → (cover) per Jay Berner

protection - p-wad

Gene

NAFTA frame a Bad one

A te frame
our poster children

Very concerning
picture

Bowles / Chantere / Uyle / Spurling / Rudd / Rubin / DWT. ^①
Ulris / Rubin

Review
W
Nelson
J. Skue

Fast Track

July 9/97

Wendy Hancock -

Popus meeting w/ Bernard Tues - EB meeting
happened
* Try to note our role

Umbrella Group

Case - Prod Chn.

Jan fer - VWA Room

Working groups - our role

concern

Not
What
Enshure +
I discussed
But ---
Finally not

Policy meetings per Gene
Bernard would come
Do we??

Jan of Board w/ the structure

PLAN - funding implementation - no per Bernard

Home Base per Rubin

Support people

Bonstew

Tin Geze

Trees

Budget

Working group

Climate & conclusion -> Todd discuss

Some things

Bill / Tim - Charlene

1st or 2nd week in Sept.

Decisions By the middle of Dec most

Consult in July - Sept

CEO style - " Concise

Discuss & Needs

Principals ^{meetings 1st time} w POTUS

Decisions / the message

Before sharpening of the message

Cart Ash Business community to CUBBY -

Wexler / T.U. radio ads
Ground → my own

POTUS / Case / Budget / Congress

CEO ~~Expects~~

Charlene meetings w Congress / Case takes exception w/ that
w/ the Budget outreach

Rahm

Your piece of it is ??

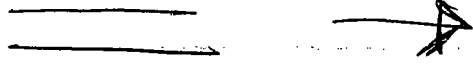
Anonymous BUSINESS

Trust - est. understanding per Rahm

BAT PIA firms for Charter
Vote counts - Calio - Champlin mid Sept

Enshie distributed his side, Probid, from me

FLOW CHART



THE WHITE HOUSE
WASHINGTON

July 8, 1997

Mack,

Attached is my first cut at the Fast Track Game Plan. I thought you might like to review it before our 3:30 p.m. meeting.



Attachment: Draft Fast Track Game Plan

FAST TRACK GAME PLAN

Phase One: Present -September

Summary: Our goals during this period are to: 1) establish a virtual war room, including a White House coordinator and supporting resources; 2) finalize our substantive positions, particularly regarding the uses of fast track and labor/environment; 3) implement an aggressive, early outreach effort to staunch further attrition on the Hill; 4) work with key constituencies (e.g., business, agriculture) to organize their efforts and push back against early opposition efforts; 5) lay the groundwork for broader support among the press, state/local officials, think tanks, validators and others; 6) develop a communications and legislative game plan for September and beyond.

The first step is to develop an interim organizational structure. Until a coordinator is chosen, Sperling/Tarullo/Steinberg, working closely with Ambassador Barshefsky, should convene regular Virtual Warroom meetings to assess progress and give overall direction, particularly as to non-policy aspects of the effort. The coordinator would assume chairmanship of this group once he is on board. A separate NSC/NEC Principal or Deputies group would address policy issues and continue to operate even after the coordinator is chosen. (This follows the organizational structure of the NAFTA effort.) Below these umbrella groups, we would form three interagency working groups (Legislative, Communications/Outreach and Policy) to meet at least weekly. USTR would be the lead agency in the effort.

The White House staff team should consist of officials largely dedicated to this effort from the following disciplines: legislative, communications, policy, public liaison, political, Vice President's office, McLarty's office, intergovernmental and cabinet affairs. In addition, we would assemble a group of 4-5 agency detailees that would assist the effort generally and assist the coordinator once he is on board. We will provide Erskine with proposed lists.

We also need to sharpen our message. USTR has produced a solid foundation, as reflected in its main message document, substantial Q&A's, a defense of NAFTA and the NAFTA side agreements and other documents. However, we need to resolve fundamental questions relating to the scope of the agreements we would seek and labor/environment positions. (This needs to be done soon to permit some quiet Hill consultations in late July, leading to a roll-out in early September.) We also need to dramatize key arguments (e.g., the costs of inaction, the size and extent of foreign trade barriers), develop better anecdotes, and build the geographic and sectoral data to prove the case for expanded trade.

We also should use this period to assemble our coalition. The business community needs to step up their fundraising efforts (they are raising \$2-3 million; \$3-5 million was raised for the Uruguay Round fight, \$10 million for NAFTA), broaden their coalition, create a grass roots operation (including district efforts in August), mount an August advertising campaign and develop a fall strategy. We should also engage the agriculture community, which became more active on China MFN. Governors, local leaders, Hispanics, opinion leaders, validators and others also need to be engaged..

Perhaps the most immediate challenge is to avoid losing more Hill votes during this interim period. The President should hold one or two meetings with targeted House members prior to the August recess, various Cabinet members should be active (both inside and outside Washington), and the business community should be energized to launch an ad campaign to counter an expected opposition campaign in August/September.

Administration/Internal

- Start regular meetings (Ongoing)
 - NEC/NSC Principals or Deputies policy meetings (as needed) (NSC/NEC)
 - Regular WH Virtual War Room meetings (NEC/NSC/USTR)
 - Weekly Interagency Working Group meetings
 - Legislative (Brophy/Arky)
 - Communications/Outreach (D. Johnson?/Ziegler)
 - Policy (Kyle/Novick)
- Secure WH fast track coordinator (WH COS/USTR)(end of July)
- Assemble White House team (WH COS/NEC) (July 15) (proposed list being provide to Erskine)
- Retain 4-5 agency detailees to assist effort (WH COS/NEC/NSC)(end of July) (proposed list to be provided to Erskine)
- Develop plan for broader Cabinet role (WH Cabinet Affairs/USTR) (July 20)

Policy

- Finalize substantive positions (Tarullo/Barshesky/Kyle)
 - Uses of fast track (July 18)
 - Labor/Environment (July 18)
 - List of sectoral initiatives (July 18)
 - Form of proposed legislation (notional plan by July 18; legislation by late July)
 - Administration Statement of Intent (late July)
- Sharpen affirmative arguments (NEC/USTR/WH Communications)(July 25)
 - Costs of Inaction
 - Foreign barriers high than U.S.
 - Other key arguments
- Sharpen key defensive arguments (NEC/USTR/WH Communications (July 25)
 - Defense of NAFTA
 - Defense of NAFTA side agreements
 - Develop additional labor/environment border achievements
 - Sharpen key Q&A's
 - Other key defenses
- Develop anecdotes/data for use in effort (USTR/Commerce/NEC) (end of July)
 - Sharpen state-by-state data
 - Develop anecdotes (including Council of America examples)
 - Other data/examples

Communications

- Develop overall communications action plan for July-September (USTR/NEC/NSC) (July 11)
- Sharpen main message (Sperling/Baer/USTR) (July 25)
- Coordinate other trade activities with fast track (NEC/USTR)
 - NAFTA Report (Week of July 7)
 - Section 108 (FTA Report) (USTR/NEC) (To be released in the fall)
- Develop list of other events that might have impact on fast track and monitor (USTR) (July 20)
- Develop speaking calendar for Administration officials (USTR/NSC Communications) (July 15)
- Develop rapid response capability (USTR/NSC Communications) (July 15)
- Outreach to key reporters/editorial board writers to reinforce message and commitment (USTR/NSC) (Ongoing)
- Begin validator outreach (USTR/NSC) (Ongoing; secure many by fall kick-off)
 - Former Presidents
 - Former Secretaries of State, Treasury, Commerce, USTR and NSC Advisors (respective agencies responsible for securing)
 - Other validators (Communications group to determine)
- Explore September POTUS kick-off event (NEC/WH Communications) (August)
- Develop action plan for fall communications campaign (Sperling/Baer/USTR)
- Develop strategy for responding to anticipated AFL-CIO August/fall ad campaign (NEC/WH Communications/USTR) (July 25)

Legislative

(Provided separately by WH Legislative)

Outreach

- Business
 - Meeting with senior Administration officials and Business Roundtable CEO's (Sperling/Other Cabinet officials) (Week of July 14)
 - Other Cabinet calls to CEO's, as appropriate (NEC/USTR) (by late July)
 - Encourage desired business activity (USTR/WH Public Liaison) (late July):
 - Raise sufficient funds
 - Retain outside advisors (Wexler already retained)
 - Organize grassroots efforts
 - Start advertising campaign
 - Share information on Congressional effort
 - Develop small business participation (McLarty office/WH Public Liaison) (end of July)
 - Attend weekly meetings of business fast track coalition (USTR/NEC)
 - Counter August/Labor Day labor advertising campaign (USTR/WH Communications/NEC) (Plan by July 25)
 - Secure industry support for sectoral initiatives (USTR) (July 30)
- Agriculture
 - Gain full support of all groups (USTR/Agriculture) (late July)

- Encourage organizational efforts (USTR/Agriculture) (Ongoing)
- Think Tanks/Policy Organizations (USTR) (Ongoing)
 - Council of the Americas
 - Inter-American Dialogue
 - Heritage Foundation
 - DLC/PPI
 - Citizens for a Sound Economy
 - AEI
 - Brookings
 - Others
- State/Local Officials/Hispanics (WH Intergovernmental/WH Political/USTR) (Ongoing)
 - Develop expressions of support (governors, mayors, etc.)
 - Develop broader plan for their assistance in this effort
 - Manage various policy issues affecting these interests (e.g., Massachusetts Burma sanctions legislation)
- Labor/Environmental Groups (USTR/Podesta/McGinty) (Ongoing)
 - Continue consultations, as appropriate
 - Consider other Administration initiatives responsive to labor/environmental concerns

July 9, 1997

MEMORANDUM FOR: Erskine Bowles

FROM: Susan Brophy

RE: Fast Track

The purpose of this memorandum is to provide you with a congressional strategy for the next three months, with the greatest emphasis on July and August. We will provide a more specific plan for September, October and November based upon the outcome of our activities over the summer.

The objectives of the congressional strategy over the course of the next several months should be twofold. First, we need to continue to set the foundation by providing a broader understanding on the Hill about the elements of fast track and why it is necessary. Second, on a working-level we need to be in a position to transmit a bill the first of September upon Congress' return from the August recess. While continuing to educate Members we have not yet reached, we must go back to key Members over the summer in order to prepare and negotiate our proposal.

To plan and implement these efforts, two legislative working groups have been formed, both of which will be managed by me. A small working group within the Executive Office of the President will develop strategies, consisting of representatives from the White House, NSC, USTR Congressional Affairs and the Office of the Special Envoy for the Americas (SEA). A large interagency group will focus on implementation, consisting of representatives from NSC, USTR, Treasury, State, Commerce, USDA, DOD, Labor, EPA, HHS, and SEA.

I. Congress -- Educational Efforts on Fast Track and the Trade Agenda

Ambassador Barshefsky has already met with approximately 170 Members and has honed an effective argument for the needs and uses of fast track. As part of this effort, Members have been provided with a better sense of the trade agenda, the accomplishments of the Clinton Administration and basic elements of the multilateral trading system. Members have appreciated the oral briefings and the materials we have provided, although additional requests have been made for information on the NAFTA (which will be satisfied by the NAFTA report) and basic information about trade and the history of fast track (a "primer"). Members have also requested talking points that could be used to explain the trade agenda and fast track to their constituents. These materials should be developed before Members return to their districts in August. In addition to providing materials, it should be noted that there is no substitute for Member to Member and Principal to Member contact to reinforce our message.

We should continue efforts with House Members who voted 1). yes NAFTA; 2). Freshman/Sophomores in districts where the previous member voted for NAFTA; 3). Freshman/Sophomores in district where the previous member voted against NAFTA; 4). yes on GATT, no on NAFTA.

We will meet with Members individually as well as in small and large groups. Whenever Chairman Archer believes it is the appropriate time (probably in the fall), Cabinet Members will begin meeting with House Republicans in groups (e.g., Freshmen). We have been informed by Democratic leadership that at some point, probably in the fall, an Administration official will be asked to appear before the House Democratic Caucus. Some of the larger groups with which we will meet are as follows:

Large Groups

Senate Finance Committee

Senate Freshmen

House Freshmen

House Democratic Whip Group (particularly on the NAFTA report)

House Ways and Means Democrats

Other Committees' Democrats where appropriate, such as, House Small Business and Banking Committee Democrats (who offered)

Black Caucus

Hispanic Caucus

New Democrats

Blue Dogs

Democratic Study Group

State Delegations

On both public and congressional outreach, in addition to Ambassador Barshefsky who is already fully engaged, we should enlist Administration officials Albright, Daley, Rubin, Glickman, Cohen, Berger, Shalala, Herman, Browner and McLarty in the effort to meet with Members to make the case for fast track. Sub-cabinet Members will be asked to assist where appropriate. In early July, staff calls will be made to every Congressional office on an interagency basis, in order to get a very preliminary whip list developed.

There is no substitute for Presidential involvement prior to the recess, most effectively captured in a few group meetings with Members. This list would include approximately 30-50 Members, particularly those Democrats who will be targeted by labor in August. This group should include some of the Democratic whip group, such as Matsui, Moran, Dooley, McCarthy (Dooley and McCarthy are targeted); key players in the caucus who we want to be part of the whip effort such as Rangel, Fazio and Murtha; Ways and Means Democrats such as Kennelly; and freshmen such as Boswell and Kind who want to be with us but will be torn because of labor. We especially need to step up outreach to the Senate.

II. Possible Bill Progression Schedule

Generally, when we made the decision to postpone transmission of the bill until September we received indications from Leadership that they expect to be able to move the bill expeditiously

once the bill is transmitted. The House is scheduled to return from the August recess on Wednesday, September 3rd and the Senate returns on Tuesday the 2nd. The schedule will obviously be determined by the relevant Committees and Leadership, but we can assume the following:

Ways and Means Trade subcommittee markup could occur during the second week of September with full Committee markup either the third or fourth week of September. The proposed bill could reach the House floor by the first or second week in October. The Senate Finance Committee held a hearing on June 3rd and could potentially mark up during mid-September so that the Senate could act on the bill that comes over from the House in early to mid October. Senator Lott noted that the Congress intends to adjourn by November 14th and Thanksgiving at the latest. Please keep in mind the fact that this bill will not proceed under the Fast Track. It will have to pass the House and Senate, go to Conference and pass the House and Senate again. We will not be able to prevent Amendments from being added in the Senate.

It is critical that by the third week of July, we must come to decisions on key policy issues such as duration, scope, labor and environment in the legislation. Before Members leave for the August recess we should have a good sense of where they are on these issues as well so that final negotiations can take place upon their return in September. The first week of September we will finalize consultations, begun prior to recess, with a broad range of Members. The goal is to transmit a bill the first week of September, although it may be more realistic to expect transmission the second week of September, so that it could be introduced in both Houses the second week of September.

It should be noted that while the committees of primary jurisdiction are Ways and Means and Finance, depending on how the bill is written, the Rules Committees may have jurisdiction as well. In addition, because of the interest in the issue, multiple other committees will certainly hold hearings as well (which was our experience with NAFTA).

III. Bill Preparation

In order to be in a position to transmit a bill in September, we must meet again with a number of key Members, individually and in groups. From a substantive and tactical perspective, the first groups should include Democrats who will form the whip group, and the Ways and Means Democrats. Substantively, the Democratic whip group can provide an indication of what language could garner the most votes, specifically with respect to labor and environment. The Ways and Means Democrats must be consulted on the same issues (as promised), and tactically this should occur in early to mid-July. We need to identify a core group of Democrats to join the whip effort and who are willing to do so early, in the face of labor opposition; this list would include Rangel, Matsui, Berman, Murtha, Dingell, Hoyer, Fazio, Gejdenson, Hamilton, Markey, Eshoo, Roemer, Moran, McCarthy, Davis and Tauscher. There may be a few of these who the President should phone and request their assistance (Murtha) or other cabinet members should

approach (Rubin call/meet with Rangel).

Once meetings with selected Democrats have taken place, meetings with key Republican House staffers should take place so that meetings may occur with the key Republican leaders the third and fourth weeks of July. These key Members include Gingrich, Arney, Archer, Crane, Dreier, DeLay, Hastert, Boehner, Kaisich and Paxon.

At the same time, we need to have similar meetings on the Senate side -- with key Senators such as Lott, Daschle, Roth, Moynihan, Grassley, Rockefeller, Baucus and Breaux -- in close proximity to House meetings. An objective should be to ensure the creation of a Senate whip operation. It should be noted that Senate Finance Committee staffers are meeting this week to begin drafting their own language. This process can be helpful to our own and we should work closely with them.

IV. Public Agenda: Public Affairs Planning

It is important to ensure that there is a nexus between the public affairs and congressional strategies. The public affairs activities should be targeted to Members and their districts; we should create the impetus in their districts that leads Members to the conclusion that they must do the right thing and vote for the legislation.

The fast track talking points provide a more positive and aggressive cut on the trade agenda and should be distributed to all members of the Cabinet that may become involved in discussion of trade issues (see attached package); these materials have been provided to some friendly House Democrats at their request. We will refine points, and develop new ones as issues are identified, so that we can provide Q&A information to be reviewed by principals this week. During this month we will have an opportunity to begin Cabinet outreach outside Washington, and inform key reporters, editorial boards, and opinion writers about the trade agenda. We also need to begin active involvement with the business community so that they can effectively communicate with their constituencies about fast track and the trade agenda.

July and August: The Lead-Up to Fast Track Introduction

As part of the overall strategy, while Members are in town during July, our efforts should be devoted to base-building and opinion leader outreach in July. We will focus on hands-on discussions with all Members to get a baseline of support and to identify where our opportunities for support lie. During July we should devote efforts to outreach in these Members' districts through op-eds, talk-radio and satellite feeds.

In August, to solidify support among Members and offset the massive television campaign planned by the AFL-CIO, several cabinet officials should travel to key areas of the country, provide satellite feeds and do talk radio in targeted congressional districts as well. Outreach

would focus on Democratic and Republican vote-rich areas that benefit from trade; these targets may change over time as we see where Members are lining up. Several cabinet members would be involved in the trips and many will be responsive to Member interest and requests. The trips should highlight at least a couple of different sectors including agriculture, manufacturing, high-technology and services. The following is a list of potential media markets (this list will undoubtedly expand once targets are finalized):

Northeast -- New York City, Albany, Hartford, Baltimore, Boston

Midwest -- Detroit, Lansing, Akron, Indianapolis, Milwaukee, LaCrosse, Green Bay, Bismarck, Des Moines

Southeast -- Nashville, Little Rock, Memphis, Raleigh, New Orleans, Tampa, Tallahassee, Atlanta, Dallas, El Paso

West -- Los Angeles, Santa Ana, Sacramento, Seattle, Portland, Phoenix, Denver

September: Bill Introduction

As stated above, the events surrounding the introduction of the bill will be determined in conjunction with the Committee and Leadership. We will expand this section once we know more about the make-up of the bill as well as the sense of the congress once the bill is about to be introduced.

CODELS

It has been suggested by McLarty and others that a CODEL to South America would be helpful to the effort. Our recommendation is that we let the Hill know we are available but let requests come from the Hill.

WEEK-TO-WEEK PLAN

Week of July 7th

- o Finalize plan of action for July, August and September
- o Finalize message documents
- o Begin staff level interagency calls to all Congressional offices to create preliminary whip list
- o Schedule principal meetings for month of July: Senate Finance; Senate Freshmen; Democrats whips; W&M Democrats; key Republicans; various large and small groups
- o Transmission of NAFTA report; ensure Congressional, business and opinion maker validators; plant seeds for supportive Dear Colleague letters
- o Contact staffs to House Democrats who would form core whip group and W&M trade staff to ensure support and seek bill language guidance
- o Contact Senate Finance staff re. their bill
- o Cabinet Member and Administration official meetings with key opinion leaders in the press/editorial boards, constituency leaders and business groups -- list determined by legislative targets.

Week of July 14th

- o Complete interagency calls to create preliminary whip list
 - o Possible W&M NAFTA Hearing on 16th
 - o Senate Commerce NAFTA Hearing on 16th (no Admin. witnesses)
 - o Organize positive Dear Colleagues on NAFTA Report
 - o Cabinet Member meetings should be sought with Dems whip group and W&M Dems first; individual, small and large group meetings as they can be scheduled
 - o Targeted cabinet member meetings/calls (e.g., Rubin and Rangel)
 - o Prepare fast track "primer" and talking points for Members
 - o Meet with staffs to key Republicans re. bill language
 - o Meet with Senate Finance staff re. bill language
 - o Cabinet Member and Administration official meetings with key opinion leaders in the press/editorial boards, constituency leaders and business groups
- [end of week target for completion of tax and spending bill conferences]

Week of July 21st

- o Key internal decisions on scope, timing, etc. must be made in order to produce the bill in a timely fashion
- o Cabinet Member and Administration official meetings continue
- o Seek Senate Finance Committee Executive Session
- o Seek meetings with key House Republican Members and Senate leadership re. bill language

- o POTUS calls to selected Dems to join whip effort (e.g., Murtha)
- o POTUS meeting with 30-50 House and Senate Dems
- o Cabinet Member and Administration official meetings with key opinion leaders in the press/editorial boards, constituency leaders and business groups

Week of July 28th

- o Preliminary base-touching with key Members on substance of the bill
- o Cabinet Member meetings continue
- o Second POTUS meeting with House and Senate Dems
- o Follow-up meetings with House and Senate key staff re. bill language
[end of week target for completion of action on tax and spending bills]

August Outreach

- o Cabinet Members and Administration officials begin outreach in targeted areas around the country through travel, satellites, op/eds, talk radio
- o Business community begins outreach on importance of the trade agenda
- o Editorial and opinion leader outreach to continue

Chantre ²⁰¹²
July 7

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Jay Bunn

775-8101

301-468-9288

Wife Rita

Erskine remarks
good BUT

Yesterday @ first
Trial meeting July 7

Thurs am July 8

Bowles, Rubin, Charles, DST, Susan B., Kyle
Gene S., Rubin ①

Inst. Travel

July 7/97

Charles's Points

① Budget / London

Steve Silkenra

② 5th Aug

③ Infrastructure
interagency

④ Papers time
meet before Aug recess

⑤ July work plan
Aug ✓ ✓

outreach work plan
Business

⑥ Cabinet Commitment

oper
news stories

⑦ Labor } WATTIA }
EU } report }

Substantive work plan

Bounds of Bill

L, E, scope

Who is to sit down w/ EU & EU.

Clear an mess. as

Scope Papers / USM

as Example

⑧ Refers to Com. member
re Erskine

Scope decision will
affect the paper

Cabinet commitment

Papers same / sounds like many

Bill early in Sept.

Plan
objectives

do not lose ground

POTS fund
Bus ✓

Extra zone July-Aug

{ Aggressive / Economics
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Just to hold ground

Sales period Sept-Oct

proposal need / Business hesitant per Pub. S. -

~~***~~ Enslive - need a political person in the White House -
Plan → Defta Scheer
model volunteered / Lifting / per Enslive

NAFTA report

- ① Friday release
- ② plan ??

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~~***~~ Case

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Bob Kyle

~~XXX~~

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July 8/97

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achieve

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victory /

① Honorary Chris

Evil same

Mitchell

Hills - Frazier

② WH / Cabinet support

Silverman

BAEN 206

Johnson

Valdez

O'Keefe

Roscoe / Friendly

Others

Willy

Walker

IBlee

Need political person / Peter Scherer

Rothcott

Bruce - TANA

③ Potes. Announcement of Beiner

W team incl. one ad Honorary Chris. Groups 1501

④ Business support / \$ for ad

campaign / Boonstein idea

②

⑤ Popus Time / What's @ stake
meetings w members NOW
Legacy / Imp / incl. Edit.
His Popus remarks.

⑥ Plus B for First Trial /
JVA

- Fisher
- Rothwell
- Baer
- Eric
- Nelson
- Steve
- Josiah
- Podesta

⑦ Podesta / LABA outreach
Positive But perilous in

my opinion
Popus + negat v L One to
negate v L

⑧ N7IB / CAC Support / outreach

③

⑨ Popus trips in Oct / April
taken into account
APEC Nov.

⑩ Congressional Outreach

DLC

Brookings

C of Am

Int'l Am

BAF

Etc.



The Business Roundtable

Chairman

Donald V. Fites
Caterpillar

Cochairmen

Ralph S. Larsen
Johnson & Johnson

Walter V. Shipley
Chase Manhattan

John F. Smith Jr.
General Motors

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Tel (202) 872-1260
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Samuel L. Maury
President

Patricia Hanahan Engman
Executive Director

June 11, 1997

The Honorable Thomas F. McLarty
Senior Counselor to the President and
Special Envoy to the Americas
The White House
Washington, DC 20500

Added
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wide
2051

Dear Mr. McLarty:

The Business Roundtable in May launched a congressional site visit program to inform lawmakers of the importance of trade to their local business and to build support for fast track, China MFN and other major 1997 trade measures.

Attached is a "Congressional Tool Kit" which was sent to all members of The Business Roundtable in April to support the trade site visit program.

We are now following up with phone calls to individual companies to track the activity and to ensure that participation in this program is at a high level throughout the summer months.

We thought you would like to know about this initiative. If you have any questions about our trade education project, feel free to contact me at (216) 291-7108, or my Washington Representative, Jim Christy at (703) 276-5030.

Sincerely,

Joseph T. Gorman
Chairman & CEO
TRW Inc.
Chairman, The Business Roundtable
International Trade and Investment
Task Force



Trade Project

File
Steve - Ronald

Steve -
Look this over & Return
to me.
Thank -
you!



PHOTOCOPY
PRESERVATION





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The Democratic Leadership Council on Trade

The Democratic Leadership Council (DLC) believes that open and free trade is essential to creating opportunity for ordinary Americans, and has been a strong and consistent proponent of trade expansion since our founding in 1985. In our view, the path of international engagement chosen by Woodrow Wilson, Franklin D. Roosevelt, Harry S. Truman and John F. Kennedy, updated to new conditions, charts the best course for America. We are committed to fighting both for new trade agreements and, at the same time, ensuring that every American has the tools to take advantage of the opportunities that come with U.S. leadership in the global economy.

The DLC was a prominent advocate for granting "fast track" trade negotiating authority in 1988 and 1991, for passage of the North American Free Trade Agreement (NAFTA) in 1993, and argued for the passage of the Uruguay round of the General Agreement on Trade and Tariffs (GATT) in 1994. The DLC generally has advocated granting "most favored nation" status to China, the same tariff treatment we accord our other trading partners.

The DLC's renewed emphasis on trade is in keeping with the challenge issued by its former chairman, President Bill Clinton, at the DLC's 1996 policy forum:

American trade is at an all time high, with over 200 new trade agreements in the last four years alone: 21 with Japan where our exports in those 21 areas have gone up 85 percent in four years; GATT, NAFTA, and many others. Our work now is no less important than the work that was done by the generation after World War II. We must create the structures of peace and security and the partnerships for peace and security and prosperity that will permit the American people to make the most of the 21st century.

Again, let me say the DLC can play an important role here ... Sometimes one of our most frustrating efforts as Democrats has been to convince our fellow Democrats that trade, if it's free and fair, is good for all the American people and essential for America's future. Another frustration we have had is trying to get the public at large, that has shown so much interest and so much sophistication in economic and social issues, to understand the connections between our foreign and our domestic policies, our security policies and our economic policies.

There are no more simple dividing lines between foreign and domestic in the world we're living in. We need your help to continue to raise public awareness of these fundamental facts, so that when decisions have to be taken in the area of foreign affairs they will resonate at home in the way that so many of the DLC ideas have resonated with the American people in domestic policy. And I hope you will pay some attention to that in the next year.

The DLC and its affiliated think tank, the Progressive Policy Institute (PPI), are a unique force for advancing a new agenda on trade, an idea center and an action arm. The Progressive Policy Institute's project on Trade in the New Economy is articulating a new agenda to address both the economic and social aspects of trade policy through research, forums, background papers and dialogue with leading thinkers in the field. The DLC works to build a broader base of public support for open trading policies through its training academy and other briefings for political leaders, and through its publications, including *The New Democrat* magazine, the DLC Update weekly fax and the DLC's web site.

In addition to these ongoing activities, the DLC Trade Project will:

- Research public opinion on trade expansion
- Organize elected officials and community leaders in key states to speak out on behalf of expanded trade
- Organize Congressional staff briefings on key trade issues
- Reach out to news reporters and editorial writers
- Conduct a public relations campaign, including advertising, specifically in support of fast track authority



FOR RELEASE MONDAY, APRIL 28, 1997
CONTACT: John Deeken
PHONE: 202/546-0007

DLC ANNOUNCES NEW TRADE PROJECT, NAMES DIRECTOR

WASHINGTON, D.C. -- The Democratic Leadership Council will work aggressively in Washington and around the country to promote a new open trade policy, including giving President Clinton fast track negotiating authority, DLC President Al From announced today. From also named Edith R. Wilson as Director of the DLC trade project.

"In the tradition of Wilson, FDR, Truman, and Kennedy, the DLC has always believed that expanding trade is essential to creating opportunity for ordinary Americans to get ahead," said From. "We are committed to fighting both for new trade agreements and for ensuring that every American has the tools to take advantage of the opportunities that will come with our continued leadership in the global economy."

The DLC was a prominent advocate for passage of the North American Free Trade Agreement in 1993 and the Uruguay round of GATT in 1994.

Wilson, who has 25 years of experience in trade and international affairs in the public and private sectors, will also be a Senior Fellow in the DLC's think tank, the Progressive Policy Institute, and lead the PPI's Project for Trade in the New Economy. PPI's trade project envisions a "third way" alternative to both contemporary neo-protectionism and orthodox laissez faire by articulating a new agenda of the economic policies to promote open trade in the new global economy. That includes the need for public policy to ensure that all Americans have the tools they need to succeed in the increasingly competitive international economy.

Wilson served as Eastern Pennsylvania Director for Clinton/Gore '96 and Chief of Staff to U.S. Senator Carol Moseley-Braun during the 104th Congress. Previously, she was Senior Vice President for International Affairs at Burson Marsteller, where she worked since 1983. She founded the Food Action Center in 1975, a non-profit outreach and training center focusing on world hunger and development issues. She holds a Masters in Public Administration degree from Harvard's Kennedy School of Government and a bachelor's degree from Bryn Mawr College.

The DLC's renewed emphasis on trade is in keeping with the challenge issued by its former chairman, President Bill Clinton, at the DLC's 1996 policy forum last December. "Let me say the DLC can play an important role here," the President said. "Sometimes one of our most frustrating efforts as Democrats has been to convince our fellow Democrats that trade, if it's free and fair, is good for all the American people and it's essential for America's future.(...) There are no more simple dividing lines between foreign and domestic in the world we're living in. We need your help to continue to raise public awareness of these fundamental facts, so that when decisions have to be taken in the area of foreign affairs they will resonate at home in the way that so many of the DLC ideas have resonated with the American people in domestic policy. And I hope you will pay some attention to that in the next year."



Edith R. Wilson

Edie Wilson is the Director of the DLC Trade Project, and as Senior Fellow at the Progressive Policy Institute, runs the Trade in the New Economy Project. She brings over twenty years of experience in international affairs, policy analysis, management, politics and management for government, business and non-profit organizations. She holds a master's in public administration from the Kennedy School of Government at Harvard and a bachelor's degree in history from Bryn Mawr College.

Edie served as chief of staff to U.S. Senator Carol Moseley-Braun of Illinois during the 104th Congress, supervising a staff of 50 and a broad range of legislative and political issues. She was Eastern Pennsylvania Political Director for Clinton/Gore '96. Previously, Edie was Senior Vice President for International Affairs at Burson-Marsteller, where she worked from 1983 to 1994. She is a veteran of the 1991 campaign for "fast track" trade negotiating authority and the 1993 NAFTA campaign, and worked closely with environmental, business and consumer groups.

In 1975, Edie founded the Food Action Center in Washington, D.C., a non-profit outreach and training center focusing on world food and development issues. In that role and later as senior associate at New Transcendy Foundation, she worked extensively with non-governmental organizations working abroad and with international aid agencies. She was part of a Transcendy women-in-development project team for the Government of Morocco. From 1981 - 83, she was director of communications for CARE, the international relief and development group, where she launched a program to educate Americans about conditions in developing countries. She was trained as a community organizer at the Midwest Academy in Chicago in 1979.

Ms. Wilson has been a board member of the Kennedy School of Government D.C. Alumni Council, of the United Nations Association-U.S.A., the U.S. Committee for UNICEF, the Overseas Education Fund and the Hunger Policy Coordinating Council of the National Council of Churches, among others. She served on the National Policy Panel on Human Rights and U.S. Foreign Policy of the United Nations Association from 1978-80. In 1979 she was one of 18 American leaders to participate in a Transnational Dialogue on Food and Development in India and Sri Lanka sponsored by the Overseas Development Council and the Charles F. Kettering Foundation.

Edie grew up in White Plains, N.Y., and has lived in Ethiopia, Morocco, England, France, and Costa Rica. She speaks French and some Spanish.

THE BATTLE AHEAD

This Is Not the Time for New Democrats To Rest on their Laurels

BY AL FROM

Last month's highly publicized and successful Presidents' Summit on America's Future is just the latest example of the New Democrats' impact on national politics. If we hadn't thrust voluntary national service onto the political front burner several years ago, the event probably would not have occurred.

There is plenty of other evidence of our impact as well, not the least of which was President Clinton's election and re-election on New Democrat themes. Then there's the current drive for a balanced budget (a compromise seemed imminent as we went to press); last year's passage of welfare reform, the expansion of community policing and the birth of the police corps; the approval of trade agreements like NAFTA and the GATT; and the Ford Foundation's decision last month to spend \$15 million in support of individual development accounts.

All these ideas and many others bear the New Democrat imprint, and President Clinton has advanced each one. Indeed, they are the defining ideas of his presidency—and can be the cornerstones of his legacy.

The success of New Democrat ideas hasn't stopped at the water's edge. In Britain, Tony Blair's New Labour movement rode to power last month on themes virtually identical to those of the New Democrats. And at a conference I attended recently in Berlin, it was difficult not to notice the influence of New Democrat ideas on European lead-

ers struggling to reconcile postwar social welfare promises with the economic realities of the 1990s.

Given those examples of the success of the New Democrat formula, you might think that the internal battles waged within the Democratic Party since the late 1960s would be history, and that the party would be firmly set on a New Democrat course. You might think that, but you would be wrong.

The future of our movement and the legacy of the first New Democrat President are at stake.

Many Democrats—including most party leaders in the House—believe the way to retake Congress is to build a majority around non-college graduates at the lower end of the economic spectrum. And the way to do that, they believe, is to oppose an agreement to balance the federal budget and revise the Consumer Price Index; to oppose the reform of Social Security and the health care entitlements; to oppose giving the President authority to enter into new trade agreements; and to oppose doing what's necessary to complete the job of converting welfare into a work system.

They're wrong in both their political analysis and in their substance.

No matter how you massage the polls, I cannot accept that Democrats can build a political majority on a foundation of big federal deficits, empty promises to seniors, trade protection, and restoration of the failed welfare state.

The forces that brought us crushing defeats in the presidential elections of 1980, 1984, and 1988 are re-arming for battle. We can expect intra-party lines to be drawn sharply on the issues described above and on many others. 1997 is no time for New Democrats to sit back and savor our advances. We must redouble our efforts, for this year's fights may well determine whether or not our country begins the 21st century on its soundest fiscal basis in three decades; determined to make its major entitlement programs secure for generations ahead; committed to trade expansion and a lead role in the global economy; and ready to tackle its most intransigent social problems with energy and innovation.

The coming fights will determine whether the Democratic Party is ready to lead America forward with vision and innovation, or whether its most recalcitrant forces will reverse our progress to build a new political and governing majority.

These are fights New Democrats have to win. The future of our movement and the legacy of the first New Democrat President are at stake. ♦

Al From is president of the Democratic Leadership Council.

Two Steps Forward, No Turning Back

On the brink of its first legislative test in the U.S. Senate, the budget agreement struck by President Clinton with the congressional leadership on May 2 looks more and more like a defining moment for the Democratic Party. Despite mutinous rumblings on the left, it appears that public support for a balanced budget will keep traditional liberals from declaring war on the agreement. If so, many congressional Democrats could go into the 1998 elections virtually invulnerable to the "tax and spend" label that has served as the most powerful Republican weapon for a generation. As pollster Mark Penn has found, support for a balanced budget agreement has a huge impact on the willingness of voters to keep incumbent Democrats in office.

Fiscal discipline is a very important theme of the New Democrat economic message, but the performance of the economy under this New Democrat President is the heart of the story.

You do not have to believe the business cycle has been conquered to accept that the U.S. economy is now performing in a manner reminiscent of the 1960s, with low inflation, low unemployment, and low interest rates, along with steady if unspectacular growth. The "stagflation" of the 1970s, and the boom-and-bust swings of the 1980s, are rapidly receding into unhappy memory. Today's economy seems to have achieved a plateau that makes efforts to increase growth and raise incomes entirely feasible.

From a political point of view, identifying the Democratic Party with broad economic growth through the private sector has always been a key element of the New Democrat strategy, critical to our efforts to reach out to middle-class Americans leery of government income redistribution schemes.

That is why the Administration—which has done so much to change the economic message of the Democratic Party—should quickly follow up on its landmark budget agreement by advancing a broad agenda of growth and upward mobility. And while that agenda should include new investments in education, a strong commitment to worker training and retraining, a real employment system for former welfare recipients, and family tax relief, it must begin with a robust new commitment to American economic leadership through trade.

It was a nice coincidence that the President embarked on a trip to Mexico, Central America, and the Caribbean immediately after concluding the budget agreement. It helped underscore the point that balancing the federal budget is but one element in an overall economic policy aimed at success in a global Information Age. And although drug and immigration issues dominated the news from the President's trip, much of the private discussions revolved around Latin American demands that the United States resume its leadership in hemispheric commerce. To do that, the President's fast-track authority to conduct trade negotiations needs to be renewed.

Since the beginning of the 105th Congress, Administration officials have said that a drive to secure fast-track, which expired in 1994, was the President's second most important legislative priority after the budget agreement. But now that achievement of the first priority is in sight, some cautious souls in the Administration are reportedly arguing for continued delay in pushing fast-track, on grounds that fences must be mended with the Democratic left and organized labor before raising another issue on which they disagree with the President. One step forward, goes the argument, and then a half-step back.

We cordially disagree. The President has beaten Old Democrats into sullen passivity on the budget agreement, and he'll have to beat them again on fast-track. There is no power on earth that will make them happy about it, and therefore nothing to gain from holding back. More to the point, fast-track is central to the economic success story that increasingly makes the retrograde message of class warfare and government redistribution obsolete. Why placate paleoliberals who are not-so-secretly praying for a recession by adopting a tactic that could help make their dreams come true?

All New Democrats should let the President, and congressional Democrats as well, know that the defining moment of the budget agreement should lead to a defining moment on trade policy. While the President has the momentum, he should take two steps forward, and then, with an election year just ahead, all Democrats will understand there is no turning back.

A National Conversation

In our continued effort to expand our national network of New Democrat leaders, we will be hosting a special roundtable discussion in Washington, DC on July 17th and 18th. Featuring DLC/PPI principals as well as New Democrat rising stars from around the country—including business leaders,

elected officials and policy experts—the event will kick off a more sustained, interactive dialogue with our growing network from around the country. Key issues such as education, entitlement reform, trade, and economic opportunity will be discussed. For more information about the event, please call the DLC Development Department at 202-546-0007.

China MFN: Toward a Tough but Smart Policy

Monday, President Clinton announced the renewal of China's "Most Favored Nation" trade status for another year. It will be extended unless Congress enacts a joint resolution of disapproval by Aug. 31.

The President's announcement will also launch an ugly, contentious debate in Congress and the news media about our overall relationship with China, and about China's overall performance on issues ranging from human rights to Hong Kong to Tibet, with MFN held hostage. That's a shame. MFN is the wrong instrument for pressuring China, and the wrong subject for a general review of U.S.-China policy.

MFN is really a misnomer. It is not foreign aid, and does not extend any special privilege or favor to China. It is the normal tariff status we extend to all but a small handful of countries with which we trade. Iran, Iraq, Libya, Syria, and Burma all receive MFN status

even though they face U.S. economic sanctions.

If we want to trade with China—one of the fastest growing economies in the world, and already the source of 170,000 export-related U.S. jobs—then we need MFN. If we want an updated China policy that encourages progress in that country toward economic and political freedom, and compliance with the international standards of conduct, then let's have that debate on a separate track that fully explores all our interests—strategic, economic, and ideological.

We can "get tough" with China without endangering our own interests or abandoning a basic posture of engagement that has taken decades to develop. A tough but smart policy would begin by treating the MFN extension as the routine chore it actually is, and would proceed to a thorough review of U.S.-China relations.

Time for a Real Debate on U.S. Defense Strategy

The Department of Defense Monday released its first Quadrennial Defense Review (QDR), presenting the Pentagon's view of the strategic underpinnings of U.S. defense programs and budgets until the year 2005. Trying to stay "ahead of the curve" on defense policy, we are pleased to announce publication of a Backgrounder on the Quadrennial Review by PPI Fellow James Blaker, *The QDR: An Assessment*.

Blaker is a member of PPI's Defense Working Group, and author of *The Revolution in Military Affairs*, a February 1997 PPI Policy Report. In the new Backgrounder, Blaker describes the QDR as a predictable Pentagon effort to "save as much of the past era's military as a flat budget will allow," without engaging in "the serious, in-depth discussion demanded by the fact that we continue to hang onto a military designed twenty years ago for an era that ended

nearly a decade ago."

Fortunately, says Blaker, Congress last year anticipated a "stand pat" QDR, and adopted PPI's proposal to establish a national defense panel that is required not only to review and assess the QDR, but to provide an alternative view, thus stimulating a real public debate over long-range defense policy. In fact, as Blaker explains, one alternative view—to accelerate rather than to avoid the technology-based "revolution in military affairs"—has been articulated within the Pentagon by Joint Chiefs of Staff Chairman General Shalikashvili.

The QDR: An Assessment is essential reading for anyone interested in the future of defense policy, and its implications for U.S. security and the federal budget. It is available by calling (202) 546-0007 or by visiting the DLC-PPI web page at <http://www.dlcppi.org/>.

The New Democrat Takes a Closer Look at Campaign Finance Reform

The May/June issue of *The New Democrat* features a symposium on the complex problem of campaign finance reform. Nine contributors—including Sen. Bob Kerrey (D-NE), former Sen. Bill Bradley (D-NJ), and Rep. Marty Meehan (D-MA)—present distinct perspectives on the issue, and on the legal and partisan obstacles to reform. This "closer look" symposium provides an excellent summary of fresh thinking on campaign finance reform; and together, the articles show why it is so hard to get a

bipartisan consensus for any particular solution.

This issue of *The New Democrat* also includes an article and editorial calling for new pollution control strategies as part of a reconsideration of the Clean Air Act; a report on "community prosecution" by Harvard's Catherine Coles; a front-line update on Wisconsin's welfare reform experiment by state Rep. Antonio Riley; and an analysis of organized labor's plans for "wired workers" by former United Mine Workers official Jim Grossfeld.

DLC Joins Fight For MFN, "Tough But Smart" China Policy

In an event televised live on C-SPAN, the Democratic Leadership Council and its think tank, the Progressive Policy Institute, weighed into the fight over trade relations with China on May 27, calling for the renewal of most favored nation status for China as well as a new "tough but smart" China policy.

The event featured DLC Chairman Sen. Joe Lieberman of Connecticut; Rep. Robert Matsui of California, the ranking Democrat on the Ways & Means Trade Subcommittee; DLC President Al From; and PPI Senior Fellow Robert Manning, the author of a new PPI Report, *Reality Check: From the MFN Debate to a Tough, but Smart China Policy*. The event follows President Clinton's announcement last week that he would renew China's MFN status, which sets the stage for congressional action this summer.

As Sen. Lieberman noted in his opening statement, the timing of the news conference—held immediately after House Minority Leader Rep. Richard Gephardt's announcement that he will oppose MFN for China—was not coincidental. DLC President Al From has called the pending votes in Congress on MFN renewal and fast-track trade negotiating authority for the President "defining issues" for the Democratic Party, and crucial for New Democrats. The DLC has launched a new trade advocacy project, while PPI has initiated a Project on Trade in the New Economy.

"We are here to call on our fellow Democrats in both chambers to vote for MFN, not because it is good for China, but because it is good for America; and not because it is good for American business, but because it is good for America's workers and consumers," Lieberman said.

Matsui predicted that more than a majority of the House, generally considered to be more protectionist-leaning for both parties, would ultimately support MFN for China by voting down a resolution of disapproval. The problem with ending MFN status to China, Matsui said, is that it won't accomplish the policy objectives opponents seek. "If in fact we could actually advance the cause of human rights by eliminating most favored nation status, I would agree with that," he said. "But the fact of the matter is it will do no good at all. It will merely put China on a course that could result in a Cold War over the next decade and a half."

DLC President From called expanding trade "one of the cornerstones of President Clinton's successful economic policy." Even so, he warned that "some Democrats oppose

our party's tradition of supporting free and fair trade, and are again calling for protectionist measures... If the protectionist faction within the Democratic Party is successful, they could change the mix of policies that has brought about one of the longest, most sustained periods of non-inflationary economic growth in American history. And that likely would reduce, not enhance, the opportunities to get ahead for hard working Americans to whom the Democratic Party must give voice."

In a similar vein, Lieberman called it "an article of New Democratic faith that economic growth and new job creation will not happen without free and vigorous trade throughout the world."

Just as important, Lieberman said, are the political stakes. "Politically, this debate is really about the future of the Democratic Party, about the unfinished revolution we began in 1985 to break the Party from old ideas and ways that were not working for America's working families, and were not electing Democratic candidates to political office. It is about having the guts to disagree with special interest groups so that we can serve the national interest. And it is about standing boldly for growth and jobs, not defensively for tariffs and protectionism."

The new PPI report offers alternatives to MFN as the focal point for China relations. "The singular challenge is to find a bipartisan consensus on what priorities to emphasize, what instruments provide real leverage, and what benchmarks to apply in measuring progress—or the lack of it—in China's behavior," Manning writes in the paper.

Annual two-way trade with China has grown eightfold in the last decade, from less than \$8 billion in 1986 to \$63 billion in 1996; there is more than \$10 billion in cumulative U.S. direct investment in China; and nearly 200,000 U.S. jobs depend on China trade. Given this growing relationship, Manning states that it "is not credible to annually threaten MFN withdrawal: it is one bullet, one time, certain to result in mutual assured destruction."

Instead, he suggests a "tough, smart policy" tailored to advance America's economic, security, and human rights interests in addressing China's domestic and foreign policies. *The PPI report is available from the Publications Desk at 202- 546-0007, or 1-800-546-0027 outside the D.C. calling area. It can also be downloaded from the DLC/PPI website: <http://www.dlcppi.org/texts/foreign/mfn0597.htm>.*

The DLC Briefing

A New Democrat Perspective on the Issues from the Democratic Leadership Council

May 22, 1997

The DLC Briefing is a new service providing a concise New Democrat perspective on national issues that are of immediate interest to policymakers. Please contact 202-546-0007 with comments or suggestions.

Renewing China MFN

What's Happening

President Clinton this week announced his decision to renew China's most-favored nation (MFN) trade status for another year—the same decision that has been reached every year since 1980 by Presidents Carter, Reagan, Bush, and Clinton.

Despite its name, MFN is the normal trading status granted to all but a small handful of nations. The annual renewal process flows from a 1970s law aimed at pressuring the Soviet Union to allow greater Jewish emigration. That law bans MFN status for non-market economies unless the President each year waives the ban by June 3. The ban can be reinstated and MFN denied if Congress passes a joint resolution of disapproval by August 31. Since such a resolution can be vetoed, opponents of MFN would need a two-thirds vote in both chambers to prevail. Clearly, denial of MFN would represent an abrupt termination of the bipartisan U.S. policy toward China that first emerged in the 1970s.

U.S.-China trade was valued at \$63 billion in 1996, and at least 170,000 U.S. jobs depend on exports to China. American companies have \$10 billion in cumulative direct investment in China.

New Democrat Principles

- ♦ "Democratic realism" in foreign policy means that the United States should view its most important relationships in the world through a careful balancing of all our interests—economic, strategic, and ideological—instead of acting narrowly and precipitously in reaction to ongoing events that displease us.
- ♦ Given China's size, strategic importance, and potential economic and political power, the United States should seek a "new bargain" with China whereby we support modernization of its economy while drawing it into international institutions and rules of conduct.

The Politics

This year's MFN debate occurs in a hothouse climate fueled by allegations of Chinese influence-buying in the 1996 election campaign, apprehension about the July reversion of Hong Kong to Chinese sovereignty, and an array of single issue concerns from religious persecution to arms exports, galvanizing a new left-right, anti-China coalition against MFN.

Especially hostile to MFN are: (1) labor-oriented "populists" on the left, led by House Minority Leader Dick Gephardt, who not only attack China on human rights grounds but claim that our trading relationship with China undermines American workers; (2) old-fashioned "cold warriors" on the right who view China as the new

"evil empire;" (3) a small but very active group (including the U.S. Conference of Catholic Bishops and the conservative evangelical Family Research Council) that wants to protest China's mistreatment of Christians; and, (4) an array of Republican partisans who are using the issue to highlight the "China angle" in fundraising allegations against the President and the Democratic National Committee.

The New Democrat Take

There should be a vigorous national debate over China and the meaning of its emergence as a major economic and military power. The singular challenge is to find a bipartisan consensus on what priorities to emphasize, what instruments provide real leverage, and what benchmarks to insist on in regard to China's behavior.

But MFN is the wrong arena for this debate. MFN is not foreign aid. It is not a favor to, or special privilege for, China. Nearly a hundred countries receive special trade status from the United States through agreements such as NAFTA or the Generalized System of Preferences (GSP). MFN is merely normal tariff status, extended even to countries like Iran, Iraq, Libya, Syria, and Burma that face United States economic sanctions. No other country puts conditions on MFN status for China, nor would any country follow the U.S. in removing MFN for China.

Terminating China's MFN status would dramatically affect all bilateral trade, eliminate some of it, substantially raise prices for U.S. consumers, and trigger a downward spiral of confrontation in U.S.-China relations. It would also undercut the growth of the private sector in China which has reduced the domain of the state and expanded individual freedom. Moreover, it would also cause serious damage to the Hong Kong and Taiwan economies, which are deeply integrated into China's import and export sectors. This explains why Hong Kong Governor Chris Patten and Martin Lee (leader of Hong Kong's democratic opposition) have strongly supported MFN for China. Moreover, the China Service Coordinating Office, an organization of Evangelical Christian missionary groups, argues that denying MFN would put its missionary work inside China at risk.

Talking Points

- As President Clinton pointed out, every President since 1980 has annually renewed MFN.
- MFN is a misnomer. It is only normal trade status—not a favor, not a privilege, not foreign aid.
- Removing MFN is too blunt an instrument to be an effective tool to change Chinese behavior.
- An effective, alternative way to achieve demonstrable results with China would be to shift the focus from MFN to China's accession to the World Trade Organization, which will shape China's economy and its commercial relationship with the world for the next generation. Using a benefit that China wants but does not currently have, instead of one it currently has that would be withdrawn, would give us greater leverage at a much lower risk to U.S. interests.



FOR IMMEDIATE RELEASE
Tuesday, May 27, 1997

Contact: John Deeken
(202) 547-0001

PPI REPORT CHARTS NEW 'TOUGH, SMART' CHINA POLICY

As Congress gears up to debate President Clinton's decision to renew most favored nation (MFN) trading status to China, the Progressive Policy Institute today released a policy paper supporting MFN renewal and calling for a new, "tough but smart" China policy.

"The singular challenge is to find a bipartisan consensus on what priorities to emphasize, what instruments provide real leverage, and what benchmarks to apply in measuring progress—or the lack of it—in China's behavior," wrote PPI Senior Fellow and China expert, Robert A Manning, in the new PPI report, entitled "Reality Check: From the MFN Debate to a Tough, but Smart China Policy."

"MFN is simply the wrong arena for the China debate. MFN is not foreign aid. It is not a favor to, or special privilege for, China. MFN is merely *normal* tariff status extended to all but a handful of countries with which we trade (Cuba, North Korea, Afghanistan, Laos, and Vietnam). Iran, Iraq, Libya, Syria and Burma all receive MFN treatment even as they face U.S. economic sanctions. It is simply the basis upon which international trade is conducted."

Noting that U.S. annual two-way trade with China has grown eightfold in the last decade, from less than \$8 billion in 1986 to \$63 billion in 1996, that there is more than \$10 billion in cumulative U.S. direct investment in China, and nearly 200,000 U.S. jobs depend on China trade, Manning states "It is not credible to annually threaten MFN withdrawal: it is one bullet, one time, certain to result in mutual assured destruction."

"The challenge to U.S. policy is to define our priorities and benchmark China's conduct vis-a-vis American interests. We must face the reality that we can not have it all at once. We must pick our issues and husband our leverage wisely, building coalitions when possible. It must be led by the President, and a major policy review would be a useful place to start. The Executive branch would be well advised to find ways to improve its consultation with Congress.

"Americans do have a long list of legitimate concerns about China's domestic and foreign policies which fall into three broad baskets—economic, security, and human rights/values. A tough, smart policy should be tailored to address all three."

On the economic front, Manning argues that the United States should shift the economic focus from MFN to a far more important long-term issue: China's accession to the WTO. "This will shape China's economy and its commercial relationship with the world for the next generation, set the tone for the accession of Russia and others, and affect the very credibility of the WTO. Congress should also demand that the Administration set up a process of regular consultation on the China-WTO negotiations.

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On the strategic front, instead of the current "dialogue" the U.S. should pursue results-oriented strategic talks with China on the future of nuclear weapons, their export controls, and place a priority on curbing Chinese military and nuclear exports to Southwest Asia, principally, Iran and Pakistan. The Administration could "get tough" with China by: stepping up U.S. counter-intelligence against China, particularly against industrial spying and attempts to acquire technology under false pretense; tightening export controls and more closely monitoring end use of technology exports; demanding on-the-ground monitoring for compliance with trade agreements; and by pressing for more cooperation with U.S. anti-drug efforts in the heroin-producing Golden Triangle along the Thai-Burma-China borders.

In developing a new policy to address U.S. concerns with China's human rights policies, Manning argues for a three-pronged approach designed to facilitate change from within rather than imposing it from the outside:

- In areas where internal trends are moving in positive directions—expansion of non-governmental organizations (NGOs), rule of law, local elections—the United States should cooperate with China in facilitating these trends.
- We could allow individual Americans to exercise their condemnation of repression in China by, as the Heritage Foundation has proposed, enacting "Know Your Trading Partner" legislation, which would identify all Chinese military-owned companies and products, allowing consumers to make a choice.
- Finally, U.S. human rights strategy must include quiet diplomacy, with our allies as well as Beijing, to identify realizable goals for human rights—for example, Beijing's recognition of the Pope and other moves towards more religious freedom, Red Cross visits to jails, and release of leading dissidents. There should be carefully targeted penalties, for example, cutting access to the International Development Agency (IDA) and other concessional lending for particular human rights abuses."

Manning notes that the case of Hong Kong, which reverts to Chinese sovereignty on July 1, "is a difficult issue of special concern. We should benchmark three core issues: free and fair elections in 1998; integrity of the courts and the civil service; and financial and commercial autonomy.

"We must begin to define a tough, but smart approach to China that achieves results in areas identified as top priority concerns. There is no silver bullet, no bumper sticker for a workable China policy that satisfies the many deeply felt concerns about China. The emergence of China is the biggest challenge facing the international economic and political system into the 21st century. It requires focused, sustained attention and leadership from the Executive Branch and a working partnership with Congress."

DLC *news release*

Democratic Leadership Council

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FOR IMMEDIATE RELEASE

Tuesday, May 27, 1997

STATEMENT OF AL FROM, DLC PRESIDENT ON RENEWING MFN TRADE STATUS TO CHINA

“President Clinton’s economic policies have helped yield terrific results for our country and for hard working Americans. More than 12 million net new jobs have been created in the past four and one-half years, unemployment is under five percent for the first time in a quarter century, inflation is running under three percent, and economic growth is the highest in nine years. On top of all that, today there is news that consumer confidence is at a 28-year high. American leadership in the global economy has been restored, and we have a firm foundation for prosperity well into the 21st century.

“One of the cornerstones of President Clinton’s spectacularly successful economic policy is expanding trade. However, some Democrats oppose our party’s tradition of supporting free and fair trade, and are again calling for protectionist measures in the cases of renewing MFN and the President’s fast-track authority.

“If the protectionist faction within the Democratic Party is successful, they could change the mix of policies that has brought about one of the longest, most sustained periods of non-inflationary economic growth in American history. And that likely would reduce, not enhance, the opportunities to get ahead for hard working Americans to whom the Democratic Party must give voice.

“So Democrats face a choice. Will we complete the transformation of our party in accordance with the New Democrat course President Clinton has laid out? Or will we reverse course and fall victim again to the old politics that left us in the political wilderness for much of the past quarter century? We don’t have to wait until the year 2000. The outcomes of the battles this year over the budget and trade will likely determine the answers to those questions.”

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MATTERS OF PRINCIPLE

There is an increasingly vigorous, and ultimately healthy, debate going on within the Democratic Party about how, in the words of House Minority Leader Dick Gephardt, to "translate our values and beliefs in today's circumstances."

But there is one recurring false note in this debate that is insinuating itself into speeches by traditional liberals and the op-ed columns of major newspapers: the assertion that Old Democrats are defending "principles," while President Clinton and New Democrats are motivated by purely political considerations.

Sure this New Democrat stuff works politically, goes the familiar rap. Sure welfare reform, and fiscal discipline, and fighting crime, and cutting taxes are popular, but they represent a betrayal of Democratic principles.

There's only one problem with this argument. It ain't true.

Consider three issues where the appeal to "principle" is most often made to criticize New Democrats:

Welfare Reform: Democrats are supposed to fight for upward mobility for low-income Americans. That's why New Democrats are fighting to replace the old welfare system with an employment system that lifts welfare recipients into the private-sector economy, by making work pay and by directly linking workers to job opportunities.

Some traditional liberals oppose this approach because they do not believe the jobs are there. New Democrats say we must find out by trying, instead of joining Republicans in giving up on welfare recipients. Ours is a principled position.

Entitlements: Democrats are supposed to be concerned about keeping the promise of a decent living in retirement for Americans. We're also supposed to worry about finding the fiscal means to make public investments that contribute to economic growth and give working Americans the tools they need to succeed in the economy of the future. That's why New Democrats think it's critical to modernize the Social Security and Medicare entitlements, because as currently constituted they will go bankrupt while squeezing public investments right out of the federal budget.

Some traditional liberals oppose this approach because they think we can find the money to keep the entitlements

intact while making public investments, by slashing the defense budget, or soaking the rich with new taxes. New Democrats think that's wishful—and thus irresponsible—thinking, and plays into the Republican strategy of starving public investments to death. Ours is a principled position.

Trade: On this issue, the claim that New Democrats are not principled is simply laughable. Support for open markets and hostility to protectionism is the oldest principle of the Democratic Party, uniting Democrats from the Jackson Era to the late twentieth century, even when the party was deeply divided on other issues. Every twentieth-century Democratic President has promoted freer international trade, and even the labor movement was largely pro-trade until the late 1970s.

Open trade is a defining principle for Democrats for a very simple reason: protectionism always has and forever will represent action by government to give a small handful of industries fearing competition special privileges, at the direct expense of everyone else in the country. Protectionism also inherently fosters political corruption, by inviting industries to bid for intervention to boost their profits.

Today, Old Democrats argue that trade agreements undermine job stability and income levels for some workers. New Democrats respond from principle that it is unfair and un-Democratic to elevate the interests of industries threatened by international competition above the interests of workers in exporting industries, the interests of consumers, the interests of communities that benefit from foreign investment, and the interests of every American who benefits from the current conditions of steady growth.

Fighting for fast-track trade negotiating authority for the President, and opposing efforts to cut off trade with China, represent fidelity to a principle embraced by the very Democratic icons whose authority is so often cited by those opposing efforts to modernize the legacy of the New Deal and the Great Society.

On welfare, entitlements, trade, and a host of other issues, there remain sharp and defining differences between all Democrats and all Republicans, and legitimate differences among Democrats that we should continue to debate.

But New Democrats should never for a moment concede that the political viability of our ideas somehow reduces their intellectual integrity or their moral power.

THE WHITE HOUSE BULLETIN

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MEMORANDUM FOR SUBSCRIBER

SUBJECT: TODAY'S BRIEFING

DATE: TUESDAY, MAY 27, 1997

- o **Democrats To Highlight MFN Today.** While House Minority Leader Richard Gephardt is expected to make a case today in Detroit against MFN for China, a group of moderate Democrats will be making a case in favor of MFN.

In his speech today, Gephardt is expected to say, "The United States has no business playing 'business-as-usual' with a Chinese tyranny that persecutes Muslim leaders and leaders from many other faiths, precludes tens of millions from practicing their religion, sells the most lethal weapons to the most dangerous of nations, profits off slave labor, and engages in the utter evil of forced abortion." An advance text of the speech also reveals a heavy emphasis on freedom and human rights. Gephardt is expected to say, "Finally, human rights is a vital national security interest. ... As we saw with the Soviets, the answer is not to shrink from the defense of our values, but to redouble it." Gephardt is expected to conclude, "We cannot appease China's leaders into honoring human rights. But we do have the power and potential incentives to seek and achieve change." Gephardt's speech is the second major recent break with the Administration on policy, and Gephardt's speech text makes pointed references to his 1988 appearance at the Detroit Economic Club – which happened to be the last time he ran for president.

Asked about the text of the Gephardt speech, presidential spokesman Mike McCurry said this morning, "Well, we'll charitably disagree. The suspension of normal trade relations with China would be, in some sense, a declaration of economic war on China and would further isolate China from the world community. And it's long been our policy view that engagement with China is much more likely to produce the changes in behavior that the American people seek."

Meanwhile, Sen. Joseph Lieberman, head of the Democratic Leadership Council, Rep. Bob Matsui, and DLC fellow Bob Manning are expected to contend this afternoon that MFN is "too narrow a debate," according to a DLC official, and that the proper focus of the debate ought to be China's accession to the World Trade Organization. According to a policy report prepared by the DLC's Manning, "terminating China's MFN would dramatically affect all bilateral trade, eliminate some of it, substantially raise prices for US consumers, and trigger a downward spiral of confrontation in US-China relations. It would also undercut the growth of the private sector in China which has reduced the domain of the state and expanded individual freedom. Moreover, it would also cause serious damage to the Hong Kong and Taiwan economies which are deeply integrated into China's import and export sectors." The paper also

contends that revoking MFN would "worsen rather than ameliorate the problem of religious persecution" in China, citing a report by an organization of evangelical Christian missionary groups active in China. The paper supports the "proportionate, targeted sanctions" against Chinese efforts to provide military capability to Iran and Pakistan, contending that is a better approach to some of the serious national security concerns the US has with China. In addition, in arguing for making WTO membership the key ground for debate, Manning says, "This will shape China's economy and its commercial relationship with the world for the next generation, set the tone for the accession of Russia and others, and affect the very credibility of the WTO." The Clinton Administration, which is in favor of MFN, has been lobbying quietly for months in favor of Chinese accession to the WTO.

While Democrats are split on the issue of MFN, so are Republicans. A House GOP leadership source said this morning that no whip count has been done on MFN approval in the House and one may not be done "because we don't know if that's going to be the leadership position."

NATIONAL JOURNAL'S
Congress Daily

Pg 1 of 5

3:02 PM • Tuesday, May 27, 1997

TRADE**Gephardt Will Oppose Extending China MFN Trade Status**

Flatly declaring that "our trade policy with China has failed," House Minority Leader Gephardt today said he will oppose renewal of most favored nation trade status for China because "we cannot appease China's leaders into honoring human rights." In the prepared text of

a speech to the Detroit Economic Club, Gephardt called on the United States to use its lucrative market for Chinese exports as a more potent tool in forcing the Beijing government toward consistent human rights and economic reforms. "It is not enough to issue mild condemnations of Chinese actions," Gephardt said. "Actions speak louder than words and our administration's actions, as well as its words, have been far too weak when it comes to China."

Gephardt, who also broke with the administration on the issue of renewing fast track trade negotiating authority, said access to the U.S. market "is a privilege, not a right," and China "has forfeited that privilege" with its record on human rights, arms sales to "outlaw" nations and trade practices. "It is time we revoke China's most favored nation status," he said. "China and every other country must know that unlimited access to the U.S. market comes with certain responsibilities. ... We must use MFN as a tool to effect change." Gephardt acknowledged that many in the business community will disagree with him. However, he said: "Trickle down did not work in economics and it will not work in human rights. Economic growth for the elite will not lead to basic human rights for billions." He added, "If we don't act, no one will."

In response, White House Press Secretary Michael McCurry said the administration will "charitably disagree" with Gephardt's China MFN comments. Speaking from Paris, where he is traveling with the president, McCurry said, "The suspension of normal trade relations with China would be, in some sense, a declaration of economic war on China and would further isolate China from the world community." Separately, House Ways and Means Trade Subcommittee ranking member Robert Matsui, D-Calif., and Sen. Joseph Lieberman, D-Conn., held a news conference along with the centrist Democratic Leadership Council to say renewing MFN for China is in America's best interests. "Economic stability and growth, which renewing MFN will promote, helps fuel China's transformation toward a democratically oriented, free-market society," Lieberman said. "If we interrupt trade with China, it will be many more long nights before that great and large country becomes what we would like it to be."

REUTERS

Tuesday May 27 7:27 PM EDT

House Democratic Leader Wants China MFN Revoked

DETROIT (Reuter) - House Democratic Leader Richard Gephardt Tuesday said President Clinton has been "far too weak" on China's human rights record and urged Congress to revoke Chinese trading privileges.

"Our trade policy with China has failed," Gephardt said in a speech to the Economic Club of Detroit. "It has failed not only on moral grounds, but economically as well. There is nothing 'free' about our trade with China -- in fact it comes to us at great cost and little benefit."

Gephardt, a Missouri Democrat, denounced human rights violations by China's "totalitarian" leaders and said they should be linked to a new U.S. policy of "firm engagement" with China that demands improvements in human and worker rights.

He also noted that the U.S. trade deficit with China hit nearly \$40 billion in 1996 and that it is likely to exceed \$50 billion this year.

Revocation of China's most favored nation (MFN) trading status with the United States would cause duties on imports from China to soar to the high levels of the 1930s. Only a handful of countries do not enjoy MFN status.

Clinton announced May 19 that he would renew MFN for China this year, and opponents are expected to mount the fiercest congressional fight over the issue in years. The House last year voted 286-141 to renew the privileges.

News of Gephardt's position drew a swift response from White House spokesman Mike McCurry, who said "we'll charitably disagree" with the 11-term congressman from St. Louis.

Speaking in Paris, where Clinton signed a pact between NATO and Russia on European security, McCurry said, "The suspension of normal trade relations with China would be, in some sense, a declaration of economic war with China and would further isolate China from the world community."

Two Democratic lawmakers, Sen. Joseph Lieberman of Connecticut, and Rep. Bob Matsui of California, said they would support Clinton's renewal of MFN for China.

"The U.S.-China relationship is probably the most important bilateral relationship the United States will have over the next 25 years," said Matsui, the senior Democrat on the Ways and Means Trade subcommittee. "It is my opinion that if we cut off MFN with China it would be the equivalent of cutting off diplomatic relations."

But Gephardt stopped short of advocating a boycott of Chinese goods and said he would continue to encourage U.S. corporations to do business in China.

"I think that means we can continue to trade but on a different basis," he said at a news conference prior to the speech. "In other words, they would not experience the same tariff basis as other

nations."

Gephardt, viewed as a leading contender to challenge Vice President Al Gore for his party's 2000 presidential nomination, also said China's trade policies, which include "blackmailing" companies into giving China technology and trade secrets, will turn it into an economic powerhouse.

Gephardt said that he has made no decision to run for president and "won't for a long time."

Continued oppression in China will keep Chinese wages at poverty levels, which in turn will put downward pressure on U.S. wages, Gephardt said. He said China should not be allowed to regain MFN status until it ends the sale of goods made by millions of people in forced labor camps and prisons.

"If you give normal trading status to a country that has no human rights and no worker rights, you are ensuring that you're going to be competing with a country that has a very low standard of living and no hope that that standard of living will go up," he said.

He acknowledged that U.S. companies would lose some business contracts with China if MFN were revoked, but he urged business leaders in Detroit to "look beyond the short term" to encourage democracy in China.



U.S. SENATOR JOE LIEBERMAN

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FOR RELEASE

May 27, 1997

Statement of Senator Joe Lieberman Endorsing MFN Status for China

The timing of this news conference is not coincidental. It has been called to respond to Dick Gephardt's announcement today that he will oppose MFN for China. We are here to call on our fellow Democrats in both chambers to vote for MFN, not because it is good for China, but because it is good for America; and not because it is good for American business, but because it is good for America's workers and consumers.

For us, Dick Gephardt's announcement and our response to it is about economics and it is about politics. Economically, we accept as an article of New Democratic faith that economic growth and new job creation will not happen without free and vigorous trade throughout the world. That faith has been vindicated by the millions of new jobs created during the last four-and-one-half years of the Clinton-Gore pro-trade Administration.

Politically, this debate is really about the future of the Democratic Party, about the unfinished revolution we began in 1985 to break the Party from old ideas and ways that were not working for America's working families, and were not electing Democratic candidates to political office. It is about having the guts to disagree with special interest groups so that we can serve the national interest. And it is about standing boldly for growth and jobs, not defensively for tariffs and protectionism.

We support renewing China's most favored nation status for another year. President Clinton's recommendation to do so is the right one. Trade with China is simply a fact, a

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Lieberman MFN Statement

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desirable fact, of life. It means jobs and prosperity for workers in the U.S., and it means continued pressure for democratic reform in China.

Numbers matter. Connecticut alone exported goods and services worth well more than \$100 million last year to China, and thousands of jobs in the state are either directly or indirectly dependent on that trade. Overall in the United States, more than 200,000 jobs are directly related to trade with China. And those figures will grow. Between 1985 and 1995, our bilateral trade expanded by 643 percent. To reverse direction now by rejecting MFN and erecting barriers which would only facilitate other nations' business with China at our expense, is both unrealistic and unwise.

The numbers do tell a compelling story about why we should continue to trade with China on the same terms we extend to almost every other nation on earth. But human rights violations, illicit weapons deals, restrictions against Hong Kong's democracy, and refusal to renounce the threat of force against Taiwan tell why China is, in fact, different than most other countries. Capitalism may have come to China, but Beijing's rulers still do not trust the agents of capitalism, the people themselves, to determine their own futures. We want to see China change. That is what the debate is really about in Congress. And here, again, the President's recommendation is the right one.

China's economy is its main engine of reform. Economic stability and growth, which renewing MFN will promote, helps fuel China's transformation toward a more democratically oriented, free market society. That is in our own best interest and it reflects our fundamental values as a nation. We seek to expand freedom and the rule of law. A stable trade relationship with China helps to do this. It brings to individuals within China increased freedom of choice, better working conditions, respect for the rule of law in business transactions, and the expectation that individual effort and initiative matter. In other words, trade with American businesses that reflect American values brings with it respect for individual rights and dignity.

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Lieberman MFN Statement

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China will not be transformed overnight. But if we interrupt trade, it will be many more long nights before China changes.

I will support MFN renewal for China. That is the issue immediately at hand. But I also think it is time to move beyond the annual MFN debate to a more comprehensive expression of China policy, one that does not constantly find our moral values in conflict with our commercial interests. A good first step is normalizing our economic relationship by bringing China into the World Trade Organization and thereby opening its markets more fully to American services and products. It means bringing our anger about China's human rights and proliferation policies to the center of our bilateral relationship and being willing to invoke sanctions when necessary, as we did last week. But it does not mean denying MFN, which amounts to shooting not just the Chinese, but ourselves in the foot, economically and politically.

Perhaps within our lifetimes, and almost certainly in the lives of our children, China will become the premier Asian power. Whether that is a threat or a promise depends in large part on how we treat China today. Building a stable, normal, honest, and demanding relationship with China is an important step in that desired direction.

The Washington Times

WEDNESDAY, MAY 28, 1997

Anti-MFN forces gain support of Gephardt

He hits 'tyranny' with eye on 2000

By Nancy E. Roman
THE WASHINGTON TIMES

House Minority Leader Richard A. Gephardt accused the Clinton administration yesterday of "trafficking in tyranny" for extending most-favored-nation trading status to China.

"It is not enough to issue mild condemnations of Chinese actions," Mr. Gephardt told the Economic Club of Detroit. "Actions speak louder than words — and our administration's actions, as well as its words, have been far too weak when it comes to China."

The Missouri Democrat's expected opposition combines with other forces to make this the toughest MFN vote ever. Democrats and Republicans say the House could vote this summer to revoke China's coveted trading status.

Allegations that China tried to buy influence by funneling money to U.S. political campaigns have eroded support for MFN status primarily among Republicans. The Christian Coalition has latched onto the issue to communicate disapproval of China's persecution of Christians.

"It'll be a close vote, there's no question about that," said Al From, the president of the Democratic Leadership Conference, who called a news conference yesterday to respond to Mr. Gephardt.

Mr. Gephardt's speech was significant for its location and its contents.

Detroit is a key stop for any presidential aspirant, and Michigan is a critical electoral state that delivered big for President Clinton last year. Mr. Gephardt is laying a foundation to challenge Vice Pres-

MFN

From page A1

ident Al Gore for the Democratic presidential nomination in 2000.

"We aren't going to have to wait to the year 2000 for the fight of the soul of the Democratic Party," Mr. From said. "It's already begun."

If the "protectionist faction within the Democratic Party" succeeds in revoking China's MFN status, he said, it could derail the long-running economic growth that has boosted Mr. Clinton and other Democrats.

Mr. Gephardt's opposition to China's trade privileges is not a surprise. He represents a pro-labor district in south St. Louis and has long opposed MFN status. But his strategy was noteworthy.

Mr. Gephardt not only called attention to China's well-known human rights abuses, but reached out to conservative Republicans considering MFN opposition because of China's persecution of Christians and forced-abortion policy.

"The United States has no business playing 'business as usual' with a Chinese tyranny that persecutes Christian, Muslim leaders and leaders from many other faiths, precludes tens of millions from practicing their religion, sells the most lethal weapons to the most dangerous of nations, profits off slave labor, and engages in the utter evil of forced abortion," Mr. Gephardt said.

Rep. Robert T. Matsui, California Democrat and ranking member of the House Ways and Means trade subcommittee, said MFN supporters will press the issue when they get back Tuesday from the Memorial Day recess. He said many Republicans will oppose it, and Democrats "may have lost a



House Minority Leader Richard A. Gephardt says the United States should not play "business as usual" while China attacks religion.

few," but he predicted that Congress will vote to extend the trade status.

Most U.S. trading partners have permanent MFN status, which extends favorable tariffs and trade preferences to imports ranging from toys to electronics. But China must get its status renewed every year.

While the House may vote to revoke MFN status, it appears unlikely opponents will muster the votes needed to override a Clinton veto.

Mr. Matsui said that using MFN as a tool to punish China would isolate the United States from 21 percent of the world's population.

"It's very important not to have another cold war," he said.

Many free-traders argue that to revoke MFN status would threaten a trade war with one of the most economically potent nations.

The United States is China's

largest foreign market, with more than a third of Chinese exports coming to the United States. China buys about 2 percent of U.S. exports. China recorded a \$40 billion trade surplus with the United States last year, and some project that it will hit \$50 billion this year.

Mr. Clinton announced the renewal of China's MFN status last week. Congress has 90 days to approve the decision, which is expected to face a vote in July.

Last year 141 House members voted against the MFN extension, citing China's violation of trade pacts, weapons proliferation, poor human rights record, and anti-democratic policies regarding Taiwan, Hong Kong and Tibet.

Mr. Gephardt appealed to the United States' sense of morality.

"What have we gained by trafficking with a tyranny that debases the dignity of one-fifth of the human race?" he asked.

MORNING EDITION -- MAY 29, 1997

This is Morning Edition. I'm Bob Edward. The annual debate on whether to renew China's Most Favored Nation trade status is underway. President Clinton wants to renew China's MFN; there is a strong movement in Congress not to. This year the debate is more volatile than usual involving a wider range of interest groups. NPR's Ted Clark reports:

President Clinton has some powerful allies in his effort to renew MFN. Perhaps the most powerful is American business, which hopes to expand trade with the most populous nation on earth. Willard Workman at the U.S. Chamber of Commerce said his organization has already visited 22 cities and urged business leaders there to contact members of Congress. (Workman) "Let them know that Most Favored Nation status for China is important to their companies and to their workers."

Workman says member of the American Chambers of Commerce in Beijing, Shanghai, Guangzhou, and Hong Kong have all been in Washington in the last six weeks, (Workman) "and have met with over 200 members of Congress again explaining what is actually happening on the ground in China."

President Clinton has other powerful allies in the MFN debate. Former Presidents and Secretaries of State stress the strategic importance of China. In his effort to renew MFN, President Clinton has the support of some key Republicans like House Speaker Newt Gingrich, and he also has the support of the centrist New Democrat movement within his own party.

Al From of the Democratic Leadership Council.

(From) "Heated rhetoric about China will not create opportunity for American workers. The kind of economic policy that President Clinton has put forth will do that."

Support for extending MFN remains strong, but events have conspired this year to make MFN more controversial than in the past. For example, China regains control of Hong Kong on July 1, and has already begun to restrict political freedoms there. That has refocused attention on China's poor human rights record. And then there are the allegations that China may have planned to make illegal campaign contributions to President Clinton and several members of Congress. This controversy has had a significant impact on the MFN debate according to Congressman Robert Matsui, ranking Democrat on the Trade Subcommittee of Ways and Means.

(Matsui) "Frankly we thought that we were going to have a rather quiet year on the continuation of Most Favored Nation status for China. That hit -- I think it turned it around and has made it much more difficult."

Especially on the Republican side says Matsui, Allegations of illegal campaign contributions have added a taint of possible corruption in the MFN debate which makes some members leery of supporting MFN extension.

Politics of a different sort have also helped to rile the MFN debate. House (sic.) Majority Leader Richard Gephardt is positioning himself for a possible run against Vice President Al Gore for the Democratic Presidential nomination in the year 2000. This week, Gephardt criticized the Clinton/Gore team for supporting China's MFN status.

(Gephardt) "The United States has no business playing business as usual with a Chinese tyranny that precludes tens of millions from practicing their religion, sells the most lethal weapons to the most dangerous of nations, profits off slave labor, and engages in the utter evil of forced abortion."

Allegations of religious persecution and forced abortion have made the Christian right a bigger player in this year's MFN debate, joining with liberal human rights groups in opposing MFN renewal.

The Family Research Council is a conservative organization that has focused mostly on U.S. domestic issues in the past. This year, the Council's Robert Morrison says this group is also working against MFN for China.

(Morrison) "Previous to this what we saw is that many, what we designate as pro-family Congressmen, were voting reflexively for MFN. That's not happening to such an extent any more."

Religion, politics, the U.S. trade deficit with China, possible campaign scandals, Hong Kong -- all these make the MFN debate more emotional than usual this year. But China has always elicited passionate responses from Americans.

According to Ezra Vogel, Director of the Fairbanks Center for East Asian research at Harvard. (Vogel) "China, because it's on the other side of the world, because it's a great civilization, because it has far more people than any other country in the world and because we know so little about it has always aroused extreme responses from Americans and from Europeans as well."

Vogel says Americans vacillate between a fear of China and missionary impulse to help it. Some of that vacillation is at play in the MFN debate today. What most analysts predict is that when all the speeches are over on Capitol Hill that China's MFN status will be renewed.

This is Ted Clark in Washington.

Reality Check: From the MFN Debate to a Tough, But Smart, China Policy

Robert A. Manning

President Clinton's decision to renew China's most-favored nation (MFN) trade status for another year launches the annual spring referendum on China, one which already shows signs of being more acrimonious than usual. The debate occurs in a hothouse climate fueled by allegations of Chinese influence-buying in the 1996 election campaign, apprehension about the July reversion of Hong Kong to Chinese sovereignty, and an array of single issue concerns from religious persecution to arms exports galvanizing a new left-right anti-China coalition against MFN.

The MFN debate reflects a growing apprehension about China which has fueled national discord since the June 4, 1989, Tiananmen massacre, when the televised specter of Beijing's brutality and the end of the Cold War shattered the longstanding bipartisan consensus on China policy. MFN has been the chosen instrument to express disapproval of Beijing's domestic and international policies. As one prominent critic put it, "we should deny MFN status as a way of putting pressure on Chinese leaders to open their system."¹

There *should* be a vigorous national debate over China and the meaning of its emergence as a major economic and military power. The singular challenge is to find a bipartisan consensus on what priorities to emphasize, what instruments provide real leverage, and what benchmarks to apply in measuring progress—or the lack of it—in China's behavior. This paper seeks to change the debate, suggesting a different way of addressing American economic, human rights, and security concerns about China. Even in the economic realm, for example, the MFN debate has diverted public attention from where it should be sharply focused: the terms of China's accession to the World Trade Organization (WTO), a crucial issue which will shape China's economic ties to the world into the next century, set precedents for the entry of Russia and other countries into the trade regime, and affect the very credibility of the WTO.

MFN is simply the wrong arena for the China debate. MFN is not foreign aid. It is not a favor to, or special privilege for, China. Nearly one hundred countries do receive special trade status from the United States through agreements such as NAFTA or the Generalized System of Preferences (GSP). MFN is merely *normal* tariff status extended to all but a handful of countries with which we trade (Cuba, North Korea, Afghanistan, Laos, and Vietnam).² Iran, Iraq, Libya, Syria and Burma all receive MFN treatment even as they face U.S. economic sanctions. It is simply the basis upon which international trade is conducted. No other country conditions MFN for China, nor would any country follow the U.S. in removing MFN for China.

Some argue that MFN is animated by what one critic calls "the great China market myth," the idea "that everything from human rights violations to weapons sales is worth enduring because glorious riches await us in the People's Republic."³ Since the days of the Clipper ship *Empress of China* two hundred years ago, the allure of the China market has led the West to overestimate its potential. Nonetheless, with the World Bank and other forecasters projecting China likely to emerge as one of the largest—if not the largest—economies in the world in the early decades of the 21st century, what U.S. company is prepared to have the United States write off the China market entirely?

Since embarking on a course of market-oriented economic reform in 1979, China has increasingly sought to attract foreign investment and pursue an export-oriented economic growth strategy. China's dynamic economic growth during this period has led to a mushrooming of its trade with the United States. Over the past decade, U.S. annual two-way trade with China has grown eightfold, from less than \$8 billion in 1986 to \$63 billion in 1996. In addition, there is more than \$10 billion in cumulative U.S. direct investment in China. Nearly 200,000 U.S. jobs depend on China trade. It is not credible to annually threaten MFN withdrawal: it is a one time bullet, certain to result in mutual assured destruction.

Denying MFN Counterproductive

Eight years after Tiananmen, the annual MFN process has become counterproductive as an instrument to advance American interests or values in regard to China. Under the Jackson-Vanik Amendment to the 1974 Trade Act, in order for non-market economies to receive MFN status, the President must determine that the country meets emigration criteria or waive the ban on MFN annually by June 3. Jackson-Vanik is an outmoded piece of Cold War legislation, originally intended to aid the emigration of Soviet Jews, by holding out MFN to Moscow (with whom the United States had little trade). But it is a convenient legislative vehicle for Congress to express post-Tiananmen outrage. As Senator Connie Mack (R-Fla) said recently, "The reason we annually consider China's trade, human rights and national security behavior during the MFN renewal debate is because we do not have an acceptable alternative."

But terminating China's MFN would dramatically affect all bilateral trade, eliminate some of it, substantially raise prices for U.S. consumers, and trigger a downward spiral of confrontation in U.S.-China relations. It would also undercut the growth of the private sector in China which has reduced the domain of the state and expanded individual freedom. Moreover, it would also cause serious damage to the Hong Kong and Taiwan economies which are deeply integrated into China's import and export sectors. This explains why Hong Kong Governor Chris Patten and Martin Lee, leader of Hong Kong's opposition democrats, have strongly supported MFN for China.

Moreover, denial of MFN could worsen rather than ameliorate the problem of religious persecution, which has come more sharply into focus of late. The China Service Coordinating Office (CSCO), an organization of Evangelical Christian missionary groups

active on the ground in China, argues that denying MFN would put their missionary work at risk. Contrary to the views of some conservative religious activists, CSCO argues:

Public shaming of the Chinese government and economic sanctions backed by American Christians will only serve to strengthen the official Chinese perception that Christians are a threat to China's political and social stability and to heighten mistrust of Christians by the Chinese public. This will likely result in greater persecution of Christians inside China and will close doors of opportunity for witness and service from outside China.⁴

Most of all, Beijing would view denial of MFN as evidence that the United States wants to "contain" China, and seeks to thwart its modernization. Denying MFN would set back human rights, fuel nationalism manipulated by China's Leninist elite, reinforce hardliners in the ongoing leadership struggle, and destabilize and slow the privatization of the Chinese economy which has expanded personal freedom. It would also have significant security implications, affecting prospects for Chinese cooperation on a range of regional and global issues.

From MFN to a Real Debate

Americans *do have* a long list of legitimate concerns about China's domestic and foreign policies which fall into three broad baskets—economic, security, and human rights/values. China's policies which offend our values include: forced abortion, religious persecution, political repression, and Han Chinese colonization of Tibet. Chinese activities which run counter to our economic interests are mercantilistic trade practices in the form of protectionist industrial policies, market access, and national treatment for investment. U.S. concerns in regard to security issues center on military and nuclear exports to Iran and Pakistan, and long-range regional military ambitions and coercive tactics such as the March 1996 missile "tests" fired near Taiwan.

All of these issues are morally and politically compelling in their own right. But can we realistically expect to change all these behaviors by the exercise of unilateral outside pressure? Can we hold the complex relationship hostage to any one single issue given the large and diverse interests we have in regard to China?

In devising an effective policy to advance our interests and values in regard to China, our starting point must be an assessment of China. China is neither friend nor foe. Nor is it a static political and economic entity. Rather, China is an emerging great power, an ancient civilization undergoing unprecedented economic and social change. Its Leninist leaders have made a huge bet on economic modernization from which they derive what legitimacy they have. They are betting, in effect, that they can ride the tiger of market reform and dependence on the international economy while maintaining their political monopoly. Recent East Asian experience in countries such as South Korea, Taiwan, and Thailand suggests that over time, as a sizeable urban middle class develops, political change tends to follow. Nonetheless, the outcome of China's experiment is not inevitable. But history argues for some measure of forbearance.

The way the present China debate is framed—"Engagement or Containment,"—has itself become an obstacle to finding a new basis for the U.S.-China relationship. Engagement is a tactic or a commitment to a process, not a policy; containment is, at this stage, the wrong approach. Unlike the U.S.S.R., China is not an ideological, expansionist military threat to the very existence of the United States, nor an autarchic economic system. Rather, there is global competition for the China market, and China has based its very modernization effort on joining the international economy. In its efforts to join the WTO, in its ascension to the Non-Proliferation Treaty, the Chemical Weapons Convention, and the Comprehensive Test Ban Treaty, there is clear evidence that it is seeking to integrate itself into the international system, not to upend that system. No regional ally will support Soviet-type containment, though all seek a counter-balance. The real issue is defining the character of engagement with China.

The reality of China is that it will be ambiguous in its behavior for perhaps another generation. Its interests will overlap in some areas and conflict in others. The challenge to U.S. policy is to define our priorities and benchmark China's conduct vis-a-vis American interests. We must face the reality that we can not have it all at once. We must pick our issues and husband our leverage wisely, building coalitions when possible. We must be tough, but smart.

Roadmap for a China Policy

We need a new national debate in order to rebuild a bipartisan consensus on China—one that existed from Nixon opening in 1971-72 until 1989. It must be led by the President, and a major policy review would be a useful place to start. The Executive branch would be well to find ways to improve its mechanisms of consultation with Congress.

There are various strategies for getting out of the MFN trap permanently. China could simply be declared a market economy (it is about 50 percent privatized), and thus, exempt from Jackson-Vanik. Another approach would be to either repeal Jackson-Vanik or adopt another legislative vehicle to govern the MFN process for non-members of the WTO while automatically granting MFN to WTO members. In the interim, Sec.301 and Special 301 (of the 1974 Trade Act) tools could be used to open Chinese markets in a more targeted fashion.

At present, it appears that an ugly, contentious debate looms in coming weeks. It is unlikely that there will ultimately be veto-proof majorities sufficient to override the President on MFN. But the price of MFN renewal may be essentially a vote of no confidence in the Administration's China policy. Various pieces of alternative legislation aimed at punishing China are likely to emerge. The net result would be continued volatile U.S.-China relations, and persisting political opposition which will undercut U.S.-China policy.

Regardless of the outcome of the MFN debate in Congress, the President must lead a new national debate aimed at finding the balance in advancing U.S. interests and values in regard to China. Along with a policy review, the President needs to communicate clearly to the American people—as he did in the NAFTA debate and on Bosnia policy when the decision to intervene was made—the goals, priorities, benchmarks for success or failure, and logic of his China policy. (Future PPI policy papers in this series will address the full range of policy issues.) The following is an outline of suggested priorities, effective ways to achieve demonstrable results, and benchmarks for progress:

- ▶ The United States should shift the economic focus from MFN to a far more important long-term issue: China's accession to the WTO. This will shape China's economy and its commercial relationship with the world for the next generation, set the tone for the accession of Russia and others, and affect the very credibility of the WTO. This is the issue on which to build a coalition with the European Union and Japan to jointly press for subjecting China to firm commercial disciplines; e.g., to lock in enforceable sanctions on sectors in which Beijing will phase in market disciplines, etc. Congress should also demand that the Administration set up a process of regular consultation on the China-WTO negotiations.

- ▶ Along with these economic interests, security issues are a high priority. Instead of "dialogue," we should pursue results-oriented strategic talks with China on the future of nuclear weapons, their export controls, and place a priority on curbing Chinese military and nuclear exports to Southwest Asia, principally, Iran and Pakistan. Stopping C-802 missile exports to Iran is a sensible priority of some urgency. These sophisticated missiles pose a new threat to U.S. naval forces in the Gulf where we have vital interests. Chinese collaboration with Iran's military ambitions is against our interests (and theirs). The Administration has imposed sanctions against Chinese firms for selling chemical precursors (which could be used to make weapons) to Iran. This is a smart use of proportionate, targeted sanctions. Other steps might be considered such as:
 - ▶ cut off export-import financing for state-owned firms suspected of violating non-proliferation commitments;
 - ▶ bar firms owned by the People's Liberation Army (PLA) from doing business in the United States until Beijing complies with treaties it has signed.

- ▶ There are a number of other ways in which the Administration could "get tough" with China: by stepping up U.S. counter-intelligence against China,

particularly against industrial spying and attempts to acquire technology under false pretense; by tightening export controls and more closely monitoring end use of technology exports; by demanding on-the-ground monitoring for compliance with trade agreements; and by pressing for more cooperation with U.S. Drug Enforcement Agency efforts in the Golden Triangle (along the Thai-Burma-China borders) from which the majority of heroin comes to the United States.

- ▶ Hong Kong, which reverts to Chinese sovereignty on July 1, 1997, is a difficult issue of special concern. We should benchmark three core issues: free and fair elections in '98; integrity of the courts and the civil service; and financial and commercial autonomy. We should stress that the issue in Hong Kong is not just one of human rights. Rather, it is Beijing's credibility as an interlocutor. In the 1984 Sino-British Joint Declaration (which China submitted to the U.N. as an international agreement) and in its own Basic Law governing Hong Kong, Beijing committed itself to allow "a high degree of autonomy," maintaining "Hong Kong's way of life for fifty years." If China now interprets these agreements any way it sees fit, will it do the same with WTO agreements or arms control accords? We should explore ways of taking action to rescind the separate legal and economic treatment mandated in U.S. law if China fails to abide by its commitment to Hong Kong's autonomy. Congressionally mandated State Department reports on Hong Kong offer a ready means to measure China's performance. If it is behaving as one political and economic system, perhaps we should treat it as one.

Rethinking Human Rights

Finally, we need to rethink our strategy for enhancing human rights in China. This begins with its very definition. We need to understand that the most important forces for change in China are coming from within, not from without. The spread of economic freedom has expanded the realm of individual autonomy and shrunk the realm of the State. Most fundamentally, the role of the *dan-wei*, the work unit, in the lives of Chinese citizens has sharply diminished as the economy has privatized. Economic freedom is an aspect of human rights. We should not forget that MFN and U.S. economic involvement in China has expanded personal freedom and decreased state intrusiveness in the lives of millions of Chinese.

There are some modest signs of positive movement in regard to rule of law. It is worth noting that in March 1996, China adopted new criminal codes, a modest but significant step toward rule of law. Citizens now can and have successfully sued the government. Moreover, Beijing has indicated it will sign and ratify the International Covenant on Economic, Social, and Cultural Rights of the U.N. Universal Declaration of Human Rights. This is normative behavior to be welcomed. The United States and other

G-7 countries should also press China to sign the International Covenant on Civil and Political Rights.

We should pursue a three-pronged approach to human rights designed to facilitate change from within rather than imposing it from the outside. In areas where internal trends are moving in positive directions—expansion of non-governmental organizations (NGOs), rule of law, local elections—the United States should cooperate with China in facilitating these trends. We should expand efforts of groups such as the National Endowment for Democracy (NED), the National Democratic Institute (NDI), and the International Republican Institute (IRI) to promote civil society. Already the IRI has helped China organize village elections (to be extended to county government). Promoting exchange programs, supporting NGOs and civil society, and aiding rule of law via NED and private sector programs all can have an impact on human rights. We should step up hortatory pressure articulating our values through the Voice of America and Radio Free Asia. In addition, we should use U.S. Congress-National People's Congress and/or NGO-NGO dialogue as forums to make these points.

One way to allow individuals to exercise their condemnation of repression in China would be, as the Heritage Foundation has proposed, to enact "Know Your Trading Partner" legislation. Such legislation would require the Administration to identify all Chinese military-owned companies and products, allowing consumers to make a choice.

Another aspect of U.S. human rights strategy must be quiet diplomacy (with our allies as well as Beijing) to identify realizable goals for human rights—for example, Beijing's recognition of the Pope and other moves towards more religious freedom, Red Cross visits to jails, and release of leading dissidents. Finally, there should be carefully targeted penalties, for example, cutting access to the International Development Agency (IDA), and other concessional lending for particular human rights abuses.

Conclusion

The above are offered as notional ideas for how to break out of the confines of the MFN debate, to offer a different way to think about China, and to identify appropriate policy instruments to address the long list of American concerns in regard to China. We must begin to define a tough, but smart approach to China that achieves results in areas identified as top priority concerns. Economic and security issues should be at the top of the list. There is no silver bullet, no bumper sticker for a workable China policy that satisfies the many deeply felt concerns about China.

The emergence of China is the biggest challenge facing the international economic and political system into the 21st century. It requires focused, sustained attention and leadership from the Executive Branch and a working partnership with Congress. There must be limits to partisanship and some consensus on the basics of a relationship with China.

Endnotes

1. See Robert Kagan, "The Case For Containment of China," *The Weekly Standard*, January 20, 1997, pps.23-27.
2. A recently completed U.S.-Vietnam trade accord will result in MFN for Vietnam.
3. See John Maggs, "The Myth of the China Market;" *The New Republic*, March 10, 1997, pps 15-17.
4. See, "Mission Agencies View MFN Pressure as Counter-Productive," Press Release of the China Service Coordinating Office; Wheaton, Illinois; March 27, 1997.

FROM
THE WHITE HOUSE
WASHINGTON, D.C.

Friday / Fast Track

Bob Kyle is going home because
he is sick. He would like you
to call him at home.

364 3004

MACK McLARTY

April 22, 1997

To: Sandy Berger

While I do not disagree with our current posture on fast track, I did read with some concern the attached cable which I thought you would find relevant to our recent discussions regarding hemispheric trade. As you stated on so many occasions with your usual eloquence and clarity, the world continues to change and move forward and is not going to wait on us for very long.

Attachment

Uc f 4/28
→ MACK -
Thanks for the
cable. When you
return from
Mexico, I'm
discuss. let's
coming to the new
we should
move now.
P

THE WHITE HOUSE
WASHINGTON

June 11, 1997

To: Lael Brainard

An unlikely ally, but a well done commentary
which I thought you would find of interest
and relevant to our recent discussions.



Attachment



MACK McLARTY

June 9, 1997

To: Bob Kyle

An unlikely ally, but a well done commentary
which I thought you would find of interest
and relevant to our recent discussions.

Mac

Attachment

Desk



A tax-exempt public policy research institute

Steve
Nelson
Andrew
Eric
Beak

May 21, 1997

The Honorable Mac McClarty
Counselor to the President
The White House
Washington, D.C.

Dear Mr. McClarty:

It was a pleasure to be able to share a common interest in promoting fast track and expansion of NAFTA, and a continued expansion of MFN for China with you on the flight from Miami to Washington today.

With the thought that you might find them of special interest, I am enclosing the most recent paper we have done on NAFTA as a prelude to your official report due to the Congress by June 30. I am also enclosing a recent study we did on continued MFN for China.

As I indicated to you on the plane, we look forward to working with you and your colleagues in every appropriate way to advance these common policy objectives which we share.

Sincerely,

Edwin J. Feulner, Jr.
President

EJF/ms

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May 16, 1997

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NAFTA'S THREE-YEAR REPORT CARD: AN "A" FOR NORTH AMERICA'S ECONOMY

INTRODUCTION

President Bill Clinton is legally required to provide Congress with a detailed "report card" by July 1, 1997, covering the first three years of implementation of the North American Free Trade Agreement (NAFTA), which includes the United States, Mexico, and Canada. This report will come under intense congressional scrutiny because many Members of Congress have indicated that their willingness to renew the President's fast-track negotiating authority will depend on their perception of how well NAFTA has performed during its first three years. If the Clinton Administration's report is objective and accurate, it will show NAFTA to be a remarkable success.

Despite the doomsday warnings about what would happen under NAFTA, hundreds of thousands of U.S. jobs have *not* been destroyed, the U.S. manufacturing base has *not* been weakened, and U.S. sovereignty has *not* been undermined. Instead, total NAFTA trade has increased, U.S. exports and employment levels have risen significantly, and the average living standards of American workers have improved.

Indeed, if NAFTA were to be graded on its effects after only three years, it would receive an "A+" for enhancing the level of trade between the United States and its North American neighbors; an "A+" for increasing the number of U.S. jobs that support this increased trade; an "A+" for its positive impact on manufacturing and on the personal income of American workers; and a "B" both for encouraging U.S. compliance with implementation of NAFTA's deadlines and for improving U.S. relations with Mexico in general. Finally, although much more can be done, NAFTA has been instrumental in the strides Mexico has made in liberalizing its economy, and is one reason Mexico is taking steps to reform its political system. With this kind of report card, Congress should have no doubts about the success that NAFTA has achieved.

THE NAFTA REPORT CARD

The Clinton Administration's three-year evaluation should rate the effects of the North American Free Trade Agreement as follows:

- **Growth in Trade: A+**

Total North American trade increased from \$293 billion in 1993 to \$420 billion in 1996, a gain of \$127 billion or 43 percent during NAFTA's first three years.¹ If that gain had been with a single country, it would have made that country the fourth-largest trading partner of the United States. In 1996, U.S. exports to Canada and Mexico, at \$190 billion, exceeded U.S. exports to any other area of the world, including the entire Pacific Rim or all of Europe. Mexico and Canada purchased \$3 of every \$10 in U.S. exports and supplied \$3 of every \$10 in U.S. imports in 1996. Overall, total U.S. exports of goods and services grew from \$602.5 billion in 1993—the last year before NAFTA was implemented—to \$825.9 billion in 1996, a gain of \$223.4 billion.²

- **Growth in U.S. Exports: A+**

Thanks to NAFTA, Mexican tariffs—which had averaged 10 percent before the trade agreement was implemented—now average less than 6 percent, while average U.S. tariffs have fallen from 4 percent to about 2.5 percent. As a result, U.S. exports to Mexico grew by 37 percent from 1993 to 1996, reaching a record \$57 billion.³ During this period, U.S. exports to Canada also increased by 33 percent, to \$134 billion. Total two-way trade between the United States and Canada was \$290 billion in 1996, while total two-way trade between the United States and Mexico was nearly \$130 billion. According to the U.S. Department of Commerce, U.S. exports to Mexico in the fourth quarter of 1996 were growing at an annualized rate of \$64 billion. Moreover, U.S. market share in Mexico increased from 69 percent of total Mexican imports in 1993 to 76 percent in 1996.⁴ During NAFTA's first three years, 39 of the 50 states increased their exports to Mexico; moreover, 44 states reported a growth in exports to Mexico during 1996 as the pace of U.S. exports to that country accelerated.⁵

- 1 In 1996, U.S. global trade (exports plus imports) totaled \$1.765 trillion—over 23 percent of U.S. GDP, compared with 10 percent in 1970. The Office of the U.S. Trade Representative (USTR) has estimated that by 2010, trade will represent about 36 percent of U.S. GDP. Since 1988, almost 70 percent of U.S. economic growth has been derived solely from exports (roughly 25 percent since 1992). More than 11 million U.S. jobs depend on exports, 1.5 million more than in 1992; 20 percent of American jobs are supported by trade and pay between 13 percent and 16 percent more, on average, than non-export jobs.
- 2 The U.S. Department of Commerce estimates that every \$1 billion increment in U.S. exports creates 22,800 new jobs in the United States. This would mean that U.S. export growth from 1993 to 1996 was responsible for creating over 5 million U.S. jobs, or 57.7 percent of the 8.8 million net new payroll jobs created by the U.S. economy during this three-year period.
- 3 Exports of U.S. components to Mexico's duty-free component assembly industry made up approximately 28 percent of total U.S. exports to Mexico in 1996, according to a report for the USTR by the U.S. International Trade Commission (ITC). The ITC found that the use of U.S. components in Mexican assembly plants had grown at an average yearly rate of 15.8 percent since NAFTA was implemented in 1994.
- 4 Testimony of Regina Vargo, Deputy Assistant Secretary for the Western Hemisphere, U.S. Department of Commerce, before the Subcommittee on International Economic Policy and Trade of the House Committee on International Relations, March 5, 1997.

- **Growth in U.S. Employment: A+**

NAFTA has shattered the myth that U.S. trade deficits destroy U.S. jobs. The combined U.S. trade deficit with Canada and Mexico increased during the first three years of NAFTA's implementation—from \$9 billion in 1992 to \$39.9 billion in 1996—because Canada and Mexico suffered economic recessions. Since 1992, however, the U.S. economy has created 12 million net new jobs. Moreover, manufacturing employment grew from 16.9 million jobs in 1992 to 18.3 million in 1993, an increase of 1.4 million net new jobs.⁶ The general unemployment rate declined from 7.5 percent in 1992 to 5.3 percent in 1996. U.S. exports to NAFTA countries currently support 2.3 million U.S. jobs.⁷

- **Output Gains for U.S. Manufacturing: A+**

The largest post-NAFTA gains in U.S. exports to Mexico have been in such high-technology manufacturing sectors as transportation and electronic equipment, industrial machinery, plastics and rubber, fabricated metal products, and chemicals.⁸ NAFTA also has been a boon for major U.S. agricultural states like Montana, Nebraska, and North Dakota, and traditional southern textile states like North Carolina and Alabama. NAFTA has encouraged U.S. and foreign investors with apparel and footwear factories in Asia to relocate their production operations to Mexico. This diversion of investment from Asia to Mexico "saved the heavier end of clothing manufacture in the U.S.: the textile mills," as Rich Nadler, a journalist who has covered NAFTA's progress since 1992, recently observed.⁹

- **Improved Standards of Living for American Workers: A+**

According to Nadler, who has reviewed pre- and post-NAFTA growth rates in U.S. standards of living, the rate of increase in personal wealth has more than tripled since NAFTA was implemented.¹⁰ His review measured the improvement in three ways: (1) inflation-adjusted gross domestic product (GDP) per capita grew by 1.79 percent annually in 1994 and 1995, compared with only 0.23 percent from 1990 to 1993; (2) disposable personal income growth, adjusted for inflation, averaged 1.89 percent annually in 1994 and 1995, compared with 0.25 percent annually from 1990 to 1993; and (3) personal consumption expenditures grew by an inflation-adjusted 1.76 percent annually during 1994 and 1995, compared with 0.56 percent a year from 1990 to 1993.

5 Data from Massachusetts Institute of Social and Economic Research.

6 As of February 24, 1997, 110,408 U.S. workers had been certified as eligible for training assistance under NAFTA's Trade Adjustment Assistance Program, administered by the U.S. Department of Labor. The U.S. economy, however, currently creates this many net new jobs in about two weeks. The general U.S. unemployment rate declined from 7.5 percent in 1992 to 5.3 percent in 1996.

7 Office of the USTR, "NAFTA and Jobs," 1996.

8 Since 1992, U.S. industrial production has increased 18 percent. During this four-year period, U.S. manufactured exports increased 42 percent, high-technology exports rose 45 percent, services exports were up 26 percent, and agricultural exports expanded 40 percent. The Western Hemisphere and the Asian Pacific Rim now account for over 70 percent of total U.S. exports, up from 65 percent in 1992.

9 Rich Nadler, "NAFTA: Jobs, Jobs, Jobs," *K. C. Jones*, Overland Park, Kansas, April 1997.

10 *Ibid.*

- **U.S. Compliance with NAFTA: B**

In December 1995, the Clinton Administration postponed indefinitely the implementation of a NAFTA deadline to allow Mexican trucks to circulate in the southwest United States. The Administration based its decision on concerns relating to transport safety and the fight against drug traffickers. The President, however, was acting in response to pressures from union and environmentalist groups that joined forces with bipartisan anti-drug hawks to block implementation of that provision of NAFTA. The decision established a negative precedent but did nothing to improve Mexican truck safety or diminish the flow of illegal drugs across the porous and unguarded U.S.–Mexico border.

- **U.S.–Mexico Trade Relations: B**

President Clinton's first official trip to Mexico this month came at a time in which relations between the two countries were at their lowest point in years.¹¹ The trade and investment growth achieved during NAFTA's first three years has been eclipsed by the peso crisis and political turmoil in Mexico and by growing bilateral tensions over drug control policy, immigration, and the Helms–Burton Act's tightening of economic sanctions against Cuba. These tensions in U.S.–Mexico relations have surfaced because the Clinton Administration did not assign a sufficiently high priority to Mexico during its first term in office. Protectionists have laid the blame for all of these problems at NAFTA's door. NAFTA, however, was never intended to be anything other than a free trade agreement—a three-way pact by the United States, Mexico, and Canada to eliminate all tariff and non-tariff barriers to trade over a period of 10 to 15 years. NAFTA was designed to encourage faster growth in North American trade and investment, which it has been doing successfully since January 1, 1994. It was not meant to solve other problems in U.S.–Mexico relations.

- **Reform Process in Mexico: A**

Although Mexico has made great strides during the past decade in liberalizing its economy and reforming its closed political system, it still is undergoing a difficult transition from a closed economy and political system to an open capitalist democracy. Moreover, this transition will continue for at least another decade or two. One of NAFTA's important achievements has been to “lock in” the process of economic and political reform under way in Mexico for the past decade. Mexico's membership in NAFTA, the World Trade Organization, the Asia-Pacific Economic Cooperation forum, and the Organization for Economic Cooperation and Development has created international commitments and linkages that it cannot ignore. Even though The Heritage Foundation's *1997 Index of Economic Freedom* still accords Mexico a ranking of 3.35, or “Mostly Not Free,”¹² Mexico has become a more democratic country since NAFTA was implemented. Under President Ernesto Zedillo, Mexico's constitution was amended in 1996 to make the electoral process more free, more transparent, and more independent of the government. These reforms, in effect for Mexico's

11 Julia Preston, “U.S. Trying to Smooth Mexico Path for Clinton,” *The New York Times*, April 20, 1997, p. 4.

12 Kim R. Holmes, Bryan T. Johnson, and Melanie Kirkpatrick, eds., *1997 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Co., Inc., 1997), pp. 306–308.

July 6, 1997, elections to Congress, will accelerate both the demise of the one-party system that has dominated Mexican politics for nearly 70 years and its eventual replacement by a competitive multi-party democracy.

NAFTA: A SUCCESS BY ANY OBJECTIVE STANDARD

The data on trade, production, and employment growth for NAFTA's first three years quantify objectively that NAFTA is good for the United States. Moreover, a recent economic analysis published by the U.S. Federal Reserve Bank of Chicago concludes that NAFTA will lead to output gains for all three participant countries.¹³ These gains are roughly twice as large as those predicted by previous forecasts of NAFTA's potential for accelerated growth in North American trade, output, and employment growth.

The Federal Reserve study, based on a dynamic economic model, also predicts that the adjustment to NAFTA should be virtually completed by 2004 (although NAFTA will not be fully phased in until 2009) and that NAFTA will greatly expand the flow of all goods, both from Canada and the United States to Mexico and from Mexico to the United States and Canada. In general, bilateral Mexican–North American trade should increase about 20 percent as a result of NAFTA.¹⁴ This projected growth also means more U.S. jobs and a higher standard of living for American workers.

CONCLUSION

In his State of the Union speech on February 4, 1997, President Clinton called on Congress to approve new fast-track negotiating authority in order to pursue new trade initiatives in Asia and Latin America during 1997 and 1998. “Now we must act to expand our exports,” the President said, “especially to Asia and Latin America—two of the fastest growing regions on earth—or be left behind as these emerging economies forge new ties with other nations.”¹⁵

The President is right to emphasize the importance of U.S. trade with Latin America. The Western Hemisphere accounted for 39 percent of U.S. goods exports in 1996 and was the only region in which the United States recorded a trade surplus in both 1995 and 1996. As a market for U.S. goods, the Western Hemisphere already is nearly twice as large as the European Union and nearly 50 percent larger than Asia. Moreover, while U.S. goods exports to the world generally increased 57 percent from 1990 to 1996, U.S. exports to Latin America and the Caribbean (excluding Mexico) increased by 110 percent during the same period.¹⁶ If current trends continue, Latin America alone will exceed Japan and Western Europe combined as an export market for U.S. goods by the year 2010.

Congress should have no doubts about the success of NAFTA. Although only three years old, this international trade agreement is growing with amazing speed. Even though three years may seem like too little time to reach any final judgments about NAFTA, it already is clear that critics of this agreement have been wrong on all counts.¹⁷ Congress

13 See Michael A. Kouparitsas, “A dynamic macroeconomic analysis of NAFTA,” *Economic Perspectives*, Federal Reserve Bank of Chicago, January 1997. The study concluded that, under NAFTA, Mexico’s GDP is predicted to rise 3.26 percent, U.S. GDP will rise 0.24 percent, and Canada’s GDP will increase by 0.11 percent.

14 *Ibid.*

15 “Clinton calls for fast-track authority in State of the Union speech,” *Inside NAFTA*, Vol. 4, No. 3 (February 6, 1997), p. 1.

16 Office of the USTR.

will be acting in the U.S. national interest when it approves a new fast-track negotiating authority so that the Clinton Administration can put U.S. trade policy back on track around the world.

John Sweeney
Policy Analyst

HERITAGE STUDIES ON LINE

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17 See Sydney Weintraub, "NAFTA at Three: A Progress Report," *Significant Issues Series*, Vol. XIX, No. 1, Center for Strategic and International Studies, Washington, D.C., 1997.

Samba Time?

RUMOR HAS IT THAT U.S. PRESIDENT BILL CLINTON WILL DEDICATE more time on foreign policy in his second term than what he managed in his first four years. However, it remains to be seen just how much attention he'll shower on Latin America.

Although a Latin American country—Venezuela—is now the top provider of oil to the United States, and Latin America provides U.S. companies the best growth opportunities in the world after Asia, U.S. officials have paid only scant attention to the region since the historic December 1994 Summit of the Americas in Miami. That summit promised to start creating a Free Trade Area of the Americas by the year 2005.

However, things didn't quite work out as expected. While Clinton officials and U.S. legislators have bickered about free trade and spent nearly two years distracted by the U.S. elections, their Latin American counterparts signed several important trade agreements with each other as well as with the European Union.

The Latin American integration drive has been led by Mercosur, the South American Common Market of Argentina, Brazil, Uruguay and Paraguay. Chile, which has been waiting for NAFTA membership since 1994, has joined Mercosur as an associate member, as has Bolivia. Andean Pact members Colombia and Venezuela are next in line.

Today, it is therefore Brazil's president Fernando Henrique Cardoso rather than Bill Clinton who symbolizes the push for regional integration.

Yet, Cardoso is by no means any free trade champion. He has on several occasions unilaterally imposed tariff hikes and other trade barriers, much to the dismay of Brazilian and foreign traders. His critics also charge that he has moved far too slow on needed reforms necessary to transform Brazil into the modern economic champion it long has had the potential to be. All the same, it is now clear that it is thanks to Cardoso, that Latin America is any closer to a FTAA.

That being said, it is vital that the United States again resume a active role in the process. Expanding Mercosur may be necessary, but not sufficient, to create a FTAA. The other piece of the puzzle is the United States and NAFTA.

In the interim, Latin America is fully entitled to move ahead with the European Union. The Europeans, long suffering from internal disputes on free trade and harmonization, are now pushing actively for increased commercial ties with Latin America.

Needless to say, the United States can only defend its interests by taking the same kind of concrete steps, instead of waiting on the sidelines.

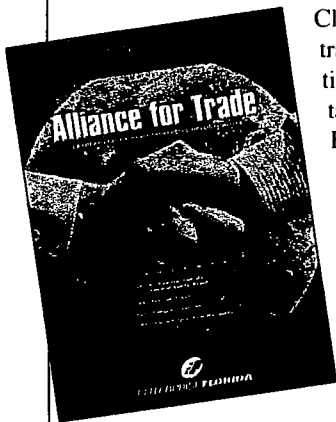
Although 2005 may seem far away, the negotiations for a FTAA will be complex enough—easily requiring the remaining eight years to start the process. There are big differences between Mercosur and NAFTA, between big and small nations and even the degree to which each nation wants to move towards liberalization.

Only by moving ahead, can these challenges be addressed in time.

The time has come for the hemisphere's leaders to once again show the kind of initiative and leadership they showed in Miami.

Enough talk. Move ahead and create history.

Eric
Nelson
Alex
Steve
Dase



Joachim Bamrud
—Joachim Bamrud

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Latin Trade

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Questions / Reply

THE WHITE HOUSE
WASHINGTON

Delays until Budget

① Focus committed to Jass Trial
& wants to move forward

② ^{Bipartisan} Consultations on substance,
fractious, & timing

L & E

} Bipartisan support
} Broad

Build Bipartisan foundation before
we present specific proposals

Consultations w an interested coast
incl. LABR

New Congress → sit down & talk

Reaffirm our commitment to L & E issues
& we try to reach consensus to move
forward

THE WHITE HOUSE
WASHINGTON

Imp of Just Trade

① Need more trade even

Economic ↑ or Exports

GDP 17% - 30%

11 million jobs over export
pay more

② Well positioned to open market

new jobs than any G-7 countries

receptivity to opening

capital market

③ Led Seized / seize transaction

Q4.61

110% cost adv

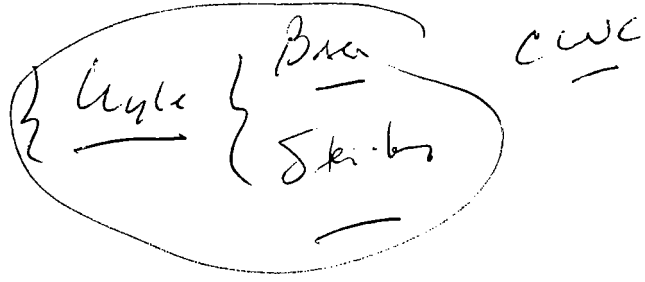
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APEC

④ Multilateral / WTO
Aspi

⑤ Section Software

Joe Speed

THE WHITE HOUSE
WASHINGTON



AD 5/97

Vicki
Radd

Friedman Publisher / Pushing BUT NOT UNTIL IN
MM

1 Bipartisan members of Joint Trip

Chambliss } Hill
Dale G }

L & E's. people in → consensus

{ Enshine } Budget deal
Rov
Joh

only 1 front

Revised is 2 + 3 weeks in Budget deal
not a piece EB "up a war"

POTUS
Nehemiah
Consensus

Principles

} Albright / Doherty / Chancelor B / Finch / Rubin / Labor / Podesta / Sykin

First Track

April 11 97

Enclave - Pappas has laid his hands on DNT re: "First Track" and DN is going to show us the way

DNT

We're committed because of the right things to do and Pappas' legacy aspect

Options

- ① Full speed ahead w Broad First Track
- ② Narrowly framed First Track / Chile only + perhaps Sectoral Advances
- ③ Delays moving forward

Chile

Chile only

"Not waste the fight"

opportunistic is our Trade Policy

multilateral

Agri

Services

Is full prop right

Secretary

IM

First wave

not

method

Catalyze FTAA / APEC process

Ershine / Vichi / Charlene / Susan Rophy /
 Dan Tomallo / Jim Steinberg / John Podesta / Doug Fosnot /
 Sylvie Matthews / Gene Sperling

FAST TRACK

March 26/97

Gephardt role -

Matsui role -

Gibson / Mezic -

"The American edge"

Defined vision per Baer

Tools he needs to open markets -

markets / New Global Economy

- High tech
- Financial mkt
- open / mkt

218

-40

178

Repl. 2 (180)

40

220

Repl. 229

→ Trust Lott

Newt's position

Road Test per Blair

DART

Big push / But we must be committed.

Mexico is the debate

Resting the terms of the debate per Charles
Mexico has nothing to do with Agri. mkt's, telecom,
etc etc → need to get Charles list.

Hillier Job

opposition better prepared → i.e. tougher
NAFTA they got screwed on NAFTA →

Friday Enormous fight

- Cost of not fighting
- Growth from Trade
- Struck ^{his} hard out so clearly
- Character issue
- Potus 'who doesn't believe in anything'

'Pied Piper Melman'

Larry Sumner

- { Broad Area Leadership
- { Natl. security interest

Udell

It's going to be hard
Alliance between Labor & EU

(4)

Rubin brought up M7N Basis, up
Inst Tree

* I don't fully understand → I need an
EXPLANATION of this

Chomsky plur → seemed to work

45A

Clinton Seeks More Leeway In Trade Pacts

By HELENE COOPER

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — The Clinton administration, in a move certain to infuriate labor unions, is considering dropping labor and environment objectives from legislation that would enable the president to negotiate future trade deals.

U.S. trade officials said they are seeking to jump-start the floundering measure, which has meandered in and out of Congress for the past three years. During that time, President Clinton has slowly lost his ability to negotiate "fast-track" trade deals abroad. Under fast track, Congress can accept or reject a trade agreement but not amend it — a necessary factor for U.S. trading partners.

The new proposal being floated within the administration would seek fast-track negotiating authority for four years, with an option to renew for another four years, officials said. While no final decision has been made, U.S. Trade Representative Charlene Barshefsky is expected to take the proposal to congressional leaders beginning this week. Administration officials say they hope to have legislation ready for Congress in three weeks.

Issues in Side Agreements

U.S. trade officials say they recognize that their one hope for getting fast-track authority may be a coalition of moderate Democrats and Republicans. So they may drop Mr. Clinton's initial proposal that would require U.S. officials to negotiate labor and environment standards as a part of trade deals, backed by trade sanctions. Instead, Mr. Clinton would issue a separate presidential statement calling for labor and environmental issues to be negotiated in side agreements that don't have to go to Congress.

Such a move would infuriate organized labor, because side agreements don't have the punitive punch of a trade pact. For example, it's unlikely the administration could negotiate a side agreement on labor rights that would subject an offending country to trade sanctions.

"This isn't anywhere close to what

we wanted," said Peggy Taylor, legislative director of the AFL-CIO. "The only way to protect workers in this country and in our trading partners is to have labor agreements written into trade agreements. . . . We would fight this vigorously." Added Steve Trossman, a spokesman with the Teamsters Union: "We don't accept that side-agreement part. We would definitely oppose this."

Gephardt's Ire

Dropping labor and environment from fast track would also earn for Mr. Clinton the ire of House Minority Leader Richard Gephardt (D., Mo.), who has been staking out a trade position for himself to the left of the administration and of Vice President Al Gore. The two are likely rivals for the 2000 presidential nomination. Mr. Gephardt and House Minority Whip David Bonior of Michigan have both indicated they won't support fast track if it doesn't include labor and environment.

But administration officials say they must bow to the political realities of a Republican Congress. Republicans adamantly oppose linking trade with labor and environment in trade pacts, and have refused to budge from that stance. And because so many Democrats don't like trade agreements and won't vote for them anyway, the administration must appeal to Republicans to get a bill passed.

Indeed, shortly after stating the Teamsters' opposition to the administration proposal, Mr. Trossman added: "I don't want to leave the impression that we'd support fast track if it included labor and environment either. We're opposed to it. Period."

Trade officials say that labor's hard line on fast track is one reason the administration may change its stance. While advancing labor standards around the world is an administration priority, "You don't advance those objectives by prevent-

ing the president from negotiating trade agreements," said one top trade official.

President Clinton has been without fast-track negotiating power since 1994, when his authority expired after a new world-trade pact was completed. Since then, the administration has been able to complete a few pacts — on telecommunications and technology, for example — under specific exemptions. But the U.S. has been unable to launch any major initiatives, because other countries are usually unwilling to negotiate a trade agreement knowing Congress could tack on amendments and new requirements.

Without fast track, President Clinton has been unable to extend the North American Free Trade Agreement to Chile, or to negotiate a Free Trade Agreement of the Americas. Moreover, without fast-track, the U.S. can't take part in the coming World Trade Organization talks on agriculture.

MM-
Kiss
BA

Commentary**Pennsylvania Avenue**

Free-Trade Fight Threatens to Split Clinton, Hill Dems

By *Morton M. Kondracke*

Worried about a split with labor and top Congressional Democrats, the White House plans to delay action on its fast-track trade proposal until after a budget deal, possibly endangering its chances of passage.

If budget negotiations drag into the fall, according to free-trade advocates in Congress, the delay will give opponents time to organize and, possibly, doom fast-track to defeat as an election year looms.

Fast-track is one of a series of issues, including Medicare savings; cost-of-living adjustments; and Mexico, China, and NATO policy, on which Clinton is in conflict with liberal Democrats and their organized labor allies.

At a top-level meeting of Clinton Cabinet members and White House staff on Tuesday, sources said there was near-unanimous agreement that, against labor's wishes, Clinton should recommend a "clean" fast-track bill in order to negotiate new agreements to expand worldwide free trade.

Clinton, his Cabinet, and most of his top staff all are convinced -- correctly -- that free trade is one key to future US prosperity and that failure to reach new agreements will put the US at a disadvantage as Latin America and Asia form their own trading blocs.

But liberals are just as convinced that free trade costs US jobs and pushes down wages, so House Democratic leaders Dick Gephardt (Mo) and David Bonior (Mich) are adamant that any new trade bill require Clinton to include fair-labor and environmental standards in future trade agreements. That, in turn, will be unpalatable to majority Republicans.

The Administration needs authority from Congress to negotiate new trade agreements. "Fast track" is Congress's commitment that any agreements will be voted up or down without amendment.

Clinton plans to buck Gephardt and Bonior, White House aides say, but officials at the Tuesday meeting want the fight postponed until after Clinton has reached a budget deal with Republicans, which chief of staff Erskine Bowles reported might come as early as June 1.

One participant at the meeting said "the plan is for Clinton to show what he's for, but we have to figure out the sequencing." Clinton, this aide says, "wants to have an ample number of Democrats voting with him on the budget."

Rep. Bob Matsui (Calif), the chief Democratic backer of Administration trade legislation, said that, if asked, he would recommend that fast-track and the budget be pushed on parallel tracks.

"I understand the importance of a balanced budget," he said, "but if you delay [fast track], it'll make it much more difficult to pass."

The fast-track issue is caught up not only in budget politics, but also in the already bubbling 2000 Democratic presidential race between Gephardt and Vice President Al Gore. Also having an impact on the policy debate are White House worries about how Democrats will respond during Congressional investigation of the 1996 fundraising scandal.

Gephardt is laying down hard markers to secure the support of the AFL-CIO and the seniors' lobby, while Gore tries to repeat Clinton's previously successful strategy of holding liberal support while also occupying the political center.

Gephardt's insistence that new trade agreements contain strong environmental standards is a foray onto Gore's home turf, the environmental movement. That movement split during the 1993 fight over the North American Free Trade Agreement, which Gore supported and Gephardt opposed.

This year, Gephardt has opposed the Administration's certification of Mexico's drug enforcement program, warned that he might oppose Clinton's proposed \$100 billion reduction in Medicare growth, and indicated that he will seek to block Clinton's plans to expand NATO and continue most-favored-nation trade status for China.

Gephardt also joined other pro-Israel Members in criticizing Administration attendance at an Arab conclave held in the Gaza Strip to strategize on Israeli land grabs, and he forced Clinton to back away from Senate GOP Leader Trent Lott's (Miss) plan to create a bipartisan commission on the Consumer Price Index.

Clinton aides acknowledge there is concern in the White House that drifting too far away from liberal policy might weaken Democratic support amid upcoming GOP scandal probes.

While public polls indicate that Clinton's popular support remains strong despite scandal stories in the newspapers, private White House "push polls" indicate that his support falls the more voters are told about the scandals.

A study by the non-partisan Center for Media and Public Affairs indicates that Clinton's approval rating might be holding in the mid-50s because network TV newscasts have carried only a fifth of the number of scandal stories per week as the major daily newspapers.

With the exception of the CPI adjustment -- anathema to the AARP and AFL-CIO -- Clinton so far has stood up to liberal pressure reasonably well this year on such issues as Medicare, NATO, Mexico, and MFN.

The scheduling delay on fast-track indicates another possible wobble, however. Already, Clinton's leg injury has caused his trip to Argentina, Brazil, and Paraguay to be rescheduled from May until the fall, reducing pressure for action on fast-track.

Delay into 1998 could kill fast-track and damage the government's ability to open up job-creating overseas markets for US products and services. Clinton has to wage a fight for free trade sometime. It might as well be now.

More Information about Morton Kondracke

Trip notes for May -

Fun up Restless

Don't crowd + Fast Travel / Linker - Party
NO NO

From 1D

WHITE HOUSE STAFFING MEMORANDUM

DATE: 4-4 ACTION/CONCURRENCE/COMMENT DUE BY: _____

SUBJECT: Fast Track

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McCURRY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLES	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McGINTY	<input type="checkbox"/>	<input type="checkbox"/>
McLARTY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NASH	<input type="checkbox"/>	<input type="checkbox"/>
PODESTA	<input type="checkbox"/>	<input type="checkbox"/>	RUFF	<input type="checkbox"/>	<input type="checkbox"/>
MATHEWS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SMITH	<input type="checkbox"/>	<input type="checkbox"/>
RAINES	<input type="checkbox"/>	<input type="checkbox"/>	REED	<input type="checkbox"/>	<input type="checkbox"/>
BAER	<input type="checkbox"/>	<input type="checkbox"/>	SOSNIK	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ECHAVESTE	<input type="checkbox"/>	<input type="checkbox"/>	LEWIS	<input type="checkbox"/>	<input type="checkbox"/>
EMANUEL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	YELLEN	<input type="checkbox"/>	<input type="checkbox"/>
GIBBONS	<input type="checkbox"/>	<input type="checkbox"/>	STREETT	<input type="checkbox"/>	<input type="checkbox"/>
HALE	<input type="checkbox"/>	<input type="checkbox"/>	SPERLING	<input type="checkbox"/>	<input type="checkbox"/>
HERMAN	<input type="checkbox"/>	<input type="checkbox"/>	HAWLEY	<input type="checkbox"/>	<input type="checkbox"/>
HIGGINS	<input type="checkbox"/>	<input type="checkbox"/>	WILLIAMS	<input type="checkbox"/>	<input type="checkbox"/>
HILLEY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RADD	<input type="checkbox"/>	<input checked="" type="checkbox"/>
KLAIN	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
BERGER	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
LINDSEY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: *This memo went to Potomac last night.*

RESPONSE: _____

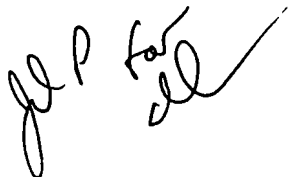
THE WHITE HOUSE
WASHINGTON

8

April 7, 1997

MEMORANDUM FOR THE PRESIDENT

From: Samuel Berger
Daniel Tarullo
Gene Sperling



Subject: Fast Track

Purpose

To determine how to proceed on seeking fast track authority. Our credibility in Latin America increasingly is eroding because we have not moved beyond rhetorical support. Moreover, economic integration is proceeding in the hemisphere (e.g., MERCOSUR), but without us. However, there is substantial Democratic opposition to any fast track bill that does not mandate provisions in trade agreements that provide for trade restrictions on countries for failure to meet labor and environmental standards. Republicans will not accept such provisions, but they have also indicated they would insist on significant Democratic support for a fast track bill. The issue is further complicated by the possibility of an early budget agreement, which may also involve a break in party unity, and which will command the lion's share of our resources and time, including your own, for at least the next month.

Background

Fast track has never been popular in the Congress. The House tends to be skeptical of trade liberalizing agreements in general, while the Senate tends to be resistant to the constraints upon floor debate and amendments. Prior enactments of fast track were contained in broad-ranging trade bills in which support for fast track was accepted by some members in return for making U.S. import laws more restrictive and market access laws such as section 301 more aggressive. These bills also provided new programs for displaced workers.

The normal difficulties of obtaining fast track are compounded this year by several factors. First, free trade agreements have become strongly associated by many in Congress and the public with NAFTA. The peso crisis and resulting reversal in our trade balance, along with seemingly extraneous issues such as drugs and corruption in Mexico, have made NAFTA unpopular in many quarters. Second, budgetary constraints suggest little room for additional programs to ease

displacement anxieties of potentially affected groups of workers. Third, the substantial resistance to fast track among House Democrats presents a very awkward situation as we try to conclude a budget agreement that is already placing severe strains on party unity. A number of your political and congressional advisors are particularly concerned that proceeding vigorously with fast track now risks both alienating Democrats we need on the budget and sustaining an early loss that would reduce our influence on the Hill.

On the other hand, there is political cost to delay: Gephardt and other opponents already are lining up Members, our supporters are exposed and we may exacerbate the challenge facing us if we don't proceed soon.

The most contentious issue is the role of labor and environmental standards in future trade agreements. For NAFTA we negotiated "side agreements" for labor and the environment, which provided a special form of dispute settlement where there had been a "persistent failure" by one of the governments to enforce its own laws on some labor areas and the environment. If such a failure is found, fines are to be imposed on the offending government, with trade sanctions imposed only if the fine is not paid. These agreements were approved by the Congress. They have not been frequently invoked.

There appears to be strong support among business and the Republican leadership for fast track authority, but only if labor and environmental provisions are not included in any agreements negotiated under fast track authority. This proviso seems to include side agreements approved by the Congress, though perhaps not side agreements reached on the basis of Executive authority alone. Representative Gephardt and the AFL-CIO, on the other hand, have indicated they will actively oppose fast track unless the terms of the authority require that labor and environmental provisions, backed by trade sanctions, be included in any future free trade agreements. Even the environmental groups that eventually supported the NAFTA side agreement will be hard to win over this time around, since they have been disappointed in environmental developments along the border and believe that they had an understanding with the Administration that future trade agreements would be "greener" than NAFTA. However, anything less than the side agreements approach would surely elicit charges that we are backing off even a moderate commitment to the environment.

When USTR consulted extensively with the AFL-CIO earlier in the year there were some hints that labor might not strongly oppose fast track (there was never any hope they would support it). However, at the AFL-CIO's annual meeting in Los Angeles in February there was a surge of anti-trade sentiment from some constituent unions, and the leadership had to work hard to avoid a resolution that would have essentially opposed new trade agreements under any circumstances. There is only limited hope that further discussions would yield agreement on some intermediate position. A major anti-fast track campaign from labor is more likely.

In the House, where any fast track bill must originate, and where it will be tougher to prevail, we will need at least 120-140 Republican votes, which the Republican leadership seem to believe they can secure in the absence of a problem with the labor and environmental provisions. Vote counting is complicated by the fact that House freshmen and sophomores have not had to cast a

difficult vote on trade. Based on previous landmark trade votes, the House Republican profile is as follows:

98	Yes on NAFTA/GATT
2	No on NAFTA, Yes on GATT
25	No on NAFTA/ GATT
91	Freshmen/Sophomores with no past trade votes

As was the case with NAFTA, Republicans are likely to insist that we get a substantial number of Democrats (perhaps 80-90) to support our position. Many House Democrats who are potential supporters of fast track are clearly uncomfortable with being pulled from opposite sides by their leadership and the White House. The House Democratic profile is as follows:

43	Yes on NAFTA/GATT
48	No on NAFTA, Yes on GATT
57	No on NAFTA/GATT
59	Freshmen/Sophomores with no past trade votes

Our challenge in the House is exacerbated by the departure of most of the key Democratic members who provided the whip organization for NAFTA. Indeed, Matsui is the only remaining member who performed that role. Our core of support should come from the 43 Democrats who voted for both NAFTA and GATT. If forty or so additional votes are needed, the next best target group is composed of the freshmen and sophomores, with some lesser possibility of picking up a handful from the group that voted no on NAFTA but yes on GATT. We will have to pick up these Democrats with an intermediate position on labor and environmental standards that gives them something to vote for while not losing significant Republican support.

Our position would likely be a "clean" fast track bill that did not either require or exclude labor and environment provisions of any sort. However, we will have to state our intentions on these issues. Charlene has recommended that we support an approach that would include side agreements with sufficiently strong labor and environment provisions to attract some Democrats. However, these agreements would not be submitted to Congress (which would engender wholesale Republican opposition) and thus would be Executive agreements only, which in theory could be terminated by a later Administration even as the underlying trade agreement remained in place. She also recommends that we formally state our intention to consider labor and environmental circumstances, among other criteria, in selecting countries with which to negotiate. Finally, she proposes a more active effort in non-trade fora to promote labor and environmental standards.

Suggested Approach

There are three sets of considerations that need to be reconciled. First, it is important not to

exacerbate relations with House Democrats over fast track at the same time as budget negotiations are placing strains on party unity. Since any fast track bill with a real chance of passage will fall short of what labor and many House Democrats will demand, waging both fights simultaneously could alienate at the worst moment some of those whose support we will need on the budget.

Second, and related to the first point, our resources will be severely strained if we try to fight two major legislative battles at once. The resource problem extends to your time, which will be extensively required for meetings with Members on both issues. Until the budget situation clarifies one way or the other, a major commitment of senior Administration resources does not seem feasible. (There will also be demands on your time in connection with CWC ratification.)

The third set of considerations pulls in a different direction. Whether we like it or not, the fast-track fight has already begun. Further delay in active Administration efforts to secure fast-track will give opponents time to consolidate their position. Too much delay will leave you headed for South America (October) without this critical trade authority.

In several discussions over the past week, we have concluded that the best approach for at least the next month is to reaffirm visibly your commitment to fast track and to an activist trade policy, while not taking steps that would join the battle over labor and environmental standards. A corollary of this approach is that we would try to freeze any flow of support towards an anti-fast track position by indicating a desire to see if consensus positions on labor and the environment can be worked out.

The elements of this approach are as follows:

- (1) A speech by you that includes an affirmation of your support for fast track and our trade policies and that calls on all sides to see if a consensus can be reached on pursuing free trade agreements while respecting labor and environmental standards. Such a speech is critical for publicly committing to make fast track a priority. We could use your remarks at the American Society of Newspaper Editors this Friday as the venue for this speech.
- (2) A single, early meeting between you and a bi-partisan group of about two dozen Members, in which you make the same statements of support for fast track, and indicate you are asking us to work with them to try to work out consensus positions.
- (3) Charlene and others would continue consultations with others on the Hill in pursuit of the same end.
- (4) We would also work individually with Members to urge that they not commit to an opposing position while we are trying to work out a common view.
- (5) We would bring in labor and environmental groups to be sure they feel thoroughly consulted.
- (6) If the budget process does not move forward rapidly, we would reassess our

position in May; if it does move forward, we would then proceed rapidly to present a bill.

There are risks associated with this approach, to be sure. In particular, our unwillingness to offer a bill or to state our positions on labor and environment may be criticized quickly as avoiding the issue that matters, and our attempt at consensus seen as at best futile and at worst ceding the field to those opposed to fast track. Yet, in the current circumstances, any approach risks harm to our interests on the budget, fast track, or both. In general, your advisors believe that this approach best balances both our interests and the risks.

RECOMMENDATION

That you approve the approach described above.

Approve _____ Disapprove _____ Discuss _____

① h. Isur
 ② Eric - Steve
 ④ Jete
 ⑤ Resl

(Handwritten note in a circle: Just read)

**Remarks Prepared for Delivery by
 USTR CHARLENE BARSHEFSKY
 before the
 Council on Competitiveness
 March 20, 1997**

It is a pleasure to be with you tonight. As I look around the room I see many of you who were instrumental in developing the partnerships that made the ITA and telecom agreements possible. These two agreements will unlock billions in new opportunities for U.S. companies and encompass the hardware, software, services and infrastructure package to dramatically expand the reach of the Information Superhighway around the world.

Together these agreements encompass \$1.1 billion in global trade. As you know, U.S. technology companies are the most competitive in the world with IT product exports which approached \$100 billion in 1996. It is worth noting that our technology exports were up 44% last year. For our companies and the 1.8 million high tech manufacturing workers in the United States, the ITA amounts to a \$5 billion annual tax cut because tariff barriers on technology products overseas are so much higher than ours. At the end of the day an ITA agreement was possible because we had the tools -- fast track negotiating authority -- which strengthened our hand. While the ITA was basically a tariff deal we specifically included the ability to go after non-tariff barriers to expand the reach of this deal. We will need further negotiating authority to make more progress.

Let's look at the larger picture of U.S. trade....

*Good
 stuff
 rhetoric*

We are the strongest and most competitive economy in the world, and expanded trade has played an important role in building our strength. Over the past four years, we have created nearly 12 million new jobs, while the G-7 combined created roughly 600,000. We are once again the world's largest exporter, setting historic records. Over the last four years, our manufactured exports are up 42 percent, high technology exports jumped 45 percent, service exports climbed 26 percent, and farm exports rose 40 percent.

Along the way, we have negotiated more than 200 trade agreements, all designed to advance our economic and trade interests. We pursued these agreements including GATT and the NAFTA because we recognized that trade is increasingly important to the future of our nation. Trade is now equivalent to nearly 30 percent of our GDP, up from 13 percent in 1970. Exports support an estimated 11.3 million U.S. jobs, and over 1.4 million of these jobs were generated by increased exports over the last four years.

Our economic expansion has been investment-led, building the foundation for even greater economic strength. Our industrial production is up nearly 18 percent in real terms over the last four years. Japan's production, by contrast, is up 5 percent and Germany's has declined 2 percent

over this period. Growth of our industrial capacity is at its highest level since the 1970s.

In short, no country in the world is better positioned to take advantage of the enormous opportunities presented by a growing global economy. Our competitors cannot beat us, but we can lose if we put ourselves on the sidelines.

The Challenges Ahead

None of this is to suggest that we don't face challenges and continuing problems. Too many Americans have been left behind in the current economic expansion, without the skills or education to benefit from the increased opportunities. Neither government nor the private sector should rest while that is the case. But we face a very clear choice. The choice is this:

We can recognize that the American economy is the model for the world, and continue to open foreign markets and seize the initiative when it comes to international competition. To do so, we must position ourselves to take advantage of the extraordinary opportunities presented by the growing global economy.

This approach also calls for us to recognize that some Americans are being left behind by the global economy. We can face up to this problem by working to put in place education, training, and adjustment policies for workers in need; advancing core labor standards and protecting the environment; and being vigilant to the consequences and potential threat of forced technology transfer in foreign countries.

In short, we can start from the proposition that we have been basically on the right track and should stay fully engaged, using all our tools, taking advantage of all opportunities.

Or, we can convince ourselves -- against the evidence -- that we are on the wrong track. We can choose our course guided by a picture of economic decline and disinvestment that bears no resemblance to what is happening in our country. We can let ourselves instead bog down in an endless debate over NAFTA and Mexico. We can permit markets to stay closed and let others seize the initiative from us. The choice is that clear.

The Threat of Inaction

We must recognize the dangers of inaction. In every region of the world, but particularly Asia and Latin America, the two fastest growing regions in the world, governments are pursuing strategic trade policies and preferential trade arrangements, creating trade alliances around us rather than with us and the consequences of disengagement are unacceptably high for our economy. Examples of such new exclusive alliances among our foreign competitors abound:

- MERCOSUR (Argentina, Brazil, Paraguay, Uruguay) is a developing customs union with ambitions to expand to all of South America. MERCOSUR has struck agreements with Chile

and Bolivia, and is discussing agreements with a number of Andean countries (Colombia, Venezuela) as well as countries within the Caribbean Basin.

- The EU has begun a process aimed at reaching a free trade agreement with MERCOSUR. They have concluded a framework agreement with Chile that is set up to lead to a free trade agreement. The President of France, just in the region, said Latin America's "essential economic interests... lie not with the United States but with Europe."

- China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America to ensure that key Latin countries are receptive to its broader global agenda as a rising power, both in the WTO and other fora.

- Japan has undertaken high level efforts throughout Asia and Latin America in country after country.

- Mexico wants to be the commercial hub between North and South America and serve as a venue in which to enter North, Central and South America from Asia and Europe.

The cost of inaction is already upon us:

o Southwest Bell selected Northern Telecom for a \$180 million telecommunications project it has in Chile to avoid paying \$20 million in duties that if it had contracted with an American company, thanks to the Chile-Canada free trade agreement.

Our Global Trading Agenda

We should respond to these global challenges with the full arsenal of trade policy tools at our disposal including "fast track" negotiating authority. What are we looking for? The United States must be positioned at the center of a global constellation of trade activity. To the extent that our trading partners are engaged in the development of exclusive trade relationships around us, that can only mean that our long term strategic interests will suffer around the world -- if we cannot intervene to redirect those alliances in our favor. We have important work ahead of us:

- Within four years, major WTO negotiations will occur in key areas where the United States is again a top global competitor with much to gain: agriculture, services, and the rules for intellectual property rights. This year we will be resuming WTO negotiations on financial services. In the OECD, we are in active negotiations over the Multilateral Agreement on Investment to ensure equitable and fair treatment for U.S. investors.

With regards to the regional agenda, the United States is committed not only to concluding the FTAA by 2005, but also to concrete progress by 2000. Chile should be our first step in this process. The region views what we do with Chile as a litmus test for our future plans.

- Latin America and the Caribbean were the fastest growing market for U.S. exports in 1996. If trends continue, it will exceed the EU as a destination for U.S. exports by the year 2000, and exceed Japan and the EU combined by the year 2010. It is also the second fastest growing region in the world.
- With building the FTAA very much in mind, the Administration remains committed to Caribbean Basin Trade Enhancement.
- The Asia Pacific region contains the fastest growing economies in the world, encompassing nearly 3 billion people. Within APEC, we estimate that reaching the goal of open markets would increase U.S. goods exports alone by 27 percent annually, or almost \$50 billion a year. Market-opening agreements with key APEC partners offers the potential to catalyze this process and strengthen U.S. strategic relationships.
- [With Europe, our focus will be on non-tariff barriers which continue to impede transatlantic commerce, especially regulatory barriers and agricultural impediments.]
- Africa is a region rich in resources and potential, which we should engage with determination to ensure its effective and sustainable development and democratic governance.

There is no substitute for our ability to implement comprehensive trade agreements. The absence of agreed procedural authority is the single most important factor limiting our capacity at this time to open markets. Such authority is a prerequisite to U.S. negotiating credibility and success on major trade fronts.

Trade, Labor, and the Environment

We can no longer allow our disagreements over the relationship between trade, labor standards and environmental protection to prevent us from granting the President fast track authority. It is important to recognize that a commitment to protection of core labor standards and their relationship to trade, is not new, nor is it unique to the United States. Advancing worker rights and labor standards is in our national interest and it is consistent with our deepest national values.

Conclusion

I want to thank all of you in this room for making helping us achieve the very important agreements we reached on IT products and telecommunications. But I want to caution you that those agreements are not an end but a beginning. The one lesson that we cannot afford to forget is that if the United States is not leading the fight -- as we did with ITA and telecom -- these agreements cannot happen. With the emergence of exclusive trade alliances around us, we must continue our fight to eliminate foreign trade barriers. I look forward to your continuing

engagement as we seek other sectoral trade pacts, and assure that the United States is always at the center of a constellation of regional trade alliances whether they are in Asia or our own hemisphere. Thank you.

TO: CIRCULATION
FR: WALDMAN
RE: Redraft of fast-track section 10am

For fifty years, America has led the world not only in building security but in promoting prosperity. Now we must choose whether to continue to shape the international economy so that it works for all our people -- or shrink from its challenges.

The rapidly growing and ever changing global economy is an inescapable fact of our time. Over the past 50 years, global trade has increased 90-fold. Over the next decade, it is expected to grow at three times the rate of the U.S. economy. Nations once divided by great gulfs of geography and military rivalry are now linked by surging currents of commerce.

This world marketplace poses stiff challenges. It means constant change for our nation and for our people. But it offers us the greatest opportunity for prosperity we have known.

Today, America stands alone as the world's strongest and most competitive economy. Our exports have surged to record levels. Our budget deficit is now the smallest as a share of income of any major economy. Basic American industries have revived; our auto industry is number one in the world again for the first time since the 1970s. And from semiconductors to biotech to Hollywood, American firms lead the industries that are remaking the world. We are uniquely well-positioned to make the most of this new economic era.

But in a world where America has only 5% of the population -- where the fastest growing markets for our goods and services are in Asia and Latin America -- where export related jobs pay 17% more than other American jobs . . . we have only one choice: we must export.

To do that, we must have higher skills, stronger productivity, deeper investment. We must balance the budget. We must give our people the best education in the world, establishing national school standards to enable us to compete internationally, opening the doors of college, and passing my GI Bill for workers, which gives every unemployed and underemployed worker a skills grant that can be used to obtain the training he or she needs. We must continue to expand research and development in the public and private sector.

And at every opportunity, we must press forward in our struggle for open and competitive trade.

My administration has concluded more than 200 trade agreements, each of which opened someone else's markets wider to American business. We fought for enactment of NAFTA, creating a free market with our neighbors -- and today, despite the peso crisis, our exports to Mexico are up TK over pre-NAFTA levels. We broke seven years of global gridlock and successfully negotiated the new round of GATT, creating the World Trade Organization which has lowered average tariffs on U.S. goods around the world by one-third. We have broken down barriers and boosted exports to Japan -- up 40 percent since 1993, and 85 percent in sectors like medical supplies and auto parts where we have won trade agreements.

This is a record to build on, not to rest on. History teaches us that when the momentum for open markets falters, the world can easily slide backward. It is unacceptable for us to go backward. It is unacceptable for us to stand still. It is unacceptable for us to sit on the sidelines while other nations forge bonds of trade. This is a critical moment for us to forge our future, and we must move to seize it.

American leadership created the prosperity of the past 50 years. Now only American leadership can create prosperity -- for our people and for all the world -- in the next 50 years. And America cannot lead if America -- and its leaders -- cannot act. Every American President since 1974, Democrat and Republican alike, has had the authority to negotiate new trade agreements. That fast track negotiating authority, every time, has been extended with the support of Members of Congress of both parties. That is how America has exercised its most fundamental leadership of the world economy. So today I am renewing my call to Congress to give me fast track authority to negotiate new trade agreements -- trade agreements that will create opportunities for our workers and our businesses in the global economy -- and do it this year.

We have seen in the past six months what a strong trade agreement can bring to our people and businesses. The International Telecommunications Agreement that we reached with 38 other nations in December will eliminate tariffs and unshackle trade on \$500 billion of trade in computers, semiconductors and telecommunications -- the high-tech sectors of the future in which America already leads the way. This amounts to a \$5 billion cut in tariffs on American products exported to other nations.

Now, if Congress grants fast track authority, I can use it to open trade in the areas where American firms are leading and America's future lies. We lead the world in high technology; in years to come, we must press to tear down barriers around the world that keep out American products such as computer software, medical equipment, and environmental technology. We lead the world in agricultural exports; we must negotiate trade agreements to open even more markets to our produce. We will follow through on the agreement we forged at the Summit of the Americas in Miami, to build a Free Trade Area of the Americas by the Year 2005. We will press aggressively to open markets to our products in Asia as well.

And if we do not seize the vast opportunities offered by the rising regions of the world, our competitors will. Last year, Latin American nations had more trade with Europe than with the United States. There is no reason to think that these nations will wait for us to move forward. These nations are our neighbors; they are our partners; and we would be foolish to let this opportunity pass us by.

All this expanded trade will enable us to create more jobs through higher exports. It will help us to protect the 11 million jobs that are already dependent on trade. This is not about whether we will open our markets to the world: They already are. It is about whether the world will continue to open its markets to us.

By opening the world's markets, we help the standard of living grow everywhere. That's the right thing to do. And it also helps turn the world's poor nations from being a threat to

international stability into a market for our goods and services.

I am determined that the new trade agreements we seek will be good for working people and for the environment, here and around the globe. I have asked the U.S. Trade Representative, Ambassador Charlene Barshefsky, to work with members of Congress of both parties, with labor and business and environmentalists, to try to reach consensus on these issues.

But let me be clear: We cannot shrink from the challenge of the global economy. America is the most competitive nation in the world. And I am certain that American workers and businesses, given the chance, can outcompete anyone, anywhere in the world. I call on the Congress to work with me to let them do just that.

The question we face is as old as our country. Whether to turn inward or reach outward, whether to fear change or embrace it. Over the past fifty years -- and over the past four years -- we made the choice that has always served America best.

Now [WE MUST -- AND WILL -- CONCLUDE THIS SPEECH IN ONE PARAGRAPH]

- ①A Vision - Tie to Charles's Speed of Trade
- ① Tony / ② Eric
- ③ Fast Track
- ④ Meet + discuss w Kyle

THE WHITE HOUSE
WASHINGTON

FAST TRACK
WHITE HOUSE DISTRIBUTION LIST

Still need to
see Mark Paul
w Eric and discuss
how to tackle about
trade issues and
OPW of Air Trade.

ERSKINE BOWLES	1st Flr; WW	456-6797
SANDY BERGER	1st Flr; WW	456-9481
GENE SPERLING	2nd Flr; WW	456-5804
DAN TARULLO	Rm 231 OEOB	456-5355
MACK McLARTY	Grd Flr; WW	456-2000
FRANK RAINES	Rm 252 OEOB	456-4840
JOHN HILLEY	2nd Flr; WW	456-2230
MIKE McCURRY	1st Flr; WW	456-2673
DOUG SOSNICK	1st Flr; WW	456-1912
VICTORIA RADD	Grd Flr; WW	456-6797
KATIE MCGINTY	Rm 360 OEOB	456-6224
KITTY HIGGINS	2nd Flr; WW	456-2572
MARCIA HALE	2nd Flr; WW	456-7060
LEON FUERTH	Rm 298 OEOB	456-9501
SUSAN BROPHY	2nd Flr; WW	456-2230
MARIA ECHAVESTE	Rm 117 OEOB	456-2930
JOE MINARIK	Rm 244 OEOB	395-5873
DON KERRICK	Situation Room	456-9461
TONY BLINKEN	Rm 331 OEOB	456-9371
DAVID LEAVY	Rm 331 OEOB	456-9371
ANNE LUZZATO	Rm 487 OEOB	456-9271
BILL DANVERS	Rm 365 OEOB	456-9171
WILL DAVIS	Rm 365 OEOB	456-9171

April 23, 1997

FROM: BOB KYLE

SUBJECT: Fast Track

Attached please find a document USTR and I prepared setting forth the Administration's main message on Fast Track. I will distribute it to relevant agencies as well. I hope you will find it useful as we continue this effort.

Attachment

FAST TRACK
MAIN MESSAGE

NOW, MORE THAN EVER, THE U.S. NEEDS AUTHORITY TO OPEN NEW MARKETS AND BREAK DOWN BARRIERS TO U.S. EXPORTS.

Trade negotiating authority is essential. Every President since Ford has had fast track authority for key periods with bipartisan support. That is because Congress has consistently recognized the President must have the authority to break down foreign trade barriers and create good jobs.

Fast track authority is even more essential today. The rapidly expanding global economy presents enormous opportunities for our companies and workers. Over the next decade, the global economy is expected to grow at three times the rate of the U.S. economy. Growth will be particularly powerful in the emerging markets - the fastest growing markets of the world. Our economic future will increasingly rest on tapping into these global opportunities. In a world where over 95 percent of the world's consumers live outside the United States, we must export to sustain economic growth at home.

Very good Basic points

Commercial competitiveness is critical to our global leadership. Europe, China, Japan and others are forging preferential commercial alliances with emerging markets, which put American exports at a disadvantage. Those trade alliances also play a vital role in defining strategic relationships between countries and regions. Our commercial competitiveness is at stake, but so is our leadership role in the world.

Common Joe competitor essence

Exports create American jobs. Today, more than 11 million American jobs are supported by exports, including one in five manufacturing jobs - good jobs, paying 13-16 percent more than non-trade-related jobs. Over the last four years, one-quarter of our economic growth came from trade -- and exports created 1.4 million new jobs. If we are to raise our standard of living, we must continue creating jobs through exports.

Per capita income growth point

Very good Basic points

THE U.S. IS PERFECTLY POSITIONED TO SEIZE THESE OPPORTUNITIES.

The United States is the world's strongest competitor. We have enjoyed the longest period of sustained growth of all of our G-7 partners. Over the last four years, we have created 12 million new jobs, more than all of the other G-7 countries combined. We have the lowest budget deficit as a percent of GDP of all the G-7 nations. We are once again the world's largest exporter, the largest producer of semiconductors, the largest producer of automobiles. Over the last four years, our manufactured exports are up 42%, high technology exports jumped 46%, service exports climbed 26% and farm exports rose 43%. Independent studies, including the Institute for Management Development in Switzerland, have found America to be the most competitive economy in the world for the past five years. No country in the world is better positioned to compete.

Our market is already open. Others are not. The United States is the most open, major market in the world. When we reach trade agreements, we give up very little, while other countries give up far more. When the Uruguay Round is phased in, our tariffs will average 2.8 percent. Other countries are far higher: India (31%); Thailand and Turkey (26%); Chile and Indonesia (11%). It is not difficult to see that these deals make sense. It is difficult to understand why we should let these barriers stand.

THE POTENTIAL GAINS ARE GREAT, IF WE SEIZE THEM.

Multilateral. For over 50 years, the U.S. has led the world in opening global markets. Our persistent leadership has helped bring global tariffs down from an average of 40 percent at the end of World War II to about 5 percent today, leading to a 90-fold increase in global trade. We can continue that progress today. Because of our leadership, new WTO negotiations present the opportunity to reduce trade barriers further in key sectors, such as:

- **Agriculture:** Negotiations to cut barriers in the \$526 billion global agriculture market will attack such practices as export subsidies and domestic support programs.
- **Services:** A \$1.2 trillion global market - where U.S. firms exported more than \$220 billion in 1996 with a surplus of \$74 billion. Talks will address a wide range of service sectors including health care, education, entertainment, tourism, business consulting and advertising.

Global negotiations will address other key areas like intellectual property, customs and government procurement rules. Talks in the OECD will ensure fair treatment for U.S. investors.

Sectoral. We would also use fast track to negotiate agreements in sectors where the U.S. is most competitive. The recent Information Technology Agreement, for example, eliminated tariffs and unshackled \$500 billion of trade in semiconductors, computers, telecommunications equipment and software, amounting to a \$5 billion tax cut in tariffs on American exports. With fast track authority, we can tear down more barriers in areas like medical equipment, environmental technology, and computer software, areas where America leads the world.

Regional. Continuing regional initiatives present vast opportunities.

- **Latin America and the Caribbean.** This area was the fastest growing market for U.S. exports in 1996. If trends continue, Latin America and the Caribbean will exceed the EU as a destination for U.S. exports by 2000 and exceed Japan and the EU combined by 2010. We remain committed to conclude the Free Trade Area of the Americas by 2005. Chile would be our first step in this process.

- Asia. Contains the fastest growing economies in the world, with nearly 3 billion people. Independent forecasters put 1996 GDP for the region at \$2.8 trillion and expect real growth of 6% to 7% annually for the next 15 years.

We will also continue efforts with Europe, Africa and other regions.

IF WE DON'T ACT, OUR COMPETITORS WILL.

Other countries are breaking down barriers for their companies and workers. We talk a lot about leveling the playing field, but our competitors are leveling the field, while we sit on the sidelines. Since 1992, our competitors have negotiated 20 regional trade pacts in Asia and the Western Hemisphere. In every region of the world, this process will continue. MERCOSUR is a developing customs union with ambitions to expand to all of South America; the EU has begun a process to reach free trade with MERCOSUR (President Chirac recently declared "the future of the region rests with Europe, not the United States"); China's "strategic priorities" include Mexico, Argentina, Brazil, Chile and Venezuela; Japan has undertaken high-level efforts in Asia and Latin America. Five years ago, the question was whether countries would reach regional trading agreements. Today, the only question is whether the U.S. will be part of that process - or whether it will sit on the sidelines.

The costs of inaction are high. For example, Canada has reached a free trade agreement with Chile that will eliminate Canada's across-the-board 11 percent tariff for Canadian products. Every time an American company competes to sell to Chile, it will face an immediate 11 percent cost disadvantage vis-a-vis its Canadian competitors. The costs are already being felt. Canada's Northern Telecom just won a \$180 million telecommunications contract over three U.S. companies in part because it could avoid paying \$20 million worth of duties.

AS WE DEVELOP A FAST TRACK BILL, WE MUST DEVELOP A BIPARTISAN APPROACH TO THE ISSUES OF LABOR AND THE ENVIRONMENT.

We must address these issues. We cannot sustain support among American people for market opening policies without also addressing concerns about the effects of these agreements on labor and the environment. That is also necessary to build a bipartisan coalition for passage. The President has asked Ambassador Barshefsky to consult with both parties in Congress -- and the relevant interest groups -- to develop a bipartisan consensus. That process continues.

Sitting on the sidelines does not help workers or promote a cleaner environment. Opening foreign markets does not mean retreating from our commitment to labor and the environment. In fact, it makes it easier to engage these countries on these issues. Denying the President authority to negotiate trade agreements with them will not help advance their labor or environmental protections. It will simply make it more likely that these countries will remain relatively poor (keeping wages low and discouraging better environmental practices), while crippling our export performance and denying job growth here at home.

ven
Send
point
Need to
Understand
Charles's
points of labor
The key
point
re: L&E

Other
ways to
push
rights
point
used

WE FACE A CRITICAL CHOICE: WHETHER TO SEIZE THE INITIATIVE OR HAVE OTHERS SEIZE IT FROM US.

The choice is clear. We can recognize that the American economy is the model for the world, continue to open foreign markets and seize the initiative when it comes to international competition. Or we can convince ourselves - against the evidence - that we are on the wrong track, that we cannot succeed and that we should not move forward. Four years from now, we will either proudly recognize that we saw our opportunities and we took them. Or, we will have become paralyzed by indecision, squandered our strong competitive advantage and let others seize the initiative. The choice is that clear - and that important.

good point

Very good, catch close

Wyle/ Samuel

Mar 3/97

Does Balance of Trade / New D / Steve Chrysler
John Bagwell

Textile - Chapter I → came back

Apparel Union - work to stitch together
Unite - ladies garment workers

Fabric

Yarn

How do they relate to Apparel industry

Apparel surplus before NAFTA

Exports to Mexico / mkt

AAMA	<u>Apparel</u>	} split mfg will like positive
C&B	print	
Miller	15%	
Furley	15%	<u>Apparel</u>

McGee View

CAME

Minimize Benefits to CAME → Free Trade instead

GAWS - program ⁱⁿ place 15% duty
Helpful 5.6% - 0 - duty

USTN 2 step (over)

Need to understand B&W

NAFTA discussion w transition
FTA

Consolidate
Group as a group in FTA possibly

USM
} Introduce Ben w less tax } 2 wls
Budget

5 yrs \approx 6 yrs Below 1 Billion

1.3 Billion total
\$700,000 ^{million} for 5 yrs

} Peter Believes it is
} higher

Specific rules of origin

U.S. goods
US pieces

Effects to countries

} growing trade overseas
} Economic reality positive
} private sector revenues
} Taxes ✓

impact on jobs / Treasury
per cycle

Newly qualified CBI Effects \rightarrow Fla. Salads

* cut bad tariff quota that do not qualify CBI Exempt
Barriers overcome

1984

Assess + U.S. debts

↓ tariff rate

Encourage

I

Export

} provide jobs + stability

Peter A. / ~~John H~~ John H

Trade Enhancement NOT priority

①

NOT I than East rather I is the Chamber

②

LABOR UNIONS Chamber

③

Limit Inflow from outside the region

To get Benefits from Chamber NOT the East

CAMEL Chamber directed initiative / CAMEL

① U.S. labor or goods

② Use your own

③ NO ~~sources~~ ^{SOURCES} of labor from East → no side deal

SWAP Bid provisions

If Exports too rapidly

Criteria

SPR

I

Customs

Waste rights

Environment

{ products
{ Drugs

Cut in 1/2

Stick above Mexico

Consider Basic Trade Evaluation Act

8 yrs. FTAA

3 or 5 years

{ CBI 1984 Revised
{ Building on

"Need Leg. for an to staff in Budget"

per Peter → Hopefulness in next 2 to 3 weeks

NOTES AND MEMOS MADE IN MARCH 1997

DATE EACH ITEM

DATE EACH ITEM

NAFTA
~~and~~
~~part of~~
 reference
 POT 1 5

Two Efforts Underway

LAde

① Mills

Apparatus representative

② Retra. lens / Imports

division within the industry

③ Michael Gale / Unions hopes to get agreement

LABA obligations re: sewing departments within the region → willingness to give some form protection → specific part → countries to enforce

Partnership w the region

sewing jobs protected

mill jobs keep

Gale analysis

Some jobs loss → NOT NEARLY AS MUCH

Hard & slow

Region

{ No parity
 NAFTA -

[Consultations w the region]

Pope's trip

USM / Ambassadors

Grant / ECOT ministers
 USM

[Amb]
 [used]

it will hold by name

When U.S. trade everyone less content

POTS + car E.C. Sol. / Income / 5 spot

DIARY AND WORK RECORD

14th Week • 90th Day • **MONDAY 31**
MARCH, 1997

HOURS	FOR	SUBJECT • DESCRIPTION OF SERVICES	TIME HRS. 1/100
8 0800	06		
	12		
	18		
	24		
	30		
	36		
	42		
	48		
	54		
	54		
9 0900	06		
	12		
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10 1000	06		
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11 1100	06		
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12 1200	06		
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1 1300	06		
	12		
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	36		
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2 1400	06		
	12		
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	54		
3 1500	06		
	12		
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	42		
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	54		
	54		
4 1600	06		
	12		
	18		
	24		
	30		
	36		
	42		
	48		
	54		
	54		
5 1700	06		
	12		
	18		
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	30		
	36		
	42		
	48		
	54		
	54		

IMMEDIATE

UNCLASSIFIED
WHITE HOUSE SITUATION ROOM

PAGE 01 OF 05

PRT: DOHSE HARMONPTR KERRICK MCLARTY NAPHIN SIT
SIT: ARMSTRONG BEDELL CLARKER DESOUZA DOBBINS HARMON NATOLI PASSDOWN
PICCONE PYATT SUM SUM2
SIT: NSC

<PREC> IMMEDIATE <CLAS> UNCLASSIFIED <DTG> 192143Z FEB 97

FM AMEMBASSY SAN JOSE

TO RUEHC/SECSTATE WASHDC IMMEDIATE 9393
INFO RUEHWN/AMEMBASSY BRIDGETOWN 0151
RUEHBR/AMEMBASSY BRASILIA 0252
RHEHAAA/WHITE HOUSE WASHDC
RHLBAAA/USCINCSO QUARRY HEIGHTS PM
UNCLAS SECTION 01 OF 03 SAN JOSE 000534

E.O. 12958: N/A
TAGS: OVIP (CLINTON, WILLIAM J.), PREL, PGOV, CS
SUBJECT: PRESIDENT CLINTON'S TRIP TO COSTA RICA: THE
FIRST ROUND

① CBI File Desk
② Trip File
Costa Rica

REFS: (A) SAN JOSE 489, (B) SAN JOSE 2319

1. BEGIN SUMMARY: THE GOCR IS TAKING A PROACTIVE APPROACH TO PRESIDENT CLINTON'S VISIT, AS PRESIDENT FIGUERES SEEKS TO ENSURE THAT THE VISIT WILL RESONATE INTO THE NEXT CENTURY. IN ORDER TO DEFLECT POTENTIAL DISAPPOINTMENT AMONG THE CENTRAL AMERICAN PRESIDENTS OVER PROBABLE LACK OF PROGRESS IN ACHIEVING FULL CBI ENHANCEMENT, FIGUERES SUGGESTED THE USG PROPOSE A NEW PRIVATE INVESTMENT PROGRAM FOR THE REGION. THE GOCR ALSO WANTS TO CAPITALIZE ON THE TWIN THEMES OF EDUCATION AND THE ENVIRONMENT IN ORDER TO BUILD A LASTING CLINTON LEGACY IN LATIN AMERICA. END SUMMARY.

③ Spec of
Desk on

2. IN A FEBRUARY 18 MEETING WITH AMBASSADOR AND DCM, PRESIDENT FIGUERES, FOREIGN MINISTER NARANJO, AND LUIS DIEGO ESCALANTE, A PRIVATE BUSINESSMAN WHOM FIGUERES HAS DESIGNATED AS THE GOCR COORDINATOR FOR PRESIDENT CLINTON'S TRIP, OUTLINED THEIR PRELIMINARY THINKING CONCERNING PRESIDENT CLINTON'S UPCOMING VISIT TO COSTA RICA.

MEETING WITH THE CENTRAL AMERICAN PRESIDENTS

WHO

3. THE GOCR ANTICIPATES THAT PRESIDENT CLINTON WILL SPEND APPROXIMATELY A HALF DAY WITH THE CENTRAL AMERICAN

UNCLASSIFIED

PAGE 02 OF 05

PRESIDENTS. PRESIDENT FIGUERES HAS CONFERRED WITH ALL HIS COUNTERPARTS AND EXPECTS PARTICIPATION TO INCLUDE THE PRESIDENT OF PANAMA AND PRIME MINISTER OF BELIZE. THE PLENARY WOULD BE PRECEDED OR FOLLOWED BY A MEAL, DEPENDING ON THE ITINERARY.

WHERE

4. GOCR HAS YET TO DECIDE WHERE IN SAN JOSE THE MEETING WITH THE PRESIDENTS WILL BE HELD. THE FINAL DETERMINATION DEPENDS PARTIALLY ON LOGISTICAL REQUIREMENTS OF THE PRESIDENT'S PARTY AND PRESS. HOWEVER, EFFORTS WILL BE MADE TO INCLUDE SOME HISTORICAL SPOTS, SUCH AS THE NATIONAL THEATER, THE CHILDREN'S MUSEUM, THE NATIONAL HISTORICAL MUSEUM, ETC., AS VENUES FOR SOME OF PRESIDENT CLINTON'S ACTIVITIES.

THE REGIONAL AGENDA

5. FOREIGN MINISTER NARANJO IDENTIFIED THREE PROPOSED AGENDA ITEMS WHICH AROSE DURING RECENT DISCUSSION ABOUT THE VISIT WITH HIS COUNTERPARTS IN GUATEMALA:

A) CARIBBEAN BASIN INITIATIVE (CBI) ENHANCEMENT WITHOUT QUESTION WILL BE THE PRIMARY CONCERN OF THE CENTRAL AMERICANS. THEY WANT TO SEE FOLLOW-UP ACTION ON PAST PROMISES BY THE VICE PRESIDENT AND OTHER TOP USG OFFICIALS. FEELING SQUEEZED BY EMERGING REGIONAL TRADING BLOCS, INCLUDING NAFTA, THEY VIEW THE VISIT AS AN OPPORTUNITY TO ADVANCE FREE TRADE NEGOTIATIONS WITH THE USG. NARANJO SUGGESTED THE FOREIGN MINISTERS WILL PROPOSE TO THEIR PRESIDENTS ~~THAT CENTRAL AMERICA SEEK A SEPARATE COMMON MARKET ARRANGEMENT WITH THE U.S., A CONCEPT THE~~ AMBASSADOR SOUGHT TO DISCOURAGE, ESPECIALLY IN VIEW OF THE DIVERSITY OF THE INDIVIDUAL COUNTRY ECONOMIES. FIGUERES, SENSING THAT NAFTA PARITY WAS NOT IN THE CARDS, PROFERRED THE IDEA THAT THE U.S. PROPOSE A PRIVATE INVESTMENT FUND, AND CHARGE ENRIQUE INGLESSTAS AND THE IADB WITH STUDYING THE PROPOSAL, TOGETHER WITH INCAE AND HARVARD PROFESSORS PORTER AND SACHS. FIGUERES WANTS TO MINIMIZE DISILLUSIONMENT ON THE PARITY ISSUE BY THE CREATION OF SUCH AN INVESTMENT PROMOTION PROGRAM WITH THE IDB, A VEHICLE TO INCREASE ACCESS TO MARKETS. HE SUGGESTED THAT THIS BE BROACHED AS A USG PROPOSAL TO STEM THE ALLEGEDLY DEMONSTRABLE FALL IN INVESTMENT SUBSEQUENT TO THE IMPLEMENTATION OF NAFTA.

B) IMMIGRATION: EL SALVADOR AND NICARAGUA WANT TO RAISE

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THIS ISSUE; THE GOCR DOES NOT SEE IT AS A REGION-WIDE CONCERN.

C) ENHANCEMENT AND FORWARD MOVEMENT ON THE ENVIRONMENTAL AND ECONOMIC PORTIONS OF THE FRAMEWORK AGREEMENT DRAWN UP IN MIAMI WITH A FOCUS ON THE ENVIRONMENT AND TRADE ("MOVE MIAMI FORWARD BY CREATING AN ECONOMIC AND ENVIRONMENTAL CONCAUSA II").

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6. ANOTHER POSSIBLE EVENT MIGHT BE THE JOINT SIGNING OF INDIVIDUAL (OR A REGIONAL) OPEN SKIES AGREEMENTS.

BILATERAL PROGRAM: THEMES

7. PRESIDENT FIGUERES SEES PRESIDENT CLINTON'S FOCUS ON THE IMPORTANCE OF EDUCATION AND THE ENVIRONMENT AS TWO THEMES WHICH WOULD BE RECEIVED WELL BOTH IN COSTA RICA AND IN THE US. SOME PRELIMINARY THINKING WHICH WOULD ENABLE PRESIDENT CLINTON TO BE "IN TOUCH WITH PEOPLE" INCLUDE:

O A MASS AUDIENCE HIGH TECH INTERNET CONNECTION BETWEEN THE TWO PRESIDENTS AND SCHOOL-AGE CHILDREN IN BOTH COUNTRIES. OR, A VISIT TO A COMPUTERIZED GRADE SCHOOL PARTICIPATING IN THE GLOBE PROGRAM (WE ENDORSE STRONGLY).

O MEETING WITH MEMBERS OF "WORLD TEACH," A GROUP OF AMERICAN VOLUNTEER TEACHERS WHO PAY FOR THE OPPORTUNITY TO ASSIST COSTA RICAN COUNTERPARTS IN LIVE CLASSROOM INSTRUCTION. THE CONTINGENT IN COSTA RICA IS THE LARGEST IN THE WORLD. (A POSSIBLE ALTERNATIVE)

O A VISIT TO THE EARTH GRADUATE FACILITY AT GUACIMO WHICH WAS LAUNCHED WITH \$116M FROM USAID, HAS 20 NATIONALITY FACULTY AND 30 NATIONALITY STUDENT BODY. EARTH IS CURRENTLY IN ITS SECOND YEAR OF WORK WITH NASA TO STUDY CHAGAS, A DISEASE WHICH HAS CLAIMED 20 MILLION LATIN AMERICAN LIVES. SUCH A VISIT WOULD INCLUDE A MEETING WITH THE ONLY COSTA RICAN-BORN AMERICAN ASTRONAUT, FRANKLIN CHANG. (GOOD IDEA)

O A VISIT TO THE LA SELVA BIOLOGICAL STATION: A VIRGIN 3,700 ACRE LOWLAND RAIN FOREST OPERATED BY THE ORGANIZATION FOR TROPICAL STUDIES IN AFFILIATION WITH SOME

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50 U.S. UNIVERSITIES LED BY DUKE UNIVERSITY. IT IS DEVOTED TO PRIMARILY SCIENTIFIC STUDY. LA SELVA HAS A NETWORK OF MARKED TRAILS WHICH IDENTIFY ITS UNUSUALLY RICH BIODIVERSITY. (WE STRONGLY ENDORSE)

O VISIT TO IMBIO, A TOP FLIGHT INSTITUTE CATELOGING THE BIODIVERSITY OF COSTA RICA AND ASSISTING OTHER CENTRAL AMERICAN COUNTRIES TO DO THE SAME. SCIENTISTS INCLUDE AMERICANS. (IMBIO OFFERS LITTLE TO THE CASUAL VISITOR OTHER THAN A SET OF BUILDINGS -- UNLIKE A VISIT TO LA SELVA.)

O A REVIEW OF A PEACE CORPS-ASSISTED PROGRAM WHICH TEACHES STREET CHILDREN HOW TO MAKE HANDICRAFTS FROM SCRAP METAL AND OTHER MATERIALS PLUS ENCOURAGES BASIC ENTREPRENURIAL SKILLS. (WE STRONGLY RECOMMEND)

CREATING A LEGACY

8. PRESIDENT FIGUERES ARGUES FORCEFULLY THAT PRESIDENT CLINTON'S VISIT SHOULD BE USED TO CREATE A LASTING LEGACY IN LATIN AMERICA, AKIN TO THE FOND MEMORIES LATIN AMERICANS STILL HAVE OF PRESIDENT KENNEDY (ALLIANCE FOR PROGRESS, PEACE CORPS). BEARING IN MIND THE TWIN THEMES OF EDUCATION AND ENVIRONMENT, FIGUERES RECOMMENDED LAUNCHING INITIATIVES (OTHER THAN THE INVESTMENT SCHEME IN PARA 5A ABOVE) SUCH AS:

O DOUBLING THE WAVE BAND WIDTH OF PARABOLIC ANTENNAS AND DEVOTING THE NEW CAPACITY EXCLUSIVELY FOR EDUCATIONAL/INTERNET PURPOSES. IN THE PRESIDENT'S WORDS, "IT IS MUCH CHEAPER TO MOVE INFORMATION THAN PEOPLE."

O CONVERTING OFFICIAL BILATERAL DEBT (SOME \$360 MILLION) INTO AN EDUCATIONAL FUND FOR PROGRAM OF EXCHANGES BETWEEN SCHOLARS IN THE US AND LATIN AMERICA. (COMMENT: THIS IDEA HAS BEEN FLOATED PREVIOUSLY--SEE PARA 3C OF REF B. IT HAS OBSTACLES AS TO FUNDING, BUT THEY COULD BE OVERCOME WITH CREATIVE THINKING.)

SITE VISITS

9. IN THE EVENT THE PREIDENT HAS ADDITIONAL TIME FOR ENVIRONMENTAL ACTIITIES OUTSIDE OF SAN JOSE, EXCURSIONS BY HELO TOANY NUMBER OF THE FOLLOWING PLACES (IN ADDITION T POSSIBLE LA SELVA AND EARTH INSTITUTE VISITS):

O ARENAL VOLCANO - THIS 1633M VOLCANO, ONE OF THEMOST ACTIVE IN THE WORLD, HAS BEEN ERUPTING SINC 1968 (OR

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NEARBY POAS OR IRAZU--BOTH ARE DORMANT)
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O TORTUGUERO NATIONAL PARK - AN AREA ON THE NORTHERN
ATLANTIC COAST WHICH ABOUNDS WITH WILDLIFE VIEWED FROM A
BOAT (MONKEYS, TOUCANS, MACAWS, SLOTHS, ALLIGATORS, ETC.)

O CAHUITA NATIONAL PARK - FURTHER SOUTH ON THE ATLANTIC
COAST - SNORKELING OPPORTUNITY OFF REEF BY BOAT.

O VISIT THE SITE OF THE FUTURE EARTH COUNCIL COMPLEX, THE
PRIVATE ENVIRONMENTAL WATCH GROUP HEADED BY MAURICE STRONG
TO KEEP TABS ON THE 1992 RTD CONFERENCE FOLLOW-UP
(POSSIBLE).

OTHER: -- AMERICAN CHAMBER OF COMMERCE -- RECEPTION OR
DINNER
-- PRESS CONFERENCE
-- U.S. EMBASSY STAFF MEETING
-- TOWN MEETING WITH SELECTED COSTA RICANS FROM
DIVERSE SECTORS

10. COMMENT: GOCR IS CLEARLY ENTHUSIASTIC ABOUT THE
PRESIDENT'S VISIT AND WANTS IT TO RESONATE LONG AFTER HE
DEPARTS. WE HAVE ATTEMPTED TO STEER COCR THINKING TOWARDS
PRACTICABLE AND REALISTIC SUGGESTIONS WHILE ENCOURAGING
INNOVATIVE SUGGESTIONS.

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