

FOIA MARKER

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Collection/Record Group: Clinton Presidential Records
Subgroup/Office of Origin: Special Envoy for the Americas
Series/Staff Member: General Files
Subseries:

OA/ID Number: 11851
FolderID:

Folder Title:
Fast Track - Current (9/97) [4]

Stack:	Row:	Section:	Shelf:	Position:
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Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. letter	President Violeta Barrios de Chamorro, et al. to President Clinton; RE: North America Free Trade Agreement (4 pages)	12/06/1996	P1/b(1)
002. letter	President Violeta Barrios de Chamorro, et al. to President Clinton; RE: North America Free Trade Agreement [duplicate of 001 in Spanish] (2 pages)	12/06/1996	P1/b(1)
003. memo	Samuel Berger, et al. to the President; RE: Fast Track Negotiating Authority (4 pages)	01/06/1997	P1/b(1)

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Clinton Presidential Records
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Fast Track - Current (9/97) [4]

2017-0401-F
db4735

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- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

MEMORANDUM OF CALL

Previous editions usable

TO:

Mack

YOU WERE CALLED BY- YOU WERE VISITED BY-

Steve Champier

OF (Organization)

728-1100

PLEASE PHONE FTS AUTOVON

WILL CALL AGAIN IS WAITING TO SEE YOU

RETURNED YOUR CALL WISHES AN APPOINTMENT

MESSAGE

MEMORANDUM OF CALL

Previous editions usable

TO:

YOU WERE CALLED BY- YOU WERE VISITED BY-

OF (Organization)

PLEASE PHONE FTS AUTOVON

WILL CALL AGAIN IS WAITING TO SEE YOU

RETURNED YOUR CALL WISHES AN APPOINTMENT

MESSAGE

Handwritten notes:
Mack
728-1100
Ker Dubbertin
weds. am?

RECEIVED BY: Molly Varns | DATE: 2/7/97 | TIME: 9:15am

50363-111 NSN 7540-00-634-4018
U.S. G.P.O.:1994-300-891/00003

OPTIONAL FORM 363 (Rev. 1-94)
Prescribed by GSA

RECEIVED BY: | DATE: | TIME:

50363-111 NSN 7540-00-634-4018
U.S. G.P.O.:1994-300-891/00003

OPTIONAL FORM 363 (Rev. 1-94)
Prescribed by GSA

MEMORANDUM OF CALL

Previous editions usable

TO:

Mack

YOU WERE CALLED BY- YOU WERE VISITED BY-

Doug Bulcao

OF (Organization)

Ames Textiles Mfg. Institute

PLEASE PHONE FTS AUTOVON

862 0523

WILL CALL AGAIN IS WAITING TO SEE YOU

RETURNED YOUR CALL WISHES AN APPOINTMENT

MESSAGE

Handwritten notes:
Unfiled positive
Apparel

RECEIVED BY: Gen | DATE: 2/7 | TIME: 2:40

50363-111 NSN 7540-00-634-4018
U.S. G.P.O.:1994-300-891/00003

OPTIONAL FORM 363 (Rev. 1-94)
Prescribed by GSA

Embassy of El Salvador
2308 California Street, N.W.
Washington, D.C. 20008

Ana Cristina Sol
Ambassador

Peter A

I need further
points on how to
respond.

February 10, 1997

Mack

cc: Eric
Pete

Dear Mack:

I know how busy you are and that is why I originally requested a telephone conversation with you, to hear your views on the new Trade Bill for the region.

Now a new matter has arisen, and I would greatly appreciate a meeting or a telephone conversation with you, at your earliest convenience, to discuss matters related to the visit of President Clinton to Central America.

The Foreign Ministers of the Region have called the Ambassadors for a meeting this Friday, February 14th. It would be of great help to me if I could talk to you before then.

Sincerely,


Ana Cristina Sol

Mr. Thomas F. McLarty
Counselor to the President
The White House

Peter Johnson

CLAA

466-7464

AA/MA/UNite

CLAA retreat

Feb. 7-8

CBI - State

Ind group

CLAA ↓

group

John Hutto

↓
J. Coover

USM

a group

NEC

↓

reach out to CAD?

↓

State Dept

USM

|

Donald Atlas

Pete Johnson -

Chas. Rye

① Steve to get Cons. Vics. Q response 5-12-97 / End

② Eric to meet U Gibbons Sam M. Gibbons

12-5-97 D

Mark:

Ask Mike

January 5, 1997

I want to help you + the President in any way that I can. Call on me - I'm right across the street from you - eager and ready to start!

As the "Father" of all of the Trade acts for the last 25 years - I know the ropes. Call on me please!

Sam

GIBBONS & COMPANY

Washington, D.C.

is pleased to announce that

SAM M. GIBBONS

Former Member of the United States Congress

has become Chairman of the firm

January, 1997

GIBBONS & COMPANY

THE FIRM

GIBBONS & COMPANY provides counsel and assistance in government relations and public affairs to U.S. and international businesses, trade associations, coalitions, individuals, and government entities on a broad range of federal and international policy issues.

The firm is an advocate for clients before the Congress, The White House, Federal departments and agencies, and state governments.

GIBBONS & COMPANY represents clients on a broad range of issues. Areas of expertise include: federal taxation, international trade, higher education, environmental policy, communications, energy, health care, product and food safety, transportation, insurance and financial services.

GIBBONS & COMPANY provides responsive, personalized attention to clients by the principals of the firm who are experienced in the legislative process and the politics of Washington. The firm has, by intent, remained small. As needed, the firm utilizes additional technical experts and legal specialists to provide a full range of the highest-quality professional services to clients in an efficient and cost-effective manner.

The firm has an accomplished record in Washington and is committed to obtaining successful results for its clients.

1455 PENNSYLVANIA AVENUE, N.W.
THE WILLARD OFFICE BUILDING
SUITE 525
WASHINGTON, D.C. 20004
TELEPHONE (202) 783-6000
FACSIMILE (202) 783-4171

CLINTON LIBRARY PHOTOCOPY

SAM M. GIBBONS

Sam Gibbons, Chairman of Gibbons & Company, provides advice and counsel to multinational businesses, trade associations, and coalitions on a wide range of issues including international trade, tax policy, healthcare financing, retirement income policy, and federal funding for higher education.

Before joining the firm Mr. Gibbons served as a Member of the United States Congress in the House of Representatives for 34 years (1962-1996). He was Chairman of the Ways and Means Committee and its Subcommittee on Trade, Vice-Chairman of the Joint Committee on Taxation, and U.S. Advisor to the General Agreement on Tariffs and Trade and the World Trade Organization.

Mr. Gibbons worked closely on a bipartisan basis with eight U.S. Presidents in the development, passage, and implementation of major domestic and international policy initiatives. He has extensive legislative expertise in the areas of international trade, taxation, healthcare, public and private pensions, budget, and education.

As a leading architect of American trade policy for more than 25 years, he is widely recognized as one of the foremost proponents of open markets and free trade. Mr. Gibbons was a primary advocate and sponsor of every major trade law enacted during this period, including The Trade Acts of 1984 and 1988, legislation implementing the Tokyo and the Uruguay Rounds of the General Agreement of Tariffs and Trade, the Caribbean Basin Initiative, the U.S./Israel Free Trade Agreement, the U.S./Canada Free Trade Agreement, the Andean Trade Preference Act, and the North American Free Trade Agreement.

While Chairman of the Ways and Means Subcommittee on Trade, Mr. Gibbons frequently led trade and interparliamentary delegations throughout Europe, Latin America, the Middle East, and Asia, including the former Soviet Union, Japan, China, Australia, and Vietnam. He conferred regularly with heads of Governments, their principal trade and economic officials, and business leaders both in the United States and abroad.

Mr. Gibbons served as Chairman of the Trade and Economic Committee of the U.S./Canada Interparliamentary Group, the U.S./Mexico Interparliamentary Group, and Co-Chairman of the U.S. delegation to the U.S./European Parliament Interparliamentary Group. He counseled numerous U.S. Trade Representatives on international trade negotiations and legislation.

Throughout, his 28 years on the House Ways and Means Committee, Mr. Gibbons advocated reform of the Federal income and payroll tax systems. In addition, he drafted and vigorously advocated legislation to repeal these systems and replace them with a simplified, broad-based, border-adjustable, value-added tax. He was also involved in the development of every Federal healthcare financing law since the inception of Medicare in 1966.

Before election to the United States Congress, Mr. Gibbons served for 10 years in the Florida Legislature, where one of his major accomplishments was to establish the University of South Florida, now the 13th largest university in the United States. He received his undergraduate and law degrees from the University of Florida, and is admitted to practice law in Washington, D.C., Florida, and before the United States Supreme Court.

Mr. Gibbons served as an officer for 5 years during World War II with the U.S. Army's 101st Airborne Division. He led parachute infantry forces in major combat actions including the pre-dawn assault on D-Day in Normandy, the invasion of Holland, the Battle of Bastogne, and operations in central Germany. He was awarded the Bronze Star.

Utilizing his experience and insight, the firm provides political consultation and advocacy, strategic planning, risk assessment, support on trade and investment initiatives, and advice on acquisition of state-owned enterprises.

THE WHITE HOUSE
WASHINGTON

January 9, 1997

The Honorable Sam M. Gibbons
Gibbons & Company
1455 Pennsylvania Avenue, NW
The Willard Office Building
Suite 525
Washington, DC 20004

Dear Sam:

Congratulations and all good wishes on your new endeavor with Cliff and his colleagues. I saw Cliff Tuesday when he was in the White House, and he is genuinely excited about having the opportunity to work closely with you. Being a fourth generation member of a family business and having worked with my father, I can attest that it is a special kind of relationship.

Your offer to be supportive of our Administration's efforts to expand opportunity and fair trade are noted and much appreciated. We will be in touch, and soon.

Personally,


Mack McLarty

bcc: *Chris*
Steve
Deak

GIBBONS & COMPANY

1455 PENNSYLVANIA AVENUE, N.W.

THE WILLARD OFFICE BUILDING

SUITE 525

WASHINGTON, D.C. 20004

TEL (202) 783-6000

FAX (202) 783-4171

① Skm

① Eric

② Marc

January 21, 1997

NOTE to
Thruall:
CBI 2-1-97

Mr. Thomas F. McLarty, III
Senior Counselor to the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mack:

Thank you for your personal note. Your friendship and kind words mean a great deal to me.

I want to reiterate my interest in helping you and the President in your efforts to obtain fast track negotiating authority. I have been through the process numerous times and I am intimately familiar with the vote counting process in both the House and the Senate.

I could compliment your efforts in one of two ways. I could work with you directly, similar to what Bill Daley and Bill Frenzel did during NAFTA. Or, I could organize and coordinate a coalition of businesses on behalf of the Administration to obtain the necessary support to pass the legislation.

I would like to walk over and meet with you soon to discuss how I can be of assistance to you and the President on this very important trade policy initiative.

Warm Regards,



Sam M. Gibbons

MACK McLARTY

Jan. 27, 1997

To: Dan Tarullo

You might want to consider using Sam in your efforts. From what I understand, he still enjoys a fine reputation on the Hill.

Mack

Attachments

bcc: Eric
Steve
EBI
(Desk)

THE WHITE HOUSE
WASHINGTON

January 27, 1997

The Honorable Sam M. Gibbons
Gibbons & Company
1455 Pennsylvania Avenue, NW
The Willard Office Building
Suite 525
Washington, DC 20004

Dear Sam:

Your letter of January 21st is received.
We will be in touch shortly despite the
early second term press of business,
including the upcoming State of the Union.

Personally,

Bill

*Look forward to seeing you
soon. Am good wishes*

*bcc: Eric
Adam Steve
CBE (desk)*

Row Schuman Jan 15 1972

C. Anne Potts

Before or After

Frankie message

meetings this weekend in
Howard

~~Potts trip~~

C. Anne Potts Rand

Show me: NATTA - (1)
part in US. Publicis

I would like to see CBI 2/6

Potts visit to C. Anne Rand (3)
follow up if possible? Frankie
meeting, & Potts / UPotts 1344

(not printed at government expense)

Mack McLarty

To Mack

Date 12/16 Time 10:10

WHILE YOU WERE OUT

M Margie Sullivan

of _____

Phone 395-6850

TELEPHONED	PLEASE CALL	
CALLED TO SEE YOU	WILL CALL AGAIN	
WANTS TO SEE YOU	URGENT	

RETURNED YOUR CALL

Message re CBI / Party
- She & Charlene
have a question.

Charlene needs to have
outband to LBR

Operator _____

AMPAD EFFICIENCY

23-023 CARBONLESS

POINT PERIOD

[Handwritten note: Entered a photo into]

PARITY WITH NAFTA FOR CBI COUNTRIES

How much will it cost?

Scoring has not been completed, but OMB informally estimates about \$300 million in lost tariff revenue annually, or roughly \$2.4 billion. USTR tentatively is planning for an eight-year bill (1997-2004) to bridge to the 2005 date for the FTAA (Free Trade Area of the Americas).

How do we justify it?

1) The Administration's credibility: The President, Vice President, Secretary of State and USTR are all on record as supporting it. In February, Secretary Christopher explicitly committed the Administration to introduce parity legislation as part of the Omnibus Budget bill. Funding was included in the FY 1997 budget, but the Administration did not introduce a bill.

2) Assistance for a strategically important region: This proposal would erase the duty disadvantage which CBI countries now experience vis-a-vis Mexico on several important exports to the U.S. (particularly apparel). This is a key issue in our relationship with many CBI leaders; they are concerned that the duty disadvantage, combined with reduced Mexican costs resulting from the devalued peso, is a disincentive to investment, exports and job creation. With increasing unemployment, we can expect more illegal immigrants from the region as well as pressure to fall back on more profitable drug cultivation and trafficking. In fact, U.S. imports of CBI apparel, while continuing to grow from most CBI countries, are increasing at rates substantially below that of Mexico.

How do we get it?

A parity bill introduced by Cong. Crane and Sen. Graham in the last Congress was most strongly opposed by labor and parts of the U.S. textile industry. The Administration's version would probably need to require CBI countries to provide some form of reciprocity to the U.S. to benefit business (e.g. in investment and/or intellectual property) and labor (e.g. stronger conditions regarding labor rights).

Alternatives

We could propose a narrower bill than previously considered, to benefit only apparel assembled from U.S.-formed and U.S.-cut components. The duty disparity between NAFTA and CBI exists in five areas (textiles and apparel; some footwear; petroleum; canned tuna; certain watches and watch parts), but apparel assembly accounts for the vast majority of the trade -- \$5.4 billion in 1995. This would likely ensure the support of the U.S. fabric and design/cutting industry, and eliminate opposition from footwear and petroleum interests.

To much

Introduce Bill first is NOT DOA

CAE's point

could be couched as a first step

December 17, 1996

MEMORANDUM FOR MACK MCLARTY

FROM: ERIC FARNSWORTH *EF*

SUBJECT: CBI PARITY

The Vice President's office was unaware of any recent moves by OMB to keep CBI parity out of the budget, but agrees the issue is important and will weigh in.

Aide to the Vice President Mike Orfini promised to raise the issue this afternoon with Leon Fuerth, with a view to contacting OMB directly concerning the Vice President's interest.

2 Nancy Schwartz continues to work the issue with OMB; I've passed her name to Orfini and have mentioned to her your own continued interest in keeping CBI parity in the budget.

Dubois

Dobh

MACK McLARTY

December 16, 1996

To: Jim Dobbins

Relevant to our recent discussions and wanted to be sure you had a copy.

u.f.

Attachment

Withdrawal/Redaction Marker

Clinton Library

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001. letter	President Violeta Barrios de Chamorro, et al. to President Clinton; RE: North America Free Trade Agreement (4 pages)	12/06/1996	P1/b(1)

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Special Envoy for the Americas
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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

Thank you for your letter, conveyed through Vice-President Gore on the occasion of the Summit on Sustainable Development, expressing your concerns regarding enhanced trade preferences for Central America. We appreciate the economic vulnerabilities of the region and the need to attract investment. Concern for such economic development was at the heart of the Caribbean Economic Recovery Act of 1984 and the subsequent legislation that amplified the original preferences. This Act was also intended to encourage changes in trade and economic policy among countries in the Caribbean and Central America. We are gratified to note that many Central American countries have begun to make policy changes to create the legal and economic framework needed to attract investment and develop the domestic economy.

Let me assure you that we remain committed to appropriate NAFTA parity legislation for all countries included in the Caribbean Basin Economic Recovery Act. We intend to work with interested members of Congress to craft legislation that will extend additional trade preferences to Caribbean Basin countries. At the same time we will continue to encourage the adoption of sound policies in areas such as investment, intellectual property rights, worker rights, and other policies that will facilitate participation in the Free Trade Area of the Americas. While we are working toward this goal, we hope to see countries in the region continue to strive to reduce trade barriers.

The promise of the Summit of the Americas depends on ~~partners~~ committed to one another and on relationships based on our willingness to work together. Our joint commitment to the spirit and letter of the Summit of the Americas has not wavered. We look forward to our continued collaboration in building a democratic hemisphere with open economies that will permit our citizens to live in freedom and prosperity.

WST
Set?

GIBBONS & COMPANY

1455 PENNSYLVANIA AVENUE, N.W.

THE WILLARD OFFICE BUILDING

SUITE 525

WASHINGTON, D.C. 20004

TEL (202) 783-8000

FAX (202) 783-4171

February 21, 1997

Thomas F. McLarty, III
Senior Counselor to the President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

~~Sam~~
~~Eric~~
~~Rose~~
FAST
Track / Pre Conf
Bill
Approval

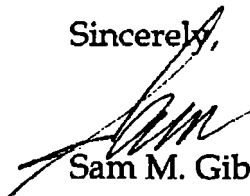
Dear Mack:

Bill Frenzel and I thoroughly enjoyed meeting with you this afternoon to discuss our efforts to help the President obtain trade negotiating authority. It was particularly good to hear your thoughts are similar to ours. We believe time is of the essence and we are prepared to work aggressively with the Congress to secure passage of this very important legislation. We will begin discussions on assembling an enthusiastic support group. Your willingness to kickoff the organizational meeting will be helpful in our efforts.

We look forward to working with you and please let us know when you want us to get to work.

For Bill and Sam, your bipartisan team!

Sincerely,


Sam M. Gibbons

FEBRUARY 1997							MARCH 1997							APRIL 1997						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
2	3	4	5	6	7	8	2	3	4	5	6	7	8	6	7	8	9	10	11	12
9	10	11	12	13	14	15	9	10	11	12	13	14	15	13	14	15	16	17	18	19
16	17	18	19	20	21	22	16	17	18	19	20	21	22	20	21	22	23	24	25	26
23	24	25	26	27	28	28	23	24	25	26	27	28	29	27	28	29	30			

MONDAY
MARCH, 1997

303 Days Left

APPOINTMENTS & SCHEDULED EVENTS

TO BE DONE TODAY (ACTION LIST)

Transfer notes

do further meetings w/ Bob Kuyke

Prep USMIA discussion

Study to teach to Charlotte re. imp. involved

What is our response to Trade deficit w/ Mexico

July report we are NOT getting ahead

Prata idea

Chick & LABA

What can they do to help

NAME • PLACE • SUBJECT	HOURS
meeting	8:00
MCCann, 1600	8:00
Prep - Leg. Strategy & BS	8:00
Busk position & ET/Trade	8:00
Fallen - Leg. Strategy	8:00
Lu	9:00
Report	10:00
Steve ^{Lu} 202 - 331-8481	12:00
Lu	12:00
9464	12:00
Say Mazur	1:00
B. <u>Dr. J. Siben</u>	1:00
212. 415-4402	1:00
Mason JIP	3:00
Rosa	3:00
648-7422	3:00
M. M. Mclann	5:00
Gege Skp	5:00
Mexico ?	5:00

NOTES & MEMOS MADE TODAY

✓ Row 7 776 - 9494

Roger Clined
Joe Altaba
Joe Phan

DIARY AND WORK RECORD

HOURS	FOR	SUBJECT • DESCRIPTION OF SERVICES	TIME HRS. 1/10
8 0800		Center → George Skiph	
9 0900			
10 1000			
11 1100			
12 1200			
1 1300			
2 1400			
3 1500			
4 1600			
5 1700			

EDITED BY OWEN ULLMANN

Steve
Eric
Just Trade 76
Dose

THE LATEST TRADE WAR: DEMOCRAT VS. DEMOCRAT

Lately, it seems as if all the intraparty bloodletting has been among Republicans. But Democrats are about to get back to their usual bickering as they brace for a contentious battle over trade—with strong overtones for Campaign 2000. On one side: Vice-President Al Gore, point man for the Administration's push to expand the North American Free Trade Agreement. On the other: House Minority Leader Richard A. Gephardt (D-Mo.), implacable NAFTA foe.

At issue is congressional renewal of the Administration's expired authority to negotiate "fast-track" trade accords that prevent lawmakers' tinkering. The brawl will set the stage for a showdown between the two longtime rivals for the Presidency. "It may not be the first primary of 2000, but it's the first contest," says one Democratic operative.

It's also a fight that exposes the fault lines of the Democratic Party. Gephardt is the champion of liberals who believe market-opening pacts are exporting U.S. jobs to low-wage nations. Gore hopes to be heir to Bill Clinton's New Democrat canon that expanded trade spurs growth and high-wage jobs. "This is a defining issue for the party," says Representative Robert T. Matsui (D-Calif.).

Since fast-track authority lapsed in 1994, the Administration has only been able to complete negotiations that started before then. As a practical matter, it cannot launch talks on new deals such as Chile's inclusion in NAFTA because Congress might cripple them with amendments. Congress can only approve or reject fast-track deals.

RESOLVE QUESTIONED. The loss of fast-track authority has raised doubts about the U.S. commitment to expanding free trade throughout the Americas. Alarm bells are also going off in Mexico City, which President Clinton will visit in April (page 51), about Gephardt's use of the fast-track debate to try to stiffen NAFTA's worker and environmental protections.

"Our credibility is strained to the breaking point," warns David J. Rothkopf, managing director of Kissinger Associates. Tired of waiting, nations in the region such as Brazil and Argentina have already formed smaller trade blocs.

Trade is a divisive issue for the GOP, too, because of its growing wing of economic nationalists. But for now, many Republicans, including House Speaker Newt Gingrich, hint that they're prepared to meet Clinton halfway: The GOP would extend a fast-track mandate that is silent on labor and environmental issues if Clinton limits side deals on those subjects.

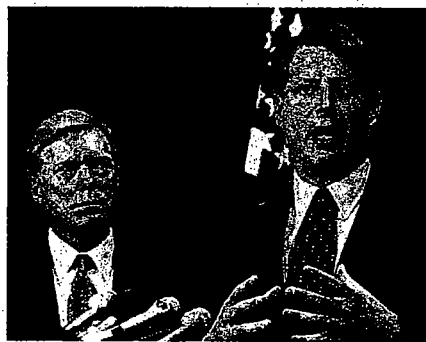
The Clintonites are inclined to bite, but Gephardt and the

AFL-CIO insist that NAFTA-expansion accords include commitments on those issues. "This is not negotiable. Trade, labor, and the environment are inextricably intertwined," says Gephardt. If he rallies enough of the 205 House Democrats to his side, GOP ardor for fast-track authority may cool. They want political cover. "This won't pass if only 50 to 60 Democrats come to the altar," warns one GOP Hill staffer. It may be tough to muster many more. Two issues—payoffs by drug lords to a Mexican general and the \$39 billion U.S. trade deficit with NAFTA partners Canada and Mexico—are sure to

rile House protectionists. And fast-track renewal faces tougher going in the Senate, which chafes at curbs on its powers.

The Clintonites will have to start dealing soon. Action can't be pushed into 1998 because lawmakers won't touch such a controversial issue in a midterm election year. "If we don't do this by August, it isn't going to get done," says Representative Jim Kolbe (R-Ariz.), a leading free-trader. That means Gore and Gephardt will be squaring off in coming months as Democrats struggle over the future of trade—and the leadership of their party.

By Amy Borrus



GEPHARDT AND GORE: "Defining issue"

CAPITAL WRAPUP

REPUBLICANS FOR GORE

► It's a fact of political life that Republican voters detest Bill Clinton. Not true with Vice-President Al Gore, according to a new Republican survey. Tony Fabrizio, Bob Dole's chief pollster in the 1996 campaign, found that a respectable 41% of Republicans view Gore favorably, while just 47% don't. Among all voters, Gore boasts impressive 62%-to-27% approval ratings. The Veep's appeal is that he has seized the political center. Fabrizio's somber bottom line for the GOP: Unless it finds is-

suces that push Gore to the left, the 2000 election could be an uphill fight for GOP Presidential aspirants.

THE TAX MAN RESPONDETH

► The Internal Revenue Service's troubled toll-free 800 telephone number is working better this year, though many taxpayers are still getting busy signals. This tax season, two-thirds of callers are getting through to ask questions. That's up from less than half in '96, says IRS Taxpayer Advocate Lee Monks. His goal is an 85% response rate.

NEW SCIENCE GURU

► The White House Office of Science & Technology Policy, which is supposed to shape Administration science initiatives, is taking a backseat these days to President Clinton's new deputy chief of staff, John D. Podesta. "He wants to be the science adviser," says one source. A former consultant to high-tech clients, Podesta wants to shift money from basic science to high-tech projects. His fingerprints can be seen on a White House plan to boost education via the Internet.

ROBERT TRIPPETT/ISA

EDITED BY JOHN TEMPLEMAN

*Steve
Eric
Just Fred 26
Doris*

MEXICO'S DRUG PROBLEMS ARE ALSO NAFTA'S

President Bill Clinton's first official visit to Mexico on Apr. 11-12 was planned as a triumphal tour. It was intended to trumpet the success of the three-year-old North American Free Trade Agreement that has boosted U.S.-Mexican trade 20% annually since 1994. Clinton also planned to celebrate, with President Ernesto Zedillo Ponce de León, his winning \$20 billion gamble to bail out the Mexican peso two years ago over objections in the U.S. Congress.

But a string of drug corruption scandals in Mexico has suddenly turned Clinton's dream trip into a diplomatic nightmare. He is now fighting to stop his Latin America policy from unraveling altogether. Even the future of NAFTA itself is on the line. Congressional opponents from both parties may introduce legislation to alter or undo the pact after the Administration issues a mandatory report on it in July. "People who felt we were validating a corrupt system by embracing NAFTA now feel their views have been ratified," says a senior congressional staffer.

BLIND EYE. Any hope Clinton had of using Mexico as a lever to spread NAFTA membership is in tatters as Congress loses enthusiasm for close ties with the region. "We ignore drug trafficking by Mexican government officials... as long as we can sell more McDonald's hamburgers," complains Representative Fortney "Pete" Stark (D-Calif.).

The trouble began Feb. 18 when Mexico abruptly dismissed Army General Jesús Gutiérrez Rebollo, who headed the national antidrug agency, accusing him and 36 aides of being in the pocket of traffickers. Mexican officials failed to warn the Administration of their suspicions about Gutiérrez, who weeks earlier had received high-level intelligence briefings in Washington. A torrent of U.S. and Mexican press revelations worsen the picture by the day. Some reports allege that two

governors from Zedillo's ruling party also have links to major traffickers. Others allege that the father of disgraced former President Carlos Salinas de Gortari, as well his brother and other kin, were deeply implicated in drug corruption.

The scandals are engulfing Mexico in a big election year. Half of its congressional seats, six governorships, and the mayorship of Mexico City are up for grabs in July. Polls show Zedillo's Institutional Revolutionary Party (PRI), which has dominated Mexican politics for seven decades, stands to lose control of Mexico City and several governorships. With an eight-point nationwide lead, however, the PRI may still hold on to its congressional majority.

HILL CAMPAIGN. Zedillo, a technocrat who is not implicated in the scandals, promised to attack corruption vigorously. But his first attempt to do so by involving the Army, long considered Mexico's least corrupt institution, backfired. Analysts believe he must now completely overhaul Mexico's legal and judicial system. Zedillo snaps that it's absurd to claim that Mexico is "a corrupt country full of criminals."

But that's now the way it looks from Capitol Hill. So Mexico is moving to shore up its badly battered reputation

there. It is beefing up the congressional liaison staff at its embassy. And it will use its 41 consular offices around the U.S. to relay positive news about NAFTA to local legislators. The trouble, warns Javier Treviño, undersecretary for international cooperation at the Mexican foreign ministry, is that as Zedillo acts to clean house, the stink of corruption may get worse.

At this stage, though, Mexico doesn't have any alternative. And it must produce quick results, otherwise America's trade courtship with Mexico could end up on the rocks.

By Geri Smith in Mexico City, with Richard S. Dunham in Washington



ZEDILLO: Can he mollify Capitol Hill?

GLOBAL WRAPUP

KREMLIN HEADS TO ROLL?

► Eager to prove that he's back in charge after seven months of illness, Russian President Boris N. Yeltsin is mulling a Cabinet reshuffle. Local newspapers predict that Prime Minister Viktor S. Chernomyrdin will be replaced soon by Yeltsin's chief of staff, Anatoly B. Chubais. But Chernomyrdin, 59, a survivor of other shakeups, could well beat the odds again—even though Yeltsin pinned blame for the government's failure to pay wages and pensions on him.

Kremlin watchers say a more likely scenario is that Yeltsin will slash the ranks of other ministers after his Mar. 6 state of the union message. Labor Minister Gennady G. Melikyan, Defense Minister Igor Radionov, Economics Minister Yevgeny G. Yasin, and Pension Fund head Vasily Barchuk could go along with several deputy ministers.

A FANNIE MAE FOR INDIA

► India's new \$500 million Infrastructure Development Finance Corp. (IDFC) will be modeled on the U.S. Federal National Mortgage Assn.

IDFC Chairman Deepak Parekh, a high-profile mortgage banker in the private sector, figures that's the best way of avoiding the bureaucracy and political meddling that have long bedeviled India's efforts to finance infrastructure—from telecommunications to ports and roads.

The Madras-based agency, due to open for business on July 1, will focus on credit enhancement and refinancing rather than direct lending. The Indian government, a minority 40% shareholder in IDFC, will provide loan guarantees for projects.

PETER STONE/BLACK STAR

PHOTOCOPY PRESERVATION

return First Trade Deal

Union Leaders Oppose Expanding Free-Trade Treaty Without Modifications

By STEVEN GREENHOUSE

LOS ANGELES, Feb. 19 — Putting the labor movement on a potential collision course with President Clinton, A.F.L.-C.I.O. leaders voted today to oppose extending the North American Free Trade Agreement to other countries unless it includes protections on labor and the environment that the Administration has previously rejected.

The labor leaders approved a resolution saying that Nafta has hurt American, Mexican and Canadian workers and that other countries should not be added to the accord unless strong labor and environmen-

tal guarantees are included in the main agreement, rather than in a side agreement that Congress could dilute.

"The labor movement's strongest disagreement with the Clinton Administration in the first term was over Nafta," John J. Sweeney, the president of the American Federation of Labor and Congress of Industrial Organizations, said. "Our position has not changed in terms of what we are fighting for in the Nafta agreement. We will continue to fight over labor standards, human rights and environmental protection."

The combative stand by the 54-member executive council, at the federation's winter meeting here, recalled the battles when Mr. Clinton

pushed the accord with Canada and Mexico through Congress despite labor's fervent lobbying.

"American, Mexican and Canadian workers have all suffered because of Nafta," said Jay Mazur, chairman of the A.F.L.-C.I.O.'s trade subcommittee and president of the Union of Needletrade, Industrial and Textile Employees. "We should rethink Nafta and adjust it so that at the very least, no future trade agreement should be signed without incorporating strong worker rights and strong enforcement mechanisms for such rights."

One of labor's complaints is that stronger enforcement mechanisms come into play under Nafta when Mexico violates commercial laws, on

trademarks, for instance, than when it violates labor laws.

The resolution was approved a day after two possible Presidential candidates in 2000 — Vice President Al Gore and Richard Gephardt, the House Democratic leader — staked out contrary positions on trade while appearing before the labor leaders.

Striving to show that there was no ideological daylight between him and labor, Mr. Gephardt, the House Democratic leader, said he would oppose extending Nafta to other nations unless there were stronger worker and environmental protections.

"We should not simply extend a treaty that in my view is not working properly," Mr. Gephardt said. "In a way, Nafta has validated a governmental and business system that does not allow workers to have the ability to get paid and compensated for their hard work."

Praising Nafta, Mr. Gore voiced confidence that the Administration and the labor movement could work out their differences.

Mr. Gore said that wages in Mexi-

co were hurt not by Nafta, but by the economic downturn caused by the peso's devaluation.

He said that "the impact of Nafta has been quite positive" in all three countries if the effects of the devaluation are separated out.

He said any accord adding other countries to the agreement should include labor and environmental protections, but added, "The precise form that it takes will have to be worked out over time." In the past, the Administration has rejected labor's demand that labor and environmental guarantees be included in the main agreement.

The Administration's trade policy came under heavy criticism while Mr. Gore appeared here. According to labor leaders, Stephen P. Yokich, president of the United Automobile Workers, put Mr. Gore on the defensive at Tuesday's meeting by asserting that last year's \$165 billion merchandise trade deficit showed that Mr. Clinton's trade policy was a failure. Not only that, he asserted that the President's trade policies were

wiping out American jobs and bleeding some unions to death.

The debate over Nafta comes shortly before Congress is expected to take up legislation that would give Mr. Clinton fast-track authority to negotiate with other countries to join the trade agreement. With such authority, he can negotiate an agreement, and Congress then has to vote it up or down, without being able to pick it apart with amendments.

In approving a series of resolutions, A.F.L.-C.I.O. leaders reiterated their endorsement of Mr. Clinton's embattled nominee for Secretary of Labor, Alexis Herman. The federation called for immediate hearings on her nomination, praising her "commitment to a working families agenda and her superb ability to advance such an agenda."

Their resolution said, "It is unfair to working families to have the principal Federal department responsible for worker protections to be singled out and held hostage."

The New York Times

THURSDAY, FEBRUARY 20, 1997

Trade Deficit Grew Sharply Last Year

Strong Dollar Was a Big Factor in December Gap

By ROBERT D. HERSHEY Jr.

WASHINGTON, Feb. 19 — The nation's trade deficit widened substantially in December, bringing the imbalance for the full year to \$114.2 billion, the largest gap since 1988, the Commerce Department reported today.

Lower exports and higher imports contributed about equally to the December expansion, which analysts said partly reflected the sharp rise in the international value of the dollar. Treasury Secretary Robert E. Rubin and the finance ministers of other major countries began an effort earlier this month to restrain the dollar's rise.

The strong dollar makes foreign goods more affordable for American consumers but makes this country's products less competitive abroad. Detroit's auto makers have been complaining about inroads into their markets made by Japanese producers who are taking advantage of the cheaper yen to keep prices down.

Today's report, though unlikely to prompt even a subtle policy response, nevertheless did put a fresh focus on the question of how the trade sector will affect the economy's performance this year. Exports, though accounting for only about an eighth of United States economic activity, have long been a big contributor. But growth in exports slowed to 6.2 percent last year, half the 1994 advance.

"This is probably the biggest wild card," William C. Dudley, a senior economist at Goldman, Sachs, said. "When the gap is widening, it's a drain on incomes" that has a dampening effect similar to a tax increase.

Largely reflecting a swing in the trade account, magnified by statistical deficiencies, Goldman, Sachs projects a 1.8 percent increase in economic growth for the current quarter, compared with 4.7 percent in the final three months of 1996.

The research department at Merrill Lynch said trade was currently having a negative impact on the economy and its impact would be "neutral at best through the rest of 1997."

Mr. Rubin, after publicly supporting a stronger dollar for months, announced ear-

lier this month that he felt the dollar had risen far enough. The latest trade deficit figures were unlikely to affect that position, analysts said.

The Government tally showed the December deficit swelled to nearly \$10.3 billion from a November total that was revised downward to \$7.9 billion, or \$500 million less than the department initially reported.

Imports of goods and services surged to a record \$81.7 billion, \$1.2 billion higher than in November, the bulk of the increase going for crude oil and petroleum products. This reflected both greater volumes and higher prices, the latter, at least, subsequently subsiding.

Exports, which hit a record in November, eased \$1.1 billion, much of the decline reflecting lower foreign sales of soybeans and corn at the end of a year when early prospects of tight supplies gave way to bountiful harvests.

But even as the overall deficit widened by nearly 30 percent in December, there was a narrowing with both China and Japan, the sources of much of this country's trade friction.

The gap with China shrank \$400 million, to \$2.6 billion, in December, while surging 16.9 percent for the year, to \$39.5 billion, or slightly higher than with Canada and Mexico combined. The United States buys more than four times as much from China as it sells there and exported slightly less last year to China than to Australia.

In June, Congress will be called upon to extend China's trading rights for another year, a process not now expected to prove difficult but that is nevertheless likely to at least be deferred until after China's takeover of Hong Kong at midyear.

As for Japan, the American deficit edged down a slight \$50 million, to \$4.3 billion, in December but shrank markedly for the year. The 1996 deficit was \$47.7 billion, or 19.4 percent below the 1995 total. This was the second consecutive decline, and the smallest gap since 1991.

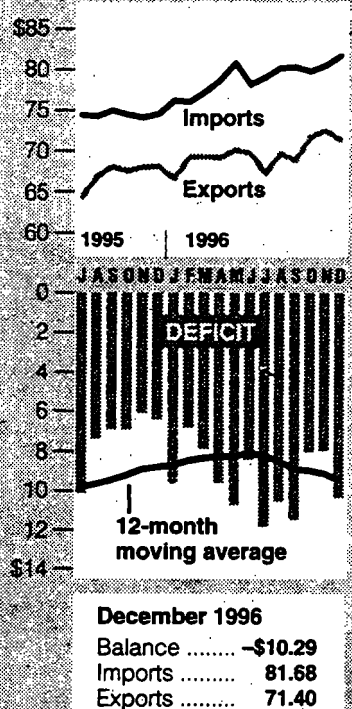
Unlike the aggregate statistics, those for individual countries are not adjusted for seasonal variation, nor do they include services, which generally offset a large part of the deficit in merchandise.

The Coalition of Service Industries estimated that travel, transportation, royalties and other services generated a United States surplus last year equal to about 40 percent of this country's goods deficit with Japan but only about 2 percent of the goods deficit with China.

The overall deficit with Canada widened in December by \$600 million, to \$2.3 billion, while the deficit with Mexico was halved, to \$700 million.

For the full year, however, the shortfall with Mexico climbed to a record \$16.2 billion, a development seen by critics as a failure of the North American Free Trade Agreement and by the Clinton Administration as temporary fallout from unre-

Balance of Trade



Deficit is the excess of imports over exports for goods and services. Amounts are rounded, in billions of dollars, seasonally adjusted.

Source: Commerce Department

The New York Times

lated Mexican economic problems, including peso devaluation in late 1994. The devaluation spurred a severe recession, which drastically cut the market for American imports.

Michael Strauss, chief economist for Sanwa Securities in New York, was not bothered by today's report, declaring that the dollar's strength "has not had a dramatic impact" on trade flows and contending that a resurgence of exports would risk excessive demand pressures in this country.

But Lawrence Chimerine, managing director and chief economist for the Economic Strategy Institute, took a dim view of what he called a "largely structural" trade deficit that is likely to rise another \$10 billion to \$15 billion this year.

He said that the deficit with Japan had bottomed out, that the gap with China was still rising rapidly, that European growth remained sluggish and that the nation's oil bill would keep rising.

He concluded that 1997 looked "awfully bad on trade."

Continued on Page 4

The New York Times

THURSDAY, FEBRUARY 20, 1997

February 8, 1997

- ① Eric
 - ② Steve
 - ③ File on desk.
- Discuss w Kyle

INFORMATION

MEMORANDUM FOR GENE SPERLING
DAN TARULLO
JIM STEINBERG

FROM: BOB KYLE
SUBJECT: Fast Track Meeting

This small Principals meeting on fast track is should begin addressing some of the big issues involved in the effort and to bring additional agencies into the process. I recommend we cover five topics:

Status

You might begin by letting Charlene update on talks with Congress, labor, business and others. Ira Shapiro and I have met with staffs from Gingrich and both sides of Ways & Means and Finance. The mood has been highly cooperative, with little posturing. Charlene's talk with Sweeney went well, although AFL staff (Mark Anderson) called Ira on Friday to say that Sweeney's affability toward Charlene's initial thoughts on labor/environment should not be taken as acceptance. At the staff level, it seems AFL is talking to Gephardt and moving more toward a harder line. Business reaction to the State of the Union was favorable, with a wait-and-see attitude toward labor/environment.

Labor/Environment

Regarding our substantive approach, Charlene is considering a Presidential Statement of Intentions regarding labor/environment that would spell out our objectives. Some Administration statement (after finding a bipartisan consensus) is probably wise. Earlier efforts to resolve this issue devolved too quickly into a search for statutory language that could mean all things to all people. As a result, no compromise ever stuck because parties interpreted the language differently. This time, all parties agree we need a more solid understanding of our approach, with specific language to follow.

Key to support raise mission

Regardless what vehicle enunciates our policy, there are several issues we should address: 1) our position toward future labor/environment side agreements; 2) our position toward multilateral efforts in the WTO, OECD, etc.; 3) other international efforts that might advance our agenda. Charlene seems to want to channel our policy into some type of global effort (category 3). You might explore what she has in mind. My sense is that much of this debate will return to our

position toward side agreements and specifically whether we will accept or forswear the use of trade sanctions to enforce the agreements.

More fundamentally, we need to develop and articulate a more coherent statement of our policy in this area. This could include: 1) reiteration that labor/environment has long been a bipartisan part of our trade policy (e.g., GSP/labor rights); 2) that pressing this agenda can be pro-trade (e.g., more equal distribution of worker income creates a more lucrative market); and 3) a statement of our agenda and what we will not do. You might ask USTR to take a first cut at such a document. I can work with them.

Tactically, I support Charlene's strategy of working quietly at first with all parties (labor, business, environmental groups, both parties on the Hill) to develop a consensus. Rather than have the Administration then float a proposal (which might simply become a target) we might seek an Archer-Rangel compromise. (Charlene hopes this might include Roth-Moynihan too; great if you can get it, but difficult). During this process, all parties should keep their rhetoric muted. You might reiterate that Charlene should be our chief spokesperson on this issue, with others simply saying we will work in a bipartisan manner with all parties to find a solution. We also need to underscore to business, labor and the Hill to avoid taking hardline public positions.

Other Substantive Issues

You might discuss Hill concerns that future implementing legislation contain only provisions "necessary" (not "necessary and appropriate") to implement the trade agreement. Our Hill discussions reflected general agreement that the legislative process needs some flexibility to secure votes, but some limit on dealmaking too. I suggest we agree to this principle, consider any ideas Charlene may present, then leave it to be negotiated.

You might also consider Congress' likely request that any future free trade negotiation be subject to a vote by the full House and Senate before negotiations start. Currently, the Ways & Means and Finance committees have authority to deny an individual negotiation. Full body envy of this privilege is likely to lead to a full body veto. However, this is a substantial concession and we should move there only over time. If we do, we can use it to justify less Administration precision on what future agreements we will negotiate.

Message/Communications Strategy

USTR has prepared a draft message document (attached), which needs work. You might ask Ira and I to work on a redraft. My general sense is we should take a fairly low-key approach to this initiative, now that the President has spoken. But we should: 1) have Charlene give a speech sounding our themes (which would provide a good document for use by allies); 2) quietly contact economic and foreign policy elites to build a base of support; 3) develop good documents (e.g., general message, fact sheets).

Uses of Fast Track

?

The attached document also purports to set forth the agreements we seek, but it is short on specifics. It references upcoming GATT negotiations: agriculture (1999), services (2000) and intellectual property (2000), and more near-term reviews in many areas. Chile is the only Latin country referenced, APEC lists no specific agreements and Russia and Africa are referenced more generally as long-term free trade candidates.

You might address several issues. How specific should we be? What other candidates could we reference? What regions should we emphasize or not emphasize? Given that Congress may insert greater pre-negotiation vetoes, we can afford less specificity but this risks losing business support as the bill picks up barnacles. At the least, we need to look carefully at potential candidates (Singapore, Australia), then have a better answer about what agreements we favor and what criteria we would use to pursue further agreements.

Attachment

Free Trade Goes South With or Without U.S.

By LARRY ROHTER

MIAMI, Jan. 5 — Just over two years ago, President Clinton emerged from a meeting with 33 Western Hemisphere leaders and made an ambitious pledge. By 2005, he promised, a "Free Trade Area of the Americas would stretch from Alaska to Argentina" and "will be the world's largest market."

Since then, barriers to trade and investment have indeed begun to topple, thanks to the dozens of agreements that Latin American and Caribbean countries are signing with one another.

For its part, though, the United States has mostly been sitting on the sidelines, hobbled by what Latin American officials and trade experts describe as a lack of will, leadership and commitment.

"What we are seeing is the consequences of two years of drift," said Robert A. Pastor, director of the Latin America and Caribbean programs at the Carter Center in Atlanta. "Every previous administration was hungry for an opportunity like this, but Latin America wasn't ripe for it. Now that Latin America is genuinely interested, the United States has been out of focus."

The resulting vacuum, largely the product of American electoral politics and the Mexican financial crisis, has quickly been filled by countries like Brazil and Argentina.

Putting aside their historic rivalry, South America's two giants have aggressively taken the lead by forging a four-nation market called Mercosur — a Spanish contraction of Common Market of the South — with more than 240 million people, a total annual output of \$1 trillion and a definition of free trade somewhat different from Washington's.

Already the world's fourth-largest unified market, Mercosur is deep in negotiations with the European Union and with neighboring groups in Latin America.

In addition, the Prime Ministers of Japan and China and the President of South Korea have all made state visits to Latin America in the last few months, looking for opportunities in an area they long viewed as a United States preserve. Taiwan's Prime Minister is scheduled to do the same soon.

"What is in fact in the making is a South American Free Trade Area," said Marcos Rodriguez Mendoza, a Venezuelan economist who is the chief trade adviser to the Organization of American States. Economic integration is becoming a "reality," he said, with or without Washington.

In Central America and the Caribbean, a similar process is under way, driven largely by the Clinton Administration's failure to keep its promise to extend to those regions the benefits enjoyed by Mexico and Canada, Washington's partners in the North American Free Trade Agreement.

As a result of Washington's inaction, the regional groups to which those small countries belong are now seeking agreements of their own with Canada and Mexico, as well as with Mercosur, the European Union and East Asia.

"I think everybody in the hemisphere is keeping all options open," said Richard Bernal, Jamaica's Ambassador to the United States and chairman of the working group for small nations set up at the Miami meeting. "While the United States is the main trade partner, if Nafta does not look like it's going to permit accession in the foreseeable future, then countries have to keep other countries in mind, including relations outside the hemisphere."

Even a cursory glance at trade figures reveals that Washington's economic stake in Latin American and the Caribbean, the fastest-growing market for American exports, is enormous. United States trade with the Western Hemisphere is not only much larger than trade with Europe or Asia, but consistently registers a surplus that helps offset large deficits elsewhere.

An American trade official who deals with Latin America said the Clinton Administration viewed the

spread of regional agreements that excluded Washington not as a challenge to American leadership but as something that "can be very helpful to the Free Trade Area of the Americas process."

"When Latin American nations link up among themselves, he added, "it makes it easier for them to go the last step," when the time comes to deal with the United States.

"Frankly," the official continued, "we would be doing that ourselves if we had the authority. We are not as far along in the process as we would like to have been."

Chile, which has emerged from military dictatorship to have the fastest-growing economy in Latin America, provides perhaps the best example of United States disengagement and the resulting shifts in economic strategy.

At the 1994 Summit of the Americas meeting here in Miami, the leaders of the three Nafta countries announced plans to expand their group to include Chile through a "fast

Latin American and Caribbean countries are forming trade blocs on their own.

track" process, with that country's President, Eduardo Frei Ruiz-Tagle, looking on.

"We have been the Three Amigos," Prime Minister Jean Chrétien of Canada proclaimed. "Now we will be the Four Amigos."

But a week later, the Mexican peso collapsed. That forced the United States into a controversial bailout of its Nafta partner and made fast-track membership for Chile politically unpalatable. Then the American election cycle began, killing any chance for bold measures on trade.

In response to what it perceived as America's lack of interest, Chile has negotiated a free trade agreement with Mercosur and revived its ties with the five-member Andean Pact, which this fall began separate talks with Mercosur. Chile recently signed a free trade agreement with Canada to supplement a similar accord it has with Mexico, which had already reached free trade agreements with Colombia and Venezuela.

"The Chileans have been kept standing at the church, waiting for the groom to arrive," said Bernard

W. Aronson, who was Assistant Secretary of State for Inter-American Affairs during the Bush Administration. "After a while, to maintain your own dignity, you take off the wedding dress and go find another boyfriend."

With Mr. Clinton about to begin a second term, the next few months will be crucial to bringing the United States back into the process, government officials and economists throughout the hemisphere said. "We can no longer postpone taking decisions on certain important things," said Ambassador Bernal of Jamaica.

Latin American and Caribbean countries will be looking, their leaders make clear, for evidence of American commitment to reviving the fast-track process, either in the President's State of the Union Address or when President Frei visits the United States in late February.

"If you say no to Chile, you have said no to free trade," said the Foreign Minister of one medium-sized Latin American country. "It is a litmus test." The 2005 deadline remains attainable, the official added, "that is, if you are still interested."

At a conference in Miami on Thursday, Thomas F. McLarty, the former White House chief of staff who is Mr. Clinton's point man on Latin American issues, said the Administration remained committed to free trade and would "continue to lay the legal and economic framework for Chile's accession to Nafta, including fast-track."

If the hemisphere fails to build on the principles of the Miami conference, he said, "we may lose this moment forever."

But Foreign Minister José Miguel Insulza of Chile said membership in Nafta no longer "has either the urgency or the importance it had in 1994." Over the last two years, he added, "our country's position has consolidated internationally and we have signed agreements of great scope."

As a result, government officials and trade analysts say, it is more likely that negotiations will take place between two or more blocs or regions than that Latin American countries will come hat in hand, one after another, asking permission to join Nafta.

One indication of Latin America's growing confidence came recently when President Carlos Saúl Menem of Argentina jokingly said before heading off for a visit to Washington that if the United States and its Nafta partners wished to join Mercosur, they would be welcome to do so.

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PHOTOCOPY
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Feb. 6/97

T Arnold's comments

Public works vs. Leg. Strategy -

outside vs. inside

T Arnold's o.k. -

Blow Bad re: Chile @ SOU

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Steve / Eric

THE WHITE HOUSE

WASHINGTON

Meets 7:45

✓ Penn / Steinberg at Bar / ~~Smith~~
recognized me

✓ Gelsiv / March to me from

✓ 5:00 outside group

✓ Wessen meets / CLE 3 steps /
Hard / Already assigning / Be Sosnick
out public acc 500 / Distinguish
Themselves per Sosnick

✓ ~~First Trade / Looked @ me~~

✓ Libens release today / OMB

Joe G

15% ↑

/ NE Warren for
MS.

✓ ~~Bradteel / Quinn / meeting for
Graham~~

✓ NGA / Trade / Marcia / Doug S
my role / First Trade
and McGuire

✗ ~~Cabisco / 2:00 / meet / Sosnick / memo??
Vicks~~

Dole this a.m. Dole, asked by NBC's Myers if he could imagine taking a job or assignment in the administration: "If the President of the United States asked me to do something, say some foreign policy or to help in some way, you know I'd certainly look at it very seriously, if he did it in a non-partisan, non-political, genuine effort." Asked if he'll do any more commercials: "I don't know. I mean, I'm sitting by the phone waiting for the Maytag call." Asked about a possible run by Elizabeth in 2000: "She might. ... I'd like to see her do what she thinks she can do to make a difference" ("Today," 2/3).

① En.c
② Shur
③ C.L. to Inst. Tol
④ West

WHITMAN: Appearing on NBC's "Meet the Press," NJ Gov. Christine Whitman was asked if she'd be open to running for nat'l office in 2000: "I don't have that burning in my gut. I want to be governor, ... and that's where my focus is, and I intend to serve my entire term" (2/2).

WH 2000 (D): AFL-CIO CONFERENCE LOOMS LARGE FOR GEPHARDT

TIME's Carney writes the race for the Dem 2000 nomination "begins next week," when the AFL-CIO gathers for its annual conference. "The featured entertainment: back-to-back speeches" on 2/18 by VP Gore and House Min. Leader Dick Gephardt. "Already, tension" between the WH and Hill Dems, "and Gore and Gephardt especially, is infecting" Pres. Clinton's second term. "Certain to be a central topic" at the conference is Clinton's offer to curb Medicare spending by \$14B more than he proposed last winter. Gore "will have to defend the larger cut." But Gephardt "can say the White House is giving away too much." Last week, WH CoS Erskine Bowles called and apologized to both Gephardt and Senate Min. Leader Tom Daschle "for failing to consult them" on either the Medicare plan or Clinton's choice of CO Gov. Roy Romer as the new DNC chair. Bowles "promised he would meet with them regularly from now on. But no amount of cajoling" from the WH "will keep Gephardt from laying more groundwork" for a pres. run. "Just days before" the AFL-CIO conference Gephardt plans to visit Mexico to highlight, according to an aide, "the unmet promise of NAFTA." Gephardt has also hired a new deputy CoS, David Plouffe, who has "extensive IA experience." And Gephardt is "doing what all would-be presidential contenders must do these days: he's writing a book" (2/10 issue).

BRADLEY: Bob Novak reports ex-Sen. Bill Bradley (NJ) "has been turning up" in IA lately, "giving the impression" that his retirement from the Senate "by no means extinguishes his presidential ambitions." Also visiting IA "recently" was Gephardt. A "no-show" so far in IA: Sen. Chris Dodd (CT) (CHICAGO SUN-TIMES, 2/2).

GORE: Appearing on NBC's "Meet the Press," NH Gov. Jeanne Shaheen (D) was asked if VP Gore had any opposition for the Dem nomination: "It's way too early to look at 2000. ... Anything can happen in a campaign. I'm the perfect example of that." Shaheen, asked if she supports Gore: "I certainly support all the help the vice president's given New Hampshire, as I support the help that Dick Gephardt and all the other people have given." Then she added, "I still have to run for re-election before 2000" (2/2). In a profile on the UN Ambassador-designate, NEWSWEEK's Bogert writes that DC friends of Bill Richardson "think he may have other posts in mind: secretary of state, say, or even Al Gore's running mate in 2000" (2/10 issue).

Gingrich pledges to help Clinton broaden NAFTA

He also supports paying U.N. dues

By Andrew J. Glass
COX NEWS SERVICE

DAVOS, Switzerland — House Speaker Newt Gingrich defended U.S. foreign policy yesterday before an international audience and pledged to pave the way for President Clinton to expand trade with Latin America.

Speaking to the World Economic Forum, an elite group of business leaders, Mr. Gingrich said the Republican hierarchy in the House would work as a team with the Clinton White House to grant the president "fast track" authority to broaden the 1993 North American Free Trade Agreement (NAFTA) with Mexico and Canada to include other Latin nations, notably Chile.

If enacted, the legislation would allow Mr. Clinton to send Congress a new trade package, which would then either be adopted or rejected — but not amended in any way.

"We'll probably pass it before Mr. Clinton goes to South America," Mr. Gingrich said.

A date for Mr. Clinton's trip to Latin America has not been set, though administration officials have said it likely will be made this year.

The Georgia Republican also backed Mr. Clinton's effort to make up the more than \$1 billion the United States owes the United Nations. Speaking of new U.N. Secretary-General Kofi Annan, Mr. Gingrich said, "He'll probably get the money he's insisting upon and we'll get the reforms we're insisting upon."

Congress has held up payment of the money until the United Nations slashes its spending and reduces the size of its bureaucracy.

While Mr. Gingrich spoke favorably of U.S. policy in such areas as Cuba, Iraq and Iran, his fellow panelist, Sen. John Kerry, Massachusetts Democrat, criticized the Clinton administration's policy toward China, calling it "simply nonsense."

"You have to balance all the interests," Mr. Kerry said. "Our allies have been all too ready to let the United States be tough [toward China] while they hold our coat and get the contracts."

The Gingrich-Kerry dialogue — it was in no way a debate — was billed on the program at this Swiss Alpine resort as "Toward a New American Era? What Can the World Expect from the USA?"

As Mr. Gingrich nodded in assent, and the chief executives from a score of nations took notes, Mr. Kerry said: "We actually agree on a lot more than most people imagine. I think you can throw away all the rules. The old labels on the left and right don't work anymore."

Mr. Gingrich spoke up for the U.S. trade embargo against Cuba and favored taking a tough stance toward both Iraq and Iran.

He was promptly challenged by Mohammed Larjani, vice president of Iran's Foreign Relations Commission, who said, "Americans want to exert their power everywhere in the world."

Mr. Gingrich shot back that Iran's sponsorship of terrorism was "broadly accepted." When Mr. Larjani, who is also a member of the Iranian parliament, sought to continue the exchange, several members of the audience told him to sit down while others applauded Mr. Gingrich.

Mr. Gingrich and his wife, Marianne, planned to spend four days at the forum, leaving today, a day before it concludes, so that the speaker could return for Mr. Clinton's State of the Union address tomorrow night.

In brilliant sunshine, the Gingriches also spent part of the day going for a sleigh ride and riding in cable cars and ski lifts through the snow-covered mountains, which rise above 14,000 feet.

Distributed by the New York Times News Service

The Washington Times

MONDAY, FEBRUARY 3, 1997

① Eric
② Steve
③ To be first
④ Post
CD
Morse

Commerce, Energy likely GOP targets

Lack of popular programs, scent of scandal leaves them most vulnerable

By Nancy E. Roman
THE WASHINGTON TIMES

Republicans in both houses have given up their zealous efforts during the last Congress to eliminate four Cabinet agencies, but they plan to mount a scaled-back attack on the two departments they find most expendable: Commerce and Energy.

Some will propose killing the departments outright, while others plan to try to cut the amount of money allocated to the agencies. The latter group hopes that killing off bits of the departments will prove fatal to the departments themselves.

"You're going to see us focus on Energy and Commerce," said Rep. Joe Scarborough, Florida Republican and co-chairman of the New Federalists, the group of freshmen who launched the attack on the departments of Education, Housing and Urban Development, Commerce, and Energy.

The attack has already begun. Sen. Rod Grams, Minnesota Republican, recently challenged the nominee for energy secretary, Federico F. Pena, to defend his prospective agency.

"The department has become a patchwork quilt of government initiatives haphazardly stitched together — lacking any theme," he said during Mr. Pena's confirmation hearing. The first-term senator has introduced a bill that eliminates the department, which he says has not fulfilled its mission and wastes taxpayer money.

Michele Davis, spokeswoman for House Majority Leader Dick



Sen. Rod Grams

Armey, said that while Republicans remain passionate about downsizing government, they are more realistic about the political realities of eliminating entire agencies.

"We can sit in Washington and see the wasteful bureaucracy, but when you are talking about eliminating an entire agency, you've got to explain it," she said.

She said they learned the hard way about the public relations problems of going after the Education Department, which delivers student loans and Head Start, and HUD, which delivers housing to the poor.

Commerce and Energy are more attractive targets. The services they provide do not appeal as



Federico F. Pena

much to raw political emotion. They are also viewed as more vulnerable because they have been sullied by scandal. The Department of Energy was run by Hazel R. O'Leary, who came under fire for misusing her travel budget.

The Commerce Department has been under a cloud since Secretary Ronald H. Brown, before his death in a plane crash last April, was accused of misusing trade missions to reward the Democrats' big corporate donors. It remains in the news today as illegal and questionable fund-raising by President Clinton and the Democratic National Committee involve a former top-level department employee.

But asked whether any agency was likely to be eliminated during

the 105th Congress, Miss Davis said:

"Probably not this year, and it is hard to look past this year."

The Energy Department was established in the 1970s to develop alternative energy sources so that the country would not be so dependent on foreign oil. Since then, however, the United States has gone from importing 35 percent of its oil to importing 66 percent of it.

Mr. Grams said his bill would save taxpayers \$19 billion to \$23 billion over five years, and \$5 billion to \$7 billion every year after that, by shifting the department's core responsibilities to other parts of government and eliminating overhead.

But some conservative Republicans are not optimistic about his approach.

For now, pragmatists in the House believe the first step in the goal of eliminating Commerce and Energy may be to rid them of some of their functions.

Rep. John R. Kasich, chairman of the Budget Committee, has been working with a coalition to single out \$11 billion in corporate welfare he believes the country could live without. In the next five years, the coalition wants to eliminate from the targeted departments:

- Pyro-reprocessing of nuclear fuel, saving \$100 million.
- Fossil, coal, oil and gas research, \$1.37 billion.
- The clean-coal technology program, \$500 million.
- The Overseas Private Investment Corp., \$281 million.
- The Market Access program, \$347 million.

The Washington Times
 MONDAY, FEBRUARY 3, 1997

Latin trade is focus of new push

Gingrich backs 'fast-track' effort

By Lorraine Woellert
THE WASHINGTON TIMES

AI

After having benched itself for more than two years, the United States is again poised to jump into the free-trade arena with a bill that would give the White House new authority to negotiate market-opening deals throughout the hemisphere.

The legislation, expected to focus on opening up Latin American markets with Chile as a stepping-stone, looms as the first major test of support for free trade in the new Congress. A huge contingent of legislators weren't even around for the bitter fights over the North American Free Trade Agreement (NAFTA) in 1993 or the General Agreement on Tariffs and Trade (GATT) a year later, and many of the new Republican lawmakers are much more suspicious of the benefits of open trade.

Speaking at an international economic forum in Switzerland over the weekend, House Speaker Newt Gingrich, Georgia Republican, said GOP leaders want to work with President Clinton to give him "fast-track" authority to negotiate new trade deals — an authority that largely lapsed soon after the GATT deal was struck.

A bill to do just that could be introduced as soon as next month, with the House taking the lead and the Senate, traditionally more amenable to open trade, following suit.

Mr. Gingrich's pledge, however, doesn't mean the speaker has softened on sticking points in the legislation, such as labor standards and environmental issues.

"Fast track must be done on our terms," said a Gingrich aide. "There's concern that [it] not be loaded down with a lot of domestic social issues."

Administration officials said the debate is still very fluid but they are committed to labor and environmental concerns as they relate to trade.

"We're not abandoning those issues. Those are important concerns where we feel we've made some progress," said Jay Ziegler, a spokesman at the U.S. Trade Rep-

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TRADE

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representative's Office.

And the fast-track debate itself might not be on a fast track, at least in the Senate. With the debate on the balanced-budget amendment looming and the president's State of the Union speech scheduled for tonight, "it's not even on the radar screen" for the Senate agenda, said an aide to Senate Majority Leader Trent Lott, Mississippi Republican.

Despite the lingering disagreement, fast-track legislation seems to have staying power this year. But the new-found momentum might be too little, too late for the United States, which has watched idly as Latin American nations negotiated free-trade pacts among themselves and with other economic blocs around the world.

Chile, whose 2-year-old bid to join the United States, Mexico and Canada in NAFTA fell victim to partisan politics and bad timing, has since staked out free-trade deals with Mexico, Canada, and the emerging South American free-trade bloc that includes Argentina, Brazil, Paraguay and Uruguay.

"We're kind of playing catch-up, and whether we actually catch up I don't know," said Gary Hufbauer, a senior fellow at the Institute for International Economics. "Clearly the momentum is in Latin America."

Under the fast-track process, Congress would agree to a simple up-or-down vote on trade deals with no amendments permitted. The rationale for such an approach is that no country would be willing to negotiate with the United States if Congress were free to change the agreement after the negotiations have concluded.

The process has been used for every major piece of trade legislation considered by Congress since World War II. The administration used the last of its fast-track authority most recently to close an international accord to phase out import taxes on computers, software and telecommunications equipment by the year 2000.

But the Clinton administration and GOP congressional leaders have been at odds for more than two years over administration attempts to include environmental and labor standards in future free-trade deals, an approach opposed by U.S. businesses and many developing countries.

That standoff could have long-term ramifications. U.S. brands are popular in Latin America and Spanish-speaking Americans have strong ties to the region, making U.S. companies natural economic powerhouses in the region. But lack of trade agreements has hurt U.S. market access.

The policy of drift has worked against the United States in other ways. Now that Chile, for example, has signed agreements with other countries, it's more difficult for the United States to make demands that could adversely affect those pacts.

"Right now we're in a period where the Latin Americans are coming to us. Four years from now it'll be the reverse," Mr. Hufbauer said.

Clinton rejects commuter tax

More bridge money possible

By Paul Bedard
THE WASHINGTON TIMES

A1

The White House, under pressure from the governors of Maryland and Virginia, won't support a D.C. commuter tax on suburbanites but is considering funding more of the two-span, 12-lane Woodrow Wilson Bridge replacement.

"The commuter tax won't pass on the Hill, so why should we get involved? We won't. It's dead," a senior administration official said of a tax pushed by Andrew F. Brimmer, chairman of the D.C. financial control board, and Senate Minority Leader Tom Daschle, South Dakota Democrat.

Mr. Brimmer said the tax is needed because the District will lose its annual \$660 million federal payment if President Clinton wins congressional approval of his \$3.9 billion bailout plan.

Mr. Brimmer was not available for comment yesterday.

A tax on Maryland and Virginia residents who work in the District faces opposition in the House and

Senate committees that oversee the city's budget.

In an unexpected move — and a rare show of unity — Maryland Gov. Parris N. Glendening and Virginia Gov. George F. Allen used a

see TAX, page A12

TAX

From page A1

series of National Governors' Association meetings with Mr. Clinton yesterday and Sunday to make the case for suburbanites.

Mr. Allen, a Republican, called a commuter tax, which would need congressional approval, "very terrible . . . a ludicrous idea." He said the tax would force D.C. companies to pay suburbanites more and would scare away new businesses.

"We agree," said Mr. Glendening, a Democrat and former county executive in Prince George's. "I am very much opposed to the commuter tax."

The two governors said they will press their congressional delegations to fight the tax and to seek greater federal funding of the Wilson Bridge project.

"It will be nice to fight for something instead of against it," Mr. Glendening, drawing laughter from Mr. Allen. The two discussed their fight for suburbanites after joining the nation's other governors at a morning White House meeting with the president.

The administration has pledged to spend \$400 million on the Wilson Bridge project, but the cost is

expected to be \$1.5 billion.

Lawmakers such as Reps. Albert R. Wynn, Maryland Democrat, and James P. Moran, Virginia Democrat, have demanded that the federal government pay 90 percent of the cost, or \$1.35 billion.

The Transportation Department has balked and failed to meet a deadline late last year to provide Congress with its final funding recommendations.

Administration officials said the Office of Management and Budget opposes spending the extra money even though the bridge is the only one of its kind fully owned by the federal government.

But new Transportation Secretary Rodney E. Slater has indicated in discussions with the governors and local lawmakers that he is open to more federal funding for the project.

The Wilson Bridge, which carries the Capital Beltway across the Potomac, is used heavily by travelers and truckers as well as commuters.

It has been cited as one of the most dangerous bridges in the nation and is not expected to last more than another eight years. "It is a ticking transportation time bomb," said Lon Anderson, a spokesman for the local branch of

the American Automobile Association.

The two governors pressed Mr. Slater on Sunday during the National Governors' Association's annual meeting and during dinner at the White House. They also made their case for the bridge funding directly to Budget Director Franklin Raines.

Mr. Glendening and Mr. Allen said they would accept 80 percent federal funding, but anything less would strain state budgets.

"If they own it, they ought to pay for it," said Mr. Allen, who opposes putting tolls on the bridge.

Mr. Glendening said that forcing Maryland and Virginia to pay for the bulk of the new spans would amount to a double tax on their residents, who already pay the federal gasoline tax.

"Why should our citizens have to pay twice?" Mr. Glendening said.

The Maryland governor joked that while Mr. Clinton was campaigning on a plan to "build a bridge to the future," he has "been more practical about our bridge from state to state."

Mr. Anderson said, "The administration shouldn't be so worried about building a bridge to the new millennium as it is about building a bridge over the Potomac River."

The Washington Times

TUESDAY, FEBRUARY 4, 1997

① Chile Inst Trade File S. Kline ①
(over desk) Eric ②
Dennis ③

Senate panel: Barshefsky on fast track to approval

By Lorraine Woellert
THE WASHINGTON TIMES

Senate Finance Committee members yesterday assured Charlene Barshefsky of her near-certain confirmation as U.S. trade representative and called for the repeal of a law that could have tripped up her nomination.

In a cordial hearing that lasted about two hours, Mrs. Barshefsky pushed the need for negotiating authority to bring Chile into the North American Free Trade Agreement and criticized China's progress toward lowering trade barriers.

Mrs. Barshefsky said her tenure as acting U.S. trade representative since Mickey Kantor left the post to lead the Commerce Department a year ago had given her a taste for the job.

"I relish the challenges of this job and the battles," said Mrs. Barshefsky, who was accompanied by her husband, daughters and other family members.

In another pending confirmation, the Senate Commerce Committee voted 15-1 yesterday to recommend the nomination of Chicago lawyer William M. Daley to be secretary of commerce. Only Sen. Sam Brownback, Kansas Republican, voted no, saying Mr. Daley has shown insufficient commitment to reducing the department and cutting government subsidies to business.

Mrs. Barshefsky drew a warm re-
see TRADE, page B12

TRADE

From page B7

ception from the panel, whose members praised her for her toughness and tenacity and attacked a law that briefly had complicated her confirmation.

That law, a 1995 amendment to the Trade Act of 1974, prevents anyone who has aided a foreign government on a trade issue against the United States from holding a top position at the office of U.S. trade representative.

Mrs. Barshefsky, as a lawyer with Steptoe & Johnson, had done work for the Quebec government and Canadian lumber interests before joining the office in 1993.

"The total time spent by me represented approximately eight-tenths of 1 percent of my legal practice," Mrs. Barshefsky said.

Committee Chairman William V. Roth, Delaware Republican, said the law would be waived to allow her nomination. He was supported by the rest of the panel.

"It's ridiculous to put you through a waiver," said Sen. Orrin Hatch, Utah Republican. "I know that you're loyal to this country."

Sen. John Chafee, Rhode Island Republican, called the 1995 law "draconian" and Sen. Phil Gramm, Texas Republican, called for its repeal.

Mrs. Barshefsky, 46, emphasized the importance of free trade in an era of global economics and listed Chile's NAFTA ascension, a global telecommunications agreement and China's admission to the World Trade Organization as top priorities.

China, she said, is not yet ready to join the 124-nation WTO, nor has it earned permanent trading rights, known as most-favored-nation status, from the United States.

"It is, in all likelihood, premature to seek permanent MFN sta-

CHARLENE BARSHEFSKY

Nominee for U.S. trade representative

Born: Aug. 11, 1950, Chicago

Education: B.A., University of Wisconsin, 1972; J.D., Catholic University Columbus School of Law, 1975

Family: Husband, Edward B. Cohen; two daughters

Career highlights: Lawyer, Steptoe & Johnson, 1975-1993; deputy U.S. trade representative, 1993-1996; acting U.S. trade representative, 1996

The Washington Times

tus for China, inasmuch as we're in the process now of negotiating with China for WTO accession," she said. "On the other hand, the administration is looking at the question of this yearly annual debate, which, as you know, is corrosive."

She also stressed the need for lawmakers to grant the administration the right to negotiate trade deals without subjecting them to congressional amendments.

"If the United States cannot negotiate comprehensive agreements with countries, we will remain on the sidelines while other nations move ahead, as they already have, to create new economic alliances and advance their own economic interests, often to the detriment of the U.S.," she said.

But the administration's goal to include environmental and labor provisions in that negotiating authority won't get a warm welcome from Congress, Mr. Roth warned.

"As long as fast-track is tied to labor and to environmental questions, that makes it very difficult, if not impossible, to get through," Mr. Roth said.

Kemp makes moves for 2000

GOP not certain to support him

By Ralph Z. Hallow
THE WASHINGTON TIMES

Jack Kemp is laying the groundwork to run for the Republican presidential nomination in 2000, but some of his supporters worry that even this early might be too late for Bob Dole's always-smiling running mate of last year.

Throughout his quarter-century in politics as a congressman, Cabinet secretary and think-tank denizen, Mr. Kemp played Moses to the tribe of supply-siders — "Mr. Tax Cut" to his friends — and the leader of happy-face "progressive conservatism" in the Republican Party.

But, to the consternation of his legions of supporters around the country, he passed up chances to run for the U.S. Senate, governor of New York, and, in 1992 and 1996, president.

He failed to win the GOP presidential nomination in 1988, but that campaign only left his disciples hungering all the more to be able to address him as "President Jack."

He may try to give them that opportunity. "The paperwork on a multicandidate PAC should be completed by the first half of next month," Kemp aide Christian Pinkston said. "The PAC will fund Jack's political activities, and the lion's share for the next two years will be go to campaign and do fund-raisers for House, Senate and gubernatorial candidates."

The idea is to collect chits for a run for the GOP presidential nomi-

Some conservatives express concerns that Mr. Kemp's reluctance to address such social issues as race and sex quotas and preferences, "race norming" in school and job testing, immigration limits, crime, and drugs would make it hard to distinguish him from a Democratic candidate.

"Jack has some hurdles to overcome," said Tom Pauken, the conservative Texas GOP chairman. "He's got to show that he can get the support of traditional-values conservatives and has the discipline to run a presidential campaign and stay on message. Did he do that in '96? He was a good soldier who did what the Dole team asked him to do."

"Is Jack a credible candidate?" said Steve Forbes, the magazine publisher who sought the 1996 GOP presidential nomination and is preparing to run in 2000.

"If he wants to be, he can be," Mr. Forbes said. "Others have told me that the perception is Jack didn't do well in the debate with Gore, but Clinton survived a disastrous speech at the Democratic convention in 1988."

David Carmen, a GOP activist, agreed. "Without a doubt, Jack was the brightest spot in the '96 campaign, and if he wants the nomination in 2000, it will be his."

Quineta Wylie of Oklahoma, one of the most conservative state chairmen in the GOP, isn't so sure. "Forbes is a strong contender, and Kemp is also a contender, but I'm not sure how strong," she said. "He needs to show he can deal with some of the social issues."

Mr. Forbes has set out methodically to build relationships with influential Republicans and conservatives, something he did not have time to do last year.

Mike Duncan, a Republican National Committee member from Kentucky, doesn't think it's too late for Mr. Kemp. "He will have to work harder. . . . He'll have more people to convince that he has the fire in the belly to make the long race," Mr. Duncan said.

Ohio GOP Chairman Bob Bennett said: "Jack was a team player in '96 and generally is still popular in the party. And if there are any

The Washington Times

THURSDAY, JANUARY 30, 1997



Kristen E. Panerali
02/06/97 02:55:58 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: cmccarthy @ ustr.gov @ INET @ LNGTWY, Elisa Millsap/WHO/EOP

Subject: NEC Principals -Fast Track

Dan Tarullo will chair a NEC Principles on Fast Track on Monday, 2/10 at 10:30 in room 231. Invitees only, no substitutes. Please confirm attendance w/me. thanks, kp

Invitees include:

Ambassador Barshefsky

John Hilley

Secretary Rubin

Secretary Daley

Jim Steinberg

Don Baer

M. McClarty

Doug Sosnick

Gene Sperling

Rahm Emmanuel

First Trade Meeting Tammillo
office

①

João

Feb. 10/97

Positives

Mozambique } positive re: moving ahead
Dnsble }

Mozambique / Liaison? likely response re: Mozambique
Can Be & Bis help

No large problems per João

Gregoire / Dnsble people - João & Bob meet with

Swedish meetings in Tammillo & positive

No change no trade agreements about advanced
labor int → João no trade agreements is good for Liaison
Swedish open

more advanced → 'then of a gift'

Create flexibility to discuss this out

Swedish / Joao we trust for him / we are
isolated in the world re: L&E

Charles / João

Charles / Bin per Charles re: L&E

L&E Pres letter a statement of policies

Format is the question

* Consulting w/ key players → listen a little & come back
© team

Ina

(2)

* Ina & Bob to work something out for your consideration

Peter / Rahim

"Never going to get LBA"

How far can you go to get Archer & get Reps.

Explained LBA rights to students Dennis / Regt

Wyle was lucid on this

Wyle

Rahim from Trade, ~~Trans~~ ^{Trans}

✓ ✓ X — workers are ready to

seize them

Resolve some political ~~problems~~ ^{problems} in our pros

What are doing domestic

Geor

All grants eligible non-degree programs

It issue BUT manageable per case

Let them know, it to you

Rahim

NOT JOB loss BUT ~~seize~~ ^{seize} the opps

Voucher approach → I need to understand

* Trust provisions for overseas policy per DWT

Envoys unhappy in the trade area per Ina

But need to look @ overseas envoys agenda

Nobody will endorse first trade is asymmetrical groups

Trade sectors aspect

Not much to cite or Bada

No good history of side agreements → first step per Rahim

(3)

Peter's comment re: First Trade re: LABA & ENV.
I need to understand

Use trade agreement leverage w Chile to get some-
thing re: LABA & Environment

How do we want to proceed?

USTR to proceed quietly in order to Build
consensus

John / Bob to work together

John PACING question / Can live a couple of more
weeks w/out a bill.

} "Low key for next couple of weeks" per DNT
"muck up First Trade" per DNT

DNT
Steve

For + , consulting broadly for consensus
want First Trade Working Group to achieve

Wyle

that

retains L & E commitment

Free

Affirmative

Commitment^{to Chile} first step to Hemisphere

other countries are doing w Chile

Peter Harkin → want Be as Sidelines

Just

"anecdote driven" or to How per Just
need to understand

4



PANERALI K @ A1
01/24/97 04:46:00 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: fast track

Dan Tarullo and John Hilley will hold a meeting on fast track in Dan's office (rm 231 OEOB) at 4 pm on Monday 1/27.

Invitees only:

- Hilley
- Barshfsky
- Steinberg
- Baer
- McLarty
- Sosnick
- Sperling

Message Sent To:

- Elisa Millsap
- Kevin Moran
- Molly Varney
- Daniel E. Bernal
- GREEN_MG @ A1@CD@LNGTWY
- cchernish @ ustr.gov@INET@LNGTWY
- cmccarthy @ ustr.gov@INET@LNGTWY

JAN. 27 / 97

* Thurs night / Fri am meeting w POTUS / Speaker
I need to know about this. Report by Paper

* 500 ??

Fri visit

pre - LINDA AONE

} Questions will be sent with
BESIT 7.

Case

BALANCE Budget / Education

Date

Steinhilber

} Balance / Sound / NOT Fast Track BUT make clear.
Costs does help per LINDA (over)

Don T

(2)

NOT SAYING ANYTHING NOT BEING ELLIPTICAL

Before you - or wait until after you

* you - concern re case / Dems will be negative after you

Tense w Dems re case / Uneasy relationships

} Gephardt has no choice but to take a shit
AFL-CIO

Don

Wed am / Chuckie up for hearing / He has to say something.

Congress is bad re Don

Chuckie to put it down

Lang

Likes education Link w Fast Track

Hillel / Sen

Friday late meeting

Trade and such → Has to say something about Fast Track

* AFL-CIO meeting, w Enshower today
Reaction I need to know

* Wessel meeting re Hillel

* Jewery → should be o.c.

Portis } visits have given
Chuckie }

* Give cover on hillel to do it re Lang

US Trade / LMSG

- ① WTO Built - is Agenda / Ans
- ② Regional level FTAA APEC
- ③ Targets of effort

Draw / Testimony

Need an of our tools

Other countries moving ahead

Problem of staying on the sidelines

First Trade only 1 piece of getting is growing with

{ We send up a Bill or we work w Anke
 { Anke & Ridge creating bill.

Draw

" most plagues are more popular than First Trade."
 uphill Battle.

Hillen

Calm waters ~~to~~ support & involve

" Better about the process" per Hillen

" * What is this for? Good story what are we going
 to use this for? " Hillen

NATA Expansion → Bilateral negotiations
 in Asia

Sweeten / Need to tell him what we are doing

- ① Steve
- ② Eric
- ③ Fil Page



PANERALI_K @ A1
01/13/97 07:08:00 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Fast Track Mtg

Dan Tarullo will chair a meeting on Fast Track in room 231 OEOB on Thursday at 2pm. Invitees are:

- Hilley
- Barshevsky
- Steinberg
- Baer
- McClarty
- Sosnick
- Sperling.

Divergent messages concern BY Tarullo

Call me w/questions, kp

Sylvia joined us - COS.

Message Sent To:

- Elisa Millsap
- Kevin Moran
- Molly Varney
- Daniel E. Bernal
- cchernish @ ustr.gov@INET@LNGTWY
- GREEN_MG @ A1@CD@LNGTWY

JAN. 16 1997

We are going to do it / Everybody knows we are going to do it.

How?? Why?? Are the questions

SOU → yes it will be there per Jim Steinberg

LABA and Environment

Business to move more than LABA per Chambers

WINT

In agreement, we are going toward → POTUS committee

① Before we go public, what do we have to?

② Introduce Bill our own / Anchor / Merge

③ 5 strategies

- ① Free 5 days
- ② Recirculation

④ Relationship w other legislators

(over)

Mega
Kimp

JOU is the key to commitment / showing the world where the
Popus' stand

Consensus before Feb. 4 / Sense of contours of the Bill would
look like. outreach / discussions w key constituents

JOU -

Yes - Business }
LABA - open mind } Tack to us before decision
Evans - ✓ ✓ } needed
Congress

White House involvement per Charlene

~~imp~~ { Do it first per Rouse → NOT consistent it seems to
me w negotiations
Archer ways + means - Do it first before pressure.
Builds.

Contours of a PAX / Bill

Congress }
LABA } How far off are we ?
Business }
Evans }

LABA won't like our B.S. stuff per Don T.

*** Charlene / beginning position next week /

Bacus → NAFTA → I'm against.

Everybody hates NAFTA → re-examine NAFTA ish's
over state.

Peru Mark

Free Trade ≙ job flight

Competitive weapons ≙ job creation

Sylvia

We keep up w Pass / policies -

Does to keep up

Geno Spelids

3

Congress not caused → Take NAFTA out of your rhetoric

Charter

Oppt. trade policy → All the tools available to compete in the New Age.

Gephardt — Bosin — Kaplan

primary 13. One

Rangel

Trade Linked w education per Black Caucus.

Hillery

Conditions per Dns T

Stop list red / green / yellow

~~Not good~~

First Track Cabinet JN. 13/97
LEOS comment re: First Track
Sandy comment Emory a la
Gene comment "Look @ our
priorities so that they don't
clash."

John Hilkey 9/BACK the priorities
NOT good → Hilkey BASIS. First Track
Bren / public strategy integrated

* English / Tues Am. per
Uick / I need to know what's
going on

* Day T / meeting w Charles
& John re: First Track → Pres
Borden Gray

CHIEF OF STAFF TO THE PRESIDENT



MACK McLARTY

Imp

JUN 9/97

First Trade

Budget Agreement

Reconciliation per Lewis

I need to ^{fully} understand

Fundings?

First Trade still a tough issue
as to him

Context of something Bissen had
~~hidden~~ hid it.

Comment
Rabin - priorities Argument
Campaign reform

Hilley chipped in
Basically NAFTA scenario revisited

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. memo	Samuel Berger, et al. to the President; RE: Fast Track Negotiating Authority (4 pages)	01/06/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
Special Envoy for the Americas
General Files
OA/Box Number: 11851

FOLDER TITLE:

Fast Track - Current (9/97) [4]

2017-0401-F
db4735

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

① 5. June
② ~~13 Dec~~ Dec 1
③ First Term

FAST TRACK LEGISLATION

Issue

Very well stated

The manner in which we approach fast track trade negotiating legislation will be one of the most significant economic decisions of the second term. Key issues include whether to seek the authority, the breadth of the agreements we seek to pursue, the manner in which we resolve key legislative issues (e.g., labor/environment) and the timing and profile of any initiative.

Background

Our chief purpose in obtaining fast track would be to advance the initiatives we have begun during the first term: the Free Trade Area of the Americas (FTAA), Asia (APEC), Europe (the Transatlantic Initiative) and continued global barrier reduction (WTO). The opportunities are significant, particularly in the emerging markets. In 1995, our exports to Latin America were greater than our sales to Japan and Germany combined. Between 1998 and 2001, Latin America is expected to grow at 4.6% and Asia at 7.5% on average annually, compared to 2.6% for industrialized countries.

Without fast track, we risk being sidelined, as other countries pursue trade arrangements without our leadership. These arrangements can be harmful to U.S. interests. In Latin America, Brazil has formed MERCOSUR (a customs union with Argentina, Paraguay and Uruguay) which imposes free trade requirements substandard to NAFTA (e.g., no rules on intellectual property or services trade). MERCOSUR threatens to become the template for free trade in this hemisphere if we cannot continue to expand NAFTA. Without fast track, we have less capacity to influence these developments.

Excellent point

Fast track also has a significance beyond trade. In Latin America, it is seen as a symbol of America's commitment to the region and of support for the free market reforms occurring in most countries. In Asia APEC has put the U.S. at the center of the Asian trade reform process, a statement about continued U.S. engagement in Asia that has important political and security ramifications. In Europe, the Transatlantic Initiative is seen as tangible proof of America's continued interest at a time when Europe fears our focus is Asia.

Having said this, we should restate the obvious: obtaining fast track legislation will not be easy. Any Congressional coalition is likely to consist of moderate Democrats and Republicans, similar to the NAFTA coalition. That coalition probably has deteriorated; 76 NAFTA House supporters have left, but only 38 opponents. About 26% of the House has been elected since the NAFTA vote. A winning coalition will need to attract many of these members. As in NAFTA, many Republican leaders may be supportive (assuming we can resolve the labor/environment issue) and a fast track bill could benefit by a Republican desire to show at least one area of bipartisanship. The Democratic leadership will be split at best. Early attention to labor is important.

Perhaps the biggest risk is delay. Typically, Congress gives an administration fast track legislation only as part of a larger trade bill containing provisions Congress favors, a process that can take

{ Need to fully understand why larger Trade Bill is the case

several years. The process leading to the 1988 Trade Act, which granted the Reagan Administration authority to negotiate the Uruguay Round, began in 1984. If we fail to move now, it could be difficult to get fast track in this Congress, thereby stalling our trade agenda for several years.

Issues for Consideration

1. **Scope of Authority:** Even if we receive generic authority, we will need to state the specific agreements we intend to pursue. Although initiatives like the FTAA and APEC are significant, the individual agreements we are likely to negotiate in the medium term are not as striking. We already have free trade agreements with two of our largest trading partners, Canada and Mexico. Agreements with other large economies probably would be either too controversial (Japan, China) or not feasible (Europe, largely because it is not ready to negotiate on agriculture). This leaves agreements with other economies (e.g., Chile) which, while not insignificant, are not as meaningful economically as most of those we have negotiated in the past.

For this reason, any request for fast track authority must be cast in terms of the broader initiatives we are pursuing (e.g., hemispheric free trade). We will need credibly to argue that at stake is the direction of America's international economic future, not merely free trade with Chile. As in NAFTA, the debate needs to be presented in large terms. If less is at stake, it will be difficult to retain business support through the many hurdles and amendments this process will entail. That said, specific agreements we envision could include:

Latin America: Fulfilling the commitment to negotiate a free trade agreement with Chile is important, not only to Chile, but also because it signals to the Latins our commitment to the region and the Free Trade Area of the Americas process. Beyond Chile, the chief issue is our approach to Brazil and Argentina, the only other Latin economies of meaningful size. Brazil is one country that could help define a larger fast track agenda. It would be attractive to much of U.S. business, but it is unclear if either country is ready for free trade negotiations (partly because they are absorbed in the MERCOSUR process). Also, Brazil could also heighten Congressional opposition.

Multilateral: The Uruguay Round agreement scheduled future negotiations in key areas, including financial services, intellectual property, agriculture and services. Sectoral negotiations, like the Information Technology Agreement (ITA) negotiations, are also possible. Some, like the agriculture talks, could be controversial domestically. In the OECD, negotiations continue on a Multilateral Agreement on Investment. All of these could require fast track authority.

Asia: Fast track is not really needed for APEC negotiations now, but it could be useful the longer the authority extends. Free trade agreements with individual countries (e.g., Singapore, Australia) are possible.

Europe: We have avoided endorsing a free trade agreement with Europe, believing they are not ready to take the necessary steps in difficult areas (e.g., agriculture), among

other reasons. Other agreements between the U.S. and the EU might be possible, particularly in the context of a U.S.-EU agreement driving a larger WTO or OECD agreement (as was the case with the recent Information Technology Agreement).

Africa: Bipartisan House support already exists for some sort of Africa trade initiative. South Africa and Botswana would be the most likely candidates for free trade agreements and could attract otherwise hostile Congressional constituencies.

Some have suggested we call for a new "round" of global WTO negotiations (like the Uruguay Round) that would include virtually all trade. Whatever the merits of this idea, to date the groundwork for such a round has not been laid, so it would be difficult to proceed at this time. At some point in the second term, we may want to propose a new round. Those negotiations would require fast track authority as well.

2. Labor/Environment: We should work out the labor/environmental issue as early as possible. With the election over, business now realizes that it must either deal with you or lose fast track for another four years. Labor may not want another bruising, NAFTA-type loss. Any compromise must meet three conditions: 1) preserve the Clinton/Gore commitment to labor/environment; 2) gain the support (or at least moderate the opposition) of labor and moderate environmental groups; and 3) retain sufficient Republican and business community support.

3. Timing/Profile: Any fast track effort would need to begin early to maximize chances of enacting legislation in the 105th Congress. An early Presidential statement supporting fast track legislation would signal our position to the Republican leadership (most of whom are waiting for the Administration's lead), put Democrats on notice of our position, give the business community the certainty they need to begin organizing and signal our view to labor.

Charlene news

THE WHITE HOUSE
WASHINGTON

January 6, 1997

MEMORANDUM FOR CHARLENE BARSHEFSKY

FROM: MACK McLARTY

I thought you would want to see the attached article that reports on an interview with Chairman Bill Archer. Given the holiday season and the fact that it appeared in *The Dallas Morning News*, I thought you might have missed it. I found it gave some insight into Chairman Archer's thinking and, on balance, I thought it was encouraging.

Your discussions with Chairman Archer will, I believe, freshen the dialogue and provide a good opportunity to reach a workable agreement. Of course, you have my full support as we move forward in this very important effort to bring Chile into the NAFTA.

Mack

Attachment

cc: Eric
Steve
Chile Fast Track
Desk file

2 pg. FAX
TO: MACK McLARTY
FR: R. KEENE -FBI

① Eric ④ Del Chel
② Steve ③ Res-

Business

Friday, January 3, 1997

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The Dallas Morning News

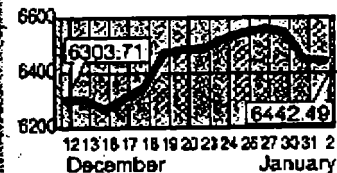
DIGEST

TODAY'S NEWS

MARKET MOVERS

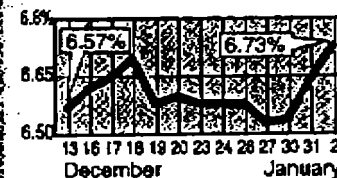
Dow Jones

Most stock measures suffered sizable losses Thursday. The Dow fell 5.78 points. Please see story on Page 11D.



30-year Treasury bond

The Treasury's main 30-year bond fell \$11.88 per \$1,000 invested, and the yield rose 9 basis points to 6.73 percent.



SOURCE: AP, Bloomberg, The Dallas Morning News

Trade agreement expansion sought

Archer wants fast-track on NAFTA

By Robert Dodge

Washington Bureau of The Dallas Morning News

WASHINGTON — Rep. Bill Archer, chairman of the House committee with jurisdiction over trade, said Thursday he wants to approve legislation this year to extend the North American Free Trade Agreement.

The Texas Republican, who leads the Ways and Means Committee, said he is ready to consider legislation that would give President Clinton fast-track authority — the power to strike a trade deal with new countries on

an expedited basis.

"We are going to make an effort to renew fast-track authority so that we can negotiate the opening of opportunities to export our products to other countries around the world," Mr. Archer said.

Mr. Archer said Congress, which opens its 105th session next week, might not be able to take up the issue until March, noting there are few actual legislative days in January and February. He said NAFTA was most likely to be extended to Chile, but he did not want fast-track



Bill Archer ... Ways and Means chairman supports extending NAFTA to Chile and beyond.

authority limited to just one country.

In an interview, Mr. Archer also said he foresees the Please see ARCHER on Page 11D.

Archer supports fast-track legislation for NAFTA

Continued from Page 1D.

possibility of striking a bipartisan agreement with the president and Democrats to cut taxes. A bipartisan tax package might include a child tax credit, a cut in the capital gains tax and benefits to help pay for education expenses.

Mr. Archer acknowledged that cutting a deal with the White House on expanding NAFTA might pose difficulties. An earlier effort to expand the pact beyond Canada and Mexico fell apart because Democrats insisted that restrictions protecting U.S. labor and the environment be required up front.

But Mr. Archer was hopeful that in a nonelection year, Democrats might feel less pressure from organized labor and environmentalists.

"I am inclined to believe they will have an easier time now," Mr. Archer said. "It is not a presidential election year."

Mr. Archer visited the president a week ago at the White House, where the two also discussed tax cuts and the prospects for major tax reform.

"We did talk about fundamental tax reform," Mr. Archer said. "He listened, I asked questions, and I am going to send him more information."

But Mr. Archer said taxpayers need far more education on the need for wholesale revisions of the tax code, and he said he does not expect legislation to come up before 1998. He favors replacing the income tax with a consumption tax and opposes the flat tax pushed by House Majority Leader Dick Armey, R-Irving.

As chairman of the Ways and Means Committee, Mr. Archer has substantial influence on setting the agenda on trade, tax and health care legislation. He is expected to have even greater power in the 105th Congress because many decisions in the last session were made by House Speaker Newt Gingrich and other GOP leaders as the House labored to implement the Contract With America after the 1994 takeover of Congress by Republicans.

"It will be different in this Congress," Mr. Archer said. "There will be more originating and coming out of the committee, rather than being originated in a collegial way and assigned by the leadership."

Mr. Archer, who sought the meeting with Mr. Clinton, said he was willing to accommodate the president's 1996 campaign proposals for a \$500 child tax credit and initiatives to help pay for college and post-secondary education.

During the 1995 budget debate, Mr. Clinton and Republicans both offered child tax credits. But they failed to agree on who would qualify for the tax break, with Republicans wanting the benefit to extend to wealthier families than the Democrats proposed.

Mr. Archer said he would be willing to open negotiations with the GOP's last 1995 offer, phasing out the tax credit for families earning \$110,000. Mr. Clinton proposed a lower income level for phasing out benefits.

He also said a tax bill would be likely to include a cut in the capital gains tax, which is now about 28 percent.

During the campaign, Mr. Clinton proposed to cut the capital gains tax on the sale of primary residences. Mr. Archer wants a broader cut in the tax, extending a lower rate to all types of capital investments, such as stocks and bonds.

"I am talking about any capital investment," Mr. Archer said.

The chief House tax writer would not speculate about the overall size of a tax bill. Mr. Archer said he wanted to wait until Mr. Clinton submits his budget to Congress and Republican budget writers have a chance to draft their proposal.

Mr. Clinton is scheduled to submit his budget Feb. 3. The tax-cutting proposals in his plan are expected to cost about \$130 billion over five years.

GOP leaders and the White House already are planning to embark on a new set of negotiations to balance the budget by 2002. Any tax cuts would have to be paid for with additional cuts in future spending, including popular entitlement programs such as Medicare and Medicaid.

Mr. Archer said he also was hopeful a tax bill would include at least short-term reforms to save Medicare from its anticipated bankruptcy in 2001. He also pushed Mr. Clinton to appoint a bipartisan commission to deal with the financial problems of Social Security.

Mr. Archer said he was hopeful that a new mood of bipartisanship would not be spoiled by Mr. Gingrich's ethics controversy or by campaign finance issues with the White House and the Democratic National Committee.

"The entire tenor of this Congress will be different than the last one," he said, noting voters sent a message in the November elections that the president and Congress should work together. "They want us to get things done."

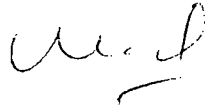
THE WHITE HOUSE
WASHINGTON

January 6, 1997

MEMORANDUM FOR AMBASSADOR JEFF DAVIDOW

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Attachment

cc: Brian Samuel

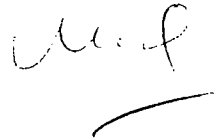
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WASHINGTON

January 6, 1997

MEMORANDUM FOR JOHN HILLEY

FROM: MACK McLARTY

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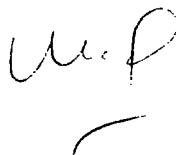
THE WHITE HOUSE
WASHINGTON

January 6, 1997

MEMORANDUM FOR DAN TARULLO

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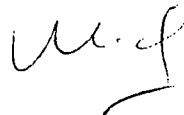
THE WHITE HOUSE
WASHINGTON

January 6, 1997

MEMORANDUM FOR GENE SPERLING

FROM: MACK McLARTY

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Attachment
cc: Lael Brainard

THE WHITE HOUSE

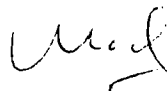
WASHINGTON

January 6, 1997

MEMORANDUM FOR BOB KYLE

FROM: MACK McLARTY

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Attachment

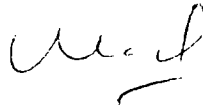
THE WHITE HOUSE
WASHINGTON

January 6, 1997

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Attachment

cc: Brian Samuel

CRANE, ARCHER PREDICT RENEWED FAST-TRACK EFFORT THIS YEAR

Ways and Means trade subcommittee Chairman Philip Crane (R-IN) predicted last month that Congress and the Clinton Administration have a good chance to agree on a renewal of fast-track trade negotiating authority this year.

"I'm guardedly optimistic we can get fast track," he said. "If we can, we could easily get Chile in [to the North American Free Trade Agreement] by the end of the year and then move on to Argentina."

Crane's optimism was seconded last week by Ways and Means Chairman Bill Archer (R-TX). In a Jan. 3 interview in the *Dallas Morning News*, Archer said a renewed effort to move fast track legislation could come as early as March.

Negotiations between House Republicans and the Administration broke down in 1995 because then-U.S. Trade Representative Mickey Kantor insisted that the authority be a straight renewal of the expired language in the 1988 trade act, which would have given the Administration flexibility to deal with labor and environmental issues, Crane said.

The feeling among Republicans was that Kantor took that position so that the Administration could look after the interests of "unions and environmental extremists," he said. The possibility of a deal this year may be better because Acting USTR Charlene Barshefsky "does not think first and foremost about politics," he added.

But other sources speculated that the Administration will find it hard to scale back its demands for including labor provisions in the fast-track bill because the issue is not being successfully addressed in the World Trade Organization. The first WTO ministerial did not endorse the U.S. demand for a working party on labor rights, and approved a declaration that establishes the primacy of the International Labor Organization on the issue, with at most a minimal role for the WTO.

Crane said that he would also be pushing other trade legislation, such as NAFTA-parity for Caribbean Basin Initiative countries and a renewal of the Generalized System of Preferences, but that he would not recommend packaging those measures with fast track into a big trade bill. Each of the trade measures has foes, who would oppose the entire package of bills even though they would support some of its components if handled separately. Therefore, considering each one, "on its merits," is the best way to pass them, he said.

Crane sounded optimistic about renewing GSP, which expires at the end of May, noting that the only obstacle is finding the funding to offset the revenue lost from tariff cuts. Otherwise, the renewal does not have any "political overtones," he said.

CBI, however, is "a question mark", he said. The textile industry is "very resistant," but there is still a chance the bill can be passed, he added.

There will also be new efforts to pass legislation allowing for temporary exemptions of products from antidumping orders in cases of short supply, even though the proposal continue to generate "paranoia" in Congress, he said.

The lack of progress on trade legislation in the last Congress was "very frustrating," he said. The prospects this year are "infinitely better," now that political problems caused by the elections have been removed, according to Crane. But many members who supported trade initiatives have left Congress and the leadership has yet to poll the new members about their views on trade. The first test of the new Congress is likely to be China's MFN renewal, he said.

A lot will also depend on the Administration, he said. The congressional leadership is not planning to set the agenda on trade, but instead will wait for the Administration's proposals and then try to build bipartisan support. Administration support is especially important because most of the opposition to trade measures in Congress is on the Democratic side, he added.

Crane added that he hopes Barshefsky can be confirmed to become the permanent USTR, but said that there is now a "wait and see" attitude in the House because of the possible conflict between her appointment and the 1995 lobbying reform bill. If the Administration is able to push a waiver of the law for Barshefsky through the Senate, such legislation would likely be approved easily in the House, he predicted. But the Senate would have to move first, because it has exclusive jurisdiction for confirming appointments, he said.

In a related development, the Office of Legal Counsel of the Dept. of Justice has sent the White House an assessment that the so-called Dole provision of the lobbying bill is unconstitutional, according to a Justice spokesman.

Informed sources speculated that the provision might be vulnerable to a court challenge on constitutional grounds because it restrains the President's ability to nominate cabinet officials. These sources also said they expected quick action on Barshefsky's nomination, in advance of a serious debate on fast-track negotiating authority.

Trade Forum to Take Note Of Issue of Labor Standards

Eric
Black

SINGAPORE, Dec. 12 (Reuters) — As the end of the World Trade Organization's first meeting neared, national representatives compromised today over the question of whether the group should be involved in improving standards for workers, officials said.

They said the ministers had agreed to include a mention of labor rights, the most contentious issue at the five-day conference, in the group's final declaration on Friday.

Earlier today, the United States and the European Union reached agreement on a deal to liberalize trade in information technology. The agreement removed the last barrier to extending the pact to Asian nations, some of which still object to its provisions. The trade pact would phase out tariffs on a range of goods like computers, software and telecommunications equipment.

But on labor standards, the talks were in doubt. Early in the day, Pakistan declared victory in its effort to keep the trade group's communiqué free of a statement on the matter. But Commerce Minister Mohammed Zubair Khan, conceded later that it would be mentioned.

That would be a success for the United States, which conference officials said, had threatened to block

the declaration unless labor rights were mentioned. Washington argued that a key area of human rights had to be mentioned in connection with world trade, aware of rising concern at home about sweatshops and child labor, mostly in the third world.

But nations like Pakistan, India and Malaysia, which led the arguments, said the push to link labor rights and trade was merely a disguised attempt to use the trade organization to undermine their low-cost labor advantage.

They said that the International Labor Organization, a United Nations specialized agency, was the right forum for the issue and that the World Trade Organization had no role.

Officials at the conference said the final declaration would refer to the labor organization as "the competent body" to set and promote good labor standards and that it and the World Trade Organization would "continue their existing collaboration" on the issue. The message, they said, would "reject the use of labor standards for protectionist purposes." The ministers will also declare that they "agree that the comparative advantage of countries, particularly developing countries, must be in no way put into question."

The New York Times

FRIDAY, DECEMBER 13, 1996

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PHOTOCOPY
PRESERVATION

BY ROBERT KUTTNER

HOW CLINTON'S TRADE POLICY HAMSTRINGS AMERICA

Eric 1 / Res 2 / 3 / 4
③ Chile first Trade
④ Discuss w / budget
all 5.4 / Brazil



NAIVE:
Washington must now abide by WTO rules, which don't outlaw protectionist practices but do prohibit the U.S. from defending itself

Administration officials have trumpeted the recent ministerial agreement negotiated at the World Trade Organization meeting in Singapore to cut tariffs on information-technology products. But the Singapore deal actually suggests the weakness both of U.S. diplomatic priorities for trade and of the WTO as an institution. The next round of Administration trade initiatives will be vulnerable, both as politics and as policy.

For two decades, cutting tariffs has been the easy part of liberalization. Most of the obstacles to American exports, of course, are nontariff barriers. Mercantilist nations such as China, Japan, and Korea can accept lower tariffs, knowing that the more subtle barriers to market access are untouched.

A related problem, paradoxically, is the WTO itself. Most of the real progress in recent years on market access has been made via aggressive bilateralism—conditioning access to the huge U.S. consumer market on genuine market-opening by trading partners. But the agreement creating the WTO, as well as the norms and procedures of multilateralism, make it more difficult for the U.S. to apply unilateral pressures. Instead of using America's immense global economic weight to bargain hard for reciprocal access, the U.S. is now supposed to politely take complaints to the WTO, whose "due process" is a horrific blend of bureaucratic ambiguity and plain politics. As Asia scholar Chalmers Johnson observes, the WTO does not outlaw the main protectionist practices of East Asian semi-capitalist nations, but it does prohibit the U.S. from defending itself against those practices through bilateral bargaining over market access.

BURNED ONCE. Unlike tariff reduction, which is relatively easy diplomatically and uncontroversial domestically, the next set of trade issues are far thornier. First, there's the proposed expansion of the North American Free Trade Agreement. Most Democrats in Congress, as well as Republican economic nationalists, felt seriously burned by NAFTA. Official predictions turned out to be far too rosy. House Democratic leader Richard A. Gephardt will oppose NAFTA expansion unless it is coupled with enforceable labor rights far tougher than NAFTA's token provisions.

Second, the White House faces double trouble in Congress over new negotiating authority as well as the substance of a NAFTA expansion. Chile, the first candidate for NAFTA

inclusion, is prepared to offer much stronger labor provisions than Mexico. But the Administration has infuriated its labor allies by refusing to tie trade expansion to labor rights.

At Singapore, acting U.S. Trade Representative Charlene Barshefsky made a tough-sounding speech on the importance of adding basic labor standards, such as the right to organize unions and a ban on child labor, to the WTO regime. But word was leaked immediately that this was not a serious U.S. negotiating priority. Barshefsky might as well have said: "Treat this as merely a bone we need to throw the AFL-CIO."

BLIND EYE. Finally, there is the dilemma of China—and the larger questions of trade priorities that China reflects. Although China has replaced Japan as the world's leading mercantilist nation and is currently running the largest bilateral trade deficit with the U.S., the Clinton Administration is committed to mostly unilateral liberalization of trade with Beijing. The White House successfully promoted extension of most-favored-nation status for China despite China's human- and labor-rights violations, failure to deliver on prior market-opening agreements, and continued theft of intellectual property. The Clinton Administration will pursue essentially the same soft-line strategy when it presses for China's membership in the WTO.

The Administration retains an oddly altruistic conception of free trade. It fails to acknowledge the world's different brands of capitalism and negotiate accordingly for reciprocal market access. The Administration believes, wishfully, that by promoting the norms of liberal trade and setting a good example, the U.S. will encourage other nations to become more like it. But even the partial progress the U.S. has achieved in opening Japanese markets was not won by pursuing the Golden Rule but by tough, bilateral negotiation now prohibited by the WTO.

American businesses interested in expanding exports want a harder line on market-opening, but they are drowned out by business lobbies more interested in exporting capital and importing products. At the same time, organized labor's pressure for greater global worker rights and a strategy of exporting products rather than capital and jobs is no match for organized business. So U.S. trade policy will continue to be both contentious and naive.

Robert Kuttner is co-editor of *The American Prospect* and author of *The End of Laissez-Faire*.

① FTA
② Chile Just Trade

③ Eric Peter to Explain

Trade Pacts By Regions: Not the Elixir As Advertised

By PETER PASSELL

When efforts to liberalize world trade stalled in the early 1980's, Washington turned its attention to opening trade on a regional basis as the second-best choice. That produced the North American Free

Economic Analysis

Trade Agreement and a dozen similar pacts among other nations. And most economists, who hold that free trade is close to heaven on earth, widely applauded. The regional agreements, they argued, would not just prod reluctant nations like Japan and France to drop their opposition to open markets to global trade, but they would also help developing countries lock in free market initiatives and improve the climate for foreign investment.

But this pragmatic consensus is fraying as the Clinton Administration's drive to create preferential trade areas reaching across the Pacific and Atlantic, as well as throughout the Americas, takes on a life of its own. Some economists are no longer convinced that all roads to open markets really do lead toward the economic Valhalla of a world without trading barriers.

"It's time to raise the warning flag," said Claude Barfield, an economist at the American Enterprise Institute in Washington.

The latest evidence that regional trade pacts like Nafta can have harmful effects on those excluded from the zone comes from the Caribbean Basin, where a World Bank study recently warned that Mexico could grab as much as one-third of the Caribbean's \$12.5 billion in exports to the United States.

But the impact could be considerably broader. An unpublished study by a senior economist at the World Bank suggests that Mercosur, the preferential trade agreement intended to eliminate national barriers at the southern end of South America, has diverted substantial trade from more efficient producers outside the region.

The result of preferential trade areas, said Jagdish Bhagwati, a Columbia Uni-

Continued From First Business Page

versity economist, has been a "spaghetti bowl of tangled, inconsistent trade standards that just can't be good for efficiency."

It's a safe bet that the doubters will not remain on the sidelines much longer. For while much-ballyhooed trans-Atlantic and trans-Pacific trade initiatives have met considerable resistance both overseas and in Congress, President Clinton is asking lawmakers for the right to pursue "fast track" negotiations toward a preferential trade area for all the Americas, starting with Chile. Moreover, some Administration officials still hope to extend Nafta to the Pacific, admitting, say, South Korea, in hope of putting pressure on the rest of Asia to join.

Every college text on international trade offers grounds to be skeptical of regional trade agreements. If, for example, Mexico trades freely with the United States but maintains barriers against imports from Japan and Europe, it may lose more from the loss of access to Toyotas and Fiats than it gains from easier access to Fords and Chryslers.

But most economists put aside such worries almost four decades ago to celebrate the creation of the European Economic Community, now the European Union. "Economic integration was seen as a bulwark against Communism," Mr. Bhagwati recalled. And while the rationale has changed, economists continued to defer to political strategists on issues of economic regionalism.

When Nafta was being negotiated, policy strategists for President George Bush and Mr. Clinton were never very serious about the argument that a regional pact with Mexico was needed to foster exports of American corn and computers. But they agreed that the pact would commit future Mexican governments to economic modernization that would reinforce the political stability of the continent. And history, they say, has proved them right: "The Mexican currency crisis in 1995 would have had catastrophic consequences" if Mexico had not been treaty-bound to keep its borders open to trade and investment, said Lawrence H. Summers, Deputy Secretary of the Treasury.

C. Fred Bergsten, the head of the Institute for International Economics, argues that the Administration still sees regional zones as advancing world trade: "The idea has always been global liberalization initiated by regional agreement."

Why, then, have many other economists grown skeptical? For one thing, they worry that President Clinton's casual but often repeated equation of trade and warfare is tilt-

ing American policy toward economic nationalism — a kinder, gentler version of what Pat Buchanan and Ross Perot have advocated, to be sure, but still a subtle form of mercantilism that threatens to undermine efforts to knit the global economy together.

The new mantra of opening foreign markets while defending our own, they suggest, points toward a "hub and spoke" trading order in which the United States dominates numerous regional preferential trade areas, rather than a worldwide system in which the American economy is merely first among equals. Within Nafta, for example, Washington can muscle preferences for Florida tomato growers that would never pass muster with the more independent bureaucrats at the World Trade Organization.

"People have begun to wake up to the U.S. policy of pressing regional arrangements as an end in themselves," said Gary Saxonhouse, an economist at the University of Michigan.

The skeptics are also influenced by new research examining the risk that productivity-sapping trade diversion will outweigh productivity-enhancing trade creation. In the study that the World Bank has thus far refused to release, Alexander Yeats, principal economist of the organization's International Trade Division, draws disturbing conclusions about Mercosur, the preferential trade pact linking Argentina, Brazil, Chile and Uruguay. The most-traded products within Mercosur "generally are highly capital-intensive goods which members have not been able to export competitively to outside markets," he wrote.

Arvind Panagariya, co-director of the University of Maryland's Center for International Economics, voices related concerns about the proposed Free Trade Area of the Americas. Even if it would help other Latin American countries and Caribbean islands avoid excessive losses to Mexico, virtually all the gains would go to the United States, he concluded. And South American countries with high barriers against imports would risk serious losses from reduced trade with Europe.

Mr. Summers dismisses such doubts, suggesting that the Administration's aggressive pro-regionalism is a kind of policy maker's jujitsu — one that redirects dangerous protectionist impulses into benign market-opening initiatives. "Regionalism is not just good mercantilism, it's good economics," he said.

Trouble is, Mr. Barfield of the American Enterprise Institute said, is that the argument is no longer so convincing to economists themselves.

Continued on Page D21

The New York Times

TUESDAY, FEBRUARY 4, 1997

On a Street In Hebron, Change Has A Slow Pace

By JOEL GREENBERG

HEBRON, West Bank, Feb. 3 — About 8 this morning, after three years of waiting, Abdallah Uweiwi went with his partners to try to reopen the People's Taxi stand on Martyrs Street in downtown Hebron.

Their last day of business there was Feb. 26, 1994, when Dr. Baruch Goldstein, a Jewish settler, gunned down 29 Muslims at prayer in the Cave of the Patriarchs shrine nearby. After the killings, the Israeli Army closed Martyrs Street to Palestinian motorists to prevent revenge attacks on Jewish enclaves along the road.

Under the terms of last month's Israeli-Palestinian accord on Hebron, the army began a phased reopening of the street today as part of a gradual restoration of normal traffic within the next four months.

But only a section of the street was opened, in one direction, solely to taxis and municipal vehicles. So only a handful of Arab cars entered Martyrs Street today, and Mr. Uweiwi and his partners were barred from reopening their stand on the ground that only through traffic would be allowed.

"They tell the world that Martyrs Street is open, but here we see something," Mr. Uweiwi said after an Israeli officer ordered him to move the parked taxis from the stand. "Nothing has changed. But this is our street, despite the settlements and the military restrictions."

"We will stay here, die here and be buried here," he added, glancing at a sprawling cemetery on the other side of the road.

The once-bustling thoroughfare has been largely deserted for three years, except for settlers and a trickle of Arab pedestrians who have braved Israeli Army checkpoints scattered along the road to protect the Jewish compounds.

Shops, a gas station and taxi stands closed down, and Arab drivers have been forced to make long detours around the street to get from one side of town to the other.

The street lies in an area still controlled by Israeli forces after their withdrawal from most of Hebron last month.

A renovation project financed by the United States is supposed to transform the road with a security wall and parking near the Jewish enclaves, sidewalks and sandblasted and repainted Arab storefronts — all set off with awnings, cast-iron fencing, trees, shrubs and flowers.

But this morning all that seemed a long way off. Aside from the occasional Arab car and the now-reopened gas station, the street was mostly filled with Israeli Army and police jeeps, settlers' vehicles and groups of curious Palestinians who had come to see the new arrangements.

It seems that despite the handover of most of Hebron to the Palestinian authorities, life has not changed much in the 20 percent of town still under Israeli control.

On the walls of the cemetery, graffiti sprayed by militant settlers vowed "Revenge" and "Transfer," meaning the expulsion of Hebron's Arabs. Nearby, another Hebrew slogan said, "Death to Arabs."

In a settlement compound, Jews worked on a new housing project abutting Hebron's old city, where Palestinians have been renovating crumbling buildings to resettle them and prevent them from falling into Jewish hands.

A new Israeli military order bars Arab renovations adjacent to the Jewish enclave for security reasons, and laborers have been arrested. But Emad Hamdan, the director of the project, vowed to continue the work, which is sponsored by the Palestinian Authority. "We will ignore the order," he said. "Every stone in this town here has political meaning."

The Palestinian cabinet, in a meeting in Gaza on Saturday, condemned the order and said it contradicted the Hebron agreement. The settlers, for their part, complained that the reopening of Martyrs Street, which runs by their homes, had begun without any new security arrangements to protect them. With 80 percent of Hebron now under Palestinian control, they said, the only street linking their enclaves was now being opened to a hostile Arab population.

"We're being turned into a ghetto," said David Wilder, a spokesman for the settlers.

mained hopeful that the region can be a place where "all together, Jews, Christians and Muslims, Israelis and Arabs, believers and nonbelievers, can create and consolidate a concrete peace in respect of everyone's rights and dignity."

Both the Pope and Mr. Netanyahu appeared in good form today, as they greeted each other before reporters. Sara Netanyahu accompanied her husband, and the Pope, who was born in Poland, told her, "You look like a Polish girl," recalling the Polish origins of several former Israeli leaders.

"I am," she replied.

And her husband added, "After generations in Jerusalem."

held by Israel to be its "united and eternal capital," while the Vatican has pressed for recognition of its special status as a city holy to Christians, Jews and Muslims alike.

In an interview with the Italian newspaper *Il Messaggero* last week, Mr. Netanyahu said his position on Jerusalem was unshakable. "Jerusalem has to stay united," he said. "We are ready to give guarantees to Christians and Muslims, but we do not intend to discuss the city's political sovereignty."

A statement issued by the Vatican after the meeting did not mention the Jerusalem issue. The statement did say the Pope had followed recent developments in the Middle East with "particular attention" and re-

Pope and Netanyahu Meet, Looking to Jerusalem

Prime Minister Yitzhak Rabin in 1994.

"We look forward to receiving you in Jerusalem," Mr. Netanyahu said as he was leaving the Pope's study after a 20-minute audience.

The Pope responded, "God bless Israel." Israel and the Vatican established formal diplomatic relations in late 1993, starting a new chapter in the 2,000 year history of often hostile Catholic-Jewish relations.

One obstacle to papal visits to Jerusalem is the long debate over the status of the ancient city, which is

was a Bishop in Cracow, Poland.

The 2,000th anniversary of the birth of Jesus has been declared a Holy Year for the world's Roman Catholics, with both Rome and the Holy Land designated as pilgrimage sites. Last year the Palestinian leader, Yasir Arafat, extended an invitation for the Pope to visit in the year 2000 to travel to Christ's birthplace, Bethlehem, which is now under Palestinian control.

For Mr. Netanyahu, in Italy on an official trip, the visit to the Vatican was a chance to renew Israel's open invitation to the Pope, first made by

By CELESTINE BOHLEN

ROME, Feb. 3 — After meeting for the first time, Pope John Paul II and Prime Minister Benjamin Netanyahu of Israel promised today in the Vatican to meet again "as soon as possible" in Jerusalem.

For the Pope, whose travels have taken him around the world several times, a journey to the Holy Land has been a long-held, still unfulfilled hope, and one that he has voiced more often as Christianity's third millennium approaches. The Pope told Mr. Netanyahu today that he visited the Holy Land in 1963 when he

The New York Times

TUESDAY, FEBRUARY 4, 1997

O'MELVENY & MYERS LLP

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January 28, 1997

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:


We, members of your ~~Advisory Committee for Trade Policy and Negotiations~~, are writing to urge that you identify trade expansion as a top priority in your State of the Union address and expeditiously submit a request for trade expansion authority to the Congress.

Trade expansion is a vital engine for economic growth. Authority to negotiate trade agreements is necessary to further strengthen the competitive position of the United States around the world and maintain U.S. leadership within the global economic community.

We are concerned that the Free Trade Agreement of the Americas, with the commitment to free trade by 2005, cannot comprehensively move forward unless trade expansion authority is passed by Congress prior to the May meeting of trade ministers. We do not want the FTAA and other important trade expansion initiatives to stall.

We look forward to continuing to work with you to open markets and advance U.S. economic interests.

Sincerely,



Susan Hammer
Mayor, City of San Jose
Chair, President's Advisory
Committee for Trade Policy &
Negotiations

Robert E. Allen
Chairman and Chief Executive
Officer

AT&T

The Honorable George Ariyoshi
Counsel
Watanabe, Ing & Kawashima

Letter to the President - Page 2 - January 28, 1997

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Chief Executive Officer
RB International

Curtis H. Barnette
Chairman and Chief Executive
Officer
Bethlehem Steel Corporation

John E. Bryson
Chief Executive Officer
Southern California Edison Co.

Robert Crandall
Chairman and Chief Executive
Officer
AMR and American Airlines

Robert J. Eaton
Chairman and Chief Executive
Officer
Chrysler Corporation

Walter Y. Elisha
Chairman and Chief Executive
Officer
Springs Industries, Inc.

George M.C. Fisher
Chairman, President and Chief
Executive Officer
Eastman Kodak Company

Donald V. Fites
Chairman and Chief Executive
Officer
Caterpillar, Inc.

Ralph J. Gerson
President and Chief Executive
Officer
Guardian International Corp.

Louis Gerstner
Chairman and Chief Executive
Officer
IBM Corporation

Maurice R. Greenberg
Chairman
American International Group, Inc.

Letter to the President - Page 3 - January 28, 1997

D. George Harris
Chairman
Harris Chemical Group, Inc.

Dean Kleckner
President
American Farm Bureau Federation

Charles P. Lazarus
Chief Executive Officer
Toys "R" Us

W. David Leak, M.D.
Chairman and Chief Executive
Officer
Pain Net Education, Inc.

Bruce Llewellyn
Chairman and Chief Executive
Officer
The Philadelphia Coca-Cola Bottling
Company

John E. Pepper
Chairman and CEO
The Procter and Gamble Company

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Robert B. Shapiro
Chairman and Chief Executive
Officer
The Monsanto Company

Jerome A. Siegel
Chairman of the Board
The Titan Industrial Corporation

Paula Stern
President
The Stern Group, Inc.

Letter to the President - Page 4 - January 28, 1997

Jack J. Valenti
President and Chief Executive
Officer
Motion Picture Association of
America, Inc.

Linda J. Wachner
Chairman, President and Chief
Executive Officer
Warnaco, Inc.

Jeanette Sarkisian Wagner
President
Estee Lauder International, Inc.

J. McDonald Williams
President and Chief Executive
Officer
The Trammell Crow Company

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- ② Steve
- ③ Luke B.
- ④ Inst Trail

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OPINION

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Some supporters
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US trade policy
Idling in the fast lane

BY GARY HUFBAUER

When presidential words are at odds with presidential deeds, we are entitled to ask "what's up?" Among Washington insiders, this is the key question about President Clinton's approach to seeking congressional authority to negotiate trade agreements.

In 1993, Mr. Clinton called on America to "compete, not retreat." In his 1997 State of the Union message, he again challenged the United States to march into global markets. That's the rhetoric. What's the reality?

To open markets abroad, Mr. Clinton must reciprocate by dismantling U.S. trade and investment barriers. To do that, he needs negotiating authority from Congress — the so-called fast-track authority that enables him to negotiate and place before Congress for an up-or-down vote a balanced package of trade liberalization measures. Every U.S. president since Richard Nixon has launched global or regional trade talks with fast track authority in his pocket. Mr. Clinton's wallet is now empty.

That's too bad, because U.S. trade and investment barriers are very low compared to barriers blocking U.S. exports to booming markets in Latin America and Asia. Trade talks are the closest thing to a free lunch that most congressmen will ever see. In return for removing a few brambles at home, the United States can hack down thickets abroad.

In his State of the Union message, Mr. Clinton all but asked for fast track. A few days later, House Speaker Newt Gingrich endorsed a new round of global talks. So why didn't fast track make the short list of bipartisan action items agreed between the White House and Congress in early February? Why hasn't Mr. Clinton sent draft legislation to Congress?

Two explanations are possible, and both have their roots

in Washington politics. On the one hand, Mr. Clinton may be repeating a familiar error, engaging in endless consultations with adversaries, making no converts and losing valuable time. The adversaries don't want to enlarge Nafta, negotiate a Free Trade Agreement of the Americas, admit China into the World Trade Organization or even mention a new round of WTO trade talks.

On the other hand, the explanation may be found in Democratic presidential politics. House Minority Leader Richard Gephardt, D-Mo., one of the key presidential contenders, was opposed to Nafta and makes no secret of his doubts over Asian ties. Vice President Al Gore, the other leading Democratic contender, may worry about handing Mr. Gephardt a wedge issue in 2000. Should the economy reverse trend, unemployment rise above 6% or the stock market decline, free trade advocacy could cause severe political damage to presidential ambitions.

Mr. Gore certainly does not want to be identified with isolationist politics. After all, he scored against Ross Perot in the 1993 Nafta debate. But, at the same time, he is worried about trade politics in 2000. If he, as Mr. Clinton's successor, delayed any major trade negotiation until after the next election, he could still present himself to history as a free trader. The easiest way to delay major negotiations is to delay fast-track legislation. And the easiest way to do that is to insist that any fast track bill should contain strong language mandating environmental and labor talks.

The Republicans will not put these topics in fast-track legislation because they fear what Mr. Clinton might do with broad authority over environmental and labor questions.

This is well known to just about everyone who has dealt in trade affairs. Naysayers within Mr. Clinton's inner circle can play to these realities by insist-



Vice President AL GORE

ing on strong environmental and labor language. That ensures a standoff, at least for a couple of years.

Beyond the labor and environment question, a more serious issue bedevils Mr. Clinton's trade experts. What's fast track for? Enlarging Nafta? Striking a deal with Asia-Pacific countries? Launching new global trade liberalization talks? The logical answer is "all of the above."

Within limits, the U.S. can drive a better bargain if it is negotiating with more than one partner. Here logic and politics coincide: In Mr. Clinton's second term, he might enlarge Nafta to include Chile and the Caribbean Basin countries, he might start the FTAA process, and he might even get China to accept WTO disciplines. These would be trade measures acceptable to most congressmen. But if Mr. Clinton launches bold new initiatives in APEC or the WTO, their conclusion will almost certainly await the next president.

So the crucial question is

who is running Mr. Clinton's trade policy. Is it his "klutzes" engaging in consultations with the Republican opposition or Mr. Gore's "saboteurs," unwilling to get saddled with a trade agenda they might not like in the next primary season?

We might find out pretty soon. This week, Chilean President Edouardo Frei will visit Washington and address a joint session of Congress. In April, Canada's Prime Minister Jean Chretien is coming to Washington, and then Mr. Clinton will swing down to visit Mexican President Ernesto Zedillo. In May, Mr. Clinton is visiting Costa Rica, Barbados, Brazil and Argentina.

If this high-level travel doesn't prompt the administration to submit a serious trade bill to Congress, we may be seeing the saboteurs at work.

Gary Hufbauer is the Reginald Jones senior fellow at the Institute for International Economics in Washington.

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MACK McLARTY

April 15, 1997

To: Dan Tarullo

The President's comments on fast track played a little more prominently in some parts of the heartland than they did inside the Beltway.

Mack

Attachment

cc: Lael Brainard

Desk

cc: Dan Lewer

MACK McLARTY

SOA

April 15, 1997

To: Charlene Barshefsky

The President's comments on fast track played a little more prominently in some parts of the heartland than they did inside the Beltway.

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Attachment
cc: Peter Allgeier

Desk

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Business

day, April 12, 1997

The Dallas Morning News Section F

Clinton seeks fast track for Chile talks

President says inaction could harm U.S. trade

By Kathy Lewis

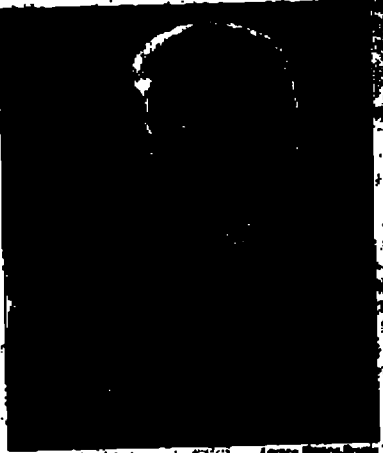
WASHINGTON — President Clinton on Friday urged Congress to give him expedited authority to negotiate trade pacts with Chile and possibly other Latin American nations.

He warned that if the United States doesn't seize the opportunity, other nations will.

"Last year, for the first time ever, Latin American nations had more trade with Europe than the United States. There is no reason to think that others will wait while we sit idle," Mr. Clinton told the American Society of Newspaper Editors.

The speech began what White House officials have said will be a sustained effort to get Congress to grant Mr. Clinton the same authority his predecessors have had to negotiate trade agreements.

Mr. Clinton told the editors that it is one of the top priorities of his administration. He also called for Senate ratification of the chemical weapons ban before it takes effect.



Agence France Press

In a speech to the American Society of Newspaper Editors, President Clinton said he also wants the Senate to approve a treaty banning chemical weapons.

"America has led the world to establish an international ban against chemical weapons. Now, we have to ratify it and remain on the right side of history," he said.

Mr. Clinton said trade authority is the most important matter that needs bipartisan cooperation in the coming year.

The fast track authority would allow him to negotiate an agreement that Congress could not amend but only accept or reject. Please see CLINTON on Page 3F.

Europe, U.S. call Cuba trade truce

Clinton to seek Helms-Burton changes

By Jim Landers

WASHINGTON — A potentially disruptive move to the world's trade court was averted Friday when the European Union said it would suspend a suit against U.S. anti-Cuba sanctions.

In return, the Clinton administration said it would seek to amend the Helms-Burton Act, which passed last year soon after Cuban jets downed two U.S. civilian aircraft over international waters.

The amendment would let President Clinton waive a ban on travel to the United States by foreign executives whose companies hold properties in Cuba that were seized from Americans by Cuba's Communist regime.

Friday's announcement set aside the European Union's challenge to the U.S. World Trade Organization in 1996. Officials had vowed to ignore the challenge unless U.S. foreign policy was beyond the world trade court's jurisdiction.

Monday was the deadline for the European Union to submit its formal brief to the court, and trade officials on

both sides of the Atlantic worried that a U.S. response ignoring the court would wreck it.

Friday's understanding suspends the European Union's suit but does not withdraw it. European officials stressed that it can be activated again if the United States does not live up to its end of the deal.

The understanding calls for negotiations on another U.S. law angering U.S. allies, the Iran-Libya Sanctions Act authored by Sen. Alfonse D'Amato, R-N.Y. It, too, punishes foreign companies dealing with nations the United States is trying to isolate with trade sanctions.

The deal hammered out in Washington on Friday came after months of intense negotiations led by Undersecretary of Commerce Stuart Eizenstat and Sir Leon Brittain, the European Union's trade commissioner.

Mr. Eizenstat stressed the 15-nation European Union's agreement to work toward global standards covering investments in properties confiscated by foreign governments.

Mr. Brittain stressed the U.S. side's Please see EUROPEANS on Page 2F.

Clinton urges fast track on Chile talks

Continued from Page 1F.

reject as a package.

GOP congressional leaders also support fast track authority but insist that Mr. Clinton not be given the leeway to include labor and environmental issues.

Some Democrats, including House Minority Leader Dick Gephardt, D-Mo., want those issues included. Mr. Clinton believes the legislation need not address the issues at all, as was the case when President Bush negotiated the North American Free Trade Agreement with Canada and Mexico.

But Republicans have said that is unacceptable because of Mr. Clinton's history on such issues. Unlike Mr. Bush, he used the authority to negotiate additional labor and environmental provisions to NAFTA.

House Speaker Newt Gingrich, R-Ga., wrote Mr. Clinton earlier this week urging him to agree to legislation that "appropriately" limits the authority to cover only issues directly related to trade.

Mr. Gingrich called further progress in reducing trade barriers critical for the 21st century, but he also said there is a "deep disagreement with the efforts of some to include social issues in formal trade agreements."

He told Mr. Clinton that "you cannot continue to allow those who insist on incorporating those issues into trade authority to halt our progress toward reaching good trade agreements."

White House press secretary Mike McCurry said

"It is unacceptable for us to sit on the sidelines while other nations forge bonds of trade."

— President Clinton

Mr. Clinton would send a request to Congress when "it's developed sufficient bipartisan" support.

"We've got a lot of work to do on that, we recognize," he said.

Mr. Clinton's emphasis on trade issues has re-emerged as he plans to make three trips to Latin America during the next 12 months. He will travel to Mexico, Costa Rica and Barbados in May and to Brazil, Argentina and Venezuela in October. Next spring, he will attend the Summit of the Americas in Chile.

"We do not need to be afraid of global trade. But in a world where we have only 4 percent of the population, and where the fastest-growing markets for our products and services are Asia and Latin America, where export-related jobs pay 13 to 16 percent more than other American jobs, we don't have a choice," he said. "We have to export."

He said the record of NAFTA and new international trade agreements is something to build on.

"It is unacceptable for us to sit on the sidelines while other nations forge bonds of trade," he said.

Europeans drop trade sanction lawsuit

Continued from Page 1F.

agreement to work toward a standard covering extraterritoriality, the practice of applying one nation's law against companies and individuals of another country.

Mr. Eizenstat said the two sides pledged "best efforts" to seek an agreement on international property safeguards by Oct. 15.

"This understanding represents the beginning and not the end," Mr. Eizenstat said. "An agreement on concrete, detailed principles will require enormous efforts by U.S. and E.U. negotiators, as well as continual consultations with the Congress."

Initial congressional reaction to the announcement was favorable. Sen. Paul Coverdell, R-Ga., who played a role in authoring the compromise, said the negotiations could "ensure that rules against trafficking in stolen property will become the international norm."

"This understanding represents the beginning and not the end. An agreement on concrete, detailed principles will require enormous efforts by U.S. and E.U. negotiators."

— Stuart Eizenstat,
undersecretary of commerce

Many large U.S. companies have pleaded with Congress to shift away from enacting trade sanctions that punish both U.S. and foreign firms doing business with nations considered "rogue regimes," such as Iran, Libya and Cuba.

Last year, Congress also passed legislation threatening sanctions against Burma. Other bills have

been offered targeting Nigeria and Indonesia, and Congress is once again threatening to withhold trade privileges from China.

A coalition of more than 300 small and large businesses called "USA-Engage," which is trying to promote alternatives to trade sanctions, has scheduled a Washington kickoff meeting next week.

Friday's announcements covering anti-Cuba sanctions were hedged substantially by both sides.

"Congress will have an opportunity to judge the merits of any agreement reached — and I will reserve judgment on the outcome of these discussions until that time," Mr. Coverdell said.

Mr. Brittain was also keeping his powder dry.

"Despite the success of our talks, both Helms-Burton and D'Amato are still on the U.S. statute book," he said. "We continue to oppose the principle of extraterritorial laws."

Chile Fast Track
(Desk)

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.

Ulf

Attachment

bcc: Eric
Nelson

MACK McLARTY

April 22, 1997

To: John Podesta

I understand our fast track position and agree with it, as you and I have discussed. However, the world is continuing to move at a fast pace, per the attached cable that I thought you would find of interest.

Mack

Attachment

bcc: Eric
Nelson

IMMEDIATE

UNCLASSIFIED

WHITE HOUSE SITUATION ROOM

PAGE 01 OF 03

PRT: MCLARTY

SIT: ARMSTRONG DESOUZA DOBBINS KYLE LEE NATOLI PETERS PICCONE PYATT
TARULLO VERSHBOW WALSH

SIT: NSC

<PREC> IMMEDIATE <CLAS> UNCLASSIFIED <DTG> 181852Z APR 97

FM AMEMBASSY SANTIAGO

TO RUEHC/SECSTATE WASHDC IMMEDIATE 3584
RUCPDOG/USDOC WASHDC
INFO RUEHAC/AMEMBASSY ASUNCION 0420
RUEHLP/AMEMBASSY LA PAZ 510
RUCNFTA/NAFTA COLLECTIVE
RUEHFR/AMEMBASSY PARIS 0015
RUEHBR/AMEMBASSY BRASILIA 0398
RUEHPE/AMEMBASSY LIMA 0379
RUEHMN/AMEMBASSY MONTEVIDEO 0317
RUEHOL/AMEMBASSY BONN 0025
RUEHBO/AMEMBASSY BOGOTA 0127
RUEHQT/AMEMBASSY QUITO 0150
RUEHCV/AMEMBASSY CARACAS 0095
RUEHBU/AMEMBASSY BUENOS AIRES 0802
RUEHBS/USEU BRUSSELS
UNCLAS SECTION 01 OF 02 SANTIAGO 001432

① Enri
② Sully
③ Chile Inst Trade Deal
④ J. W. Peterson

USDOC FOR UNDERSECRETARY EIZENSTAT

WHITE HOUSE FOR COUNSELOR MCLARTY

DEPT PASS USTR FOR BARSHEFSKY

NEC FOR TARULLO

ARA FOR DAVIDOW

E.O. 12958: N/A

TAGS: ETRD, PREL, NAFTA, CI, EU

SUBJECT: CHILE-EU FTA ON THE FAST TRACK

REF: A) SANTIAGO 1206, B) SANTIAGO 1123

SENSITIVE BUT UNCLASSIFIED

1. SUMMARY: PRESIDENT FREI'S VISIT TO EUROPE HIGHLIGHTS ONCE AGAIN THE SPEED WITH WHICH GLOBAL INTEGRATION IS OCCURRING AND THE IMPORTANCE TO U.S. INTERESTS OF ACCELERATING OUR OWN EFFORTS TO BRING DOWN BARRIERS TO TRADE IN GENERAL AND TO U.S. EXPORTS IN PARTICULAR. ACCORDING TO CONTACTS IN THE MINISTRY OF FOREIGN AFFAIRS AND IN EUROPEAN EMBASSIES THE EU AND CHILE INTEND TO COMPLETE WORK

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WHITE HOUSE SITUATION ROOM

PAGE 02 OF 03

ON A FREE TRADE AGREEMENT BY 1999. THE SAME TIME FRAME IS INTENDED FOR PARALLEL EU TALKS WITH MEXICO AND MERCOSUR. ONCE AGAIN, WE SEEM TO BE THE ODD MAN OUT. END SUMMARY.

2. PRESIDENT FREI RETURNED FROM HIS EUROPEAN TRIP VICTORIOUS ONCE AGAIN. THE CHILEAN BUSINESS COMMUNITY IS EXCITED WITH THE PROSPECT OF A FREE TRADE AGREEMENT WITH THE EUROPEAN UNION ON A MUCH ACCELERATED SCHEDULE.

3. MINISTER OF FOREIGN AFFAIRS INSULZA TOLD A CONFERENCE OF INSTITUTIONAL INVESTORS ON THE DAY OF HIS RETURN FROM PARIS AND BONN THAT THE WORK PLAN THE EU IS LOOKING AT FOR ITS NEGOTIATIONS WITH LATIN AMERICA IS MUCH SHORTER THAN HE HAD EXPECTED. THE NEW TIMETABLE FOR THREE PARALLEL NEGOTIATIONS THE EUROPEANS ARE PROPOSING (WITH MERCOSUR, MEXICO AND CHILE) WOULD HAVE THE AGREEMENTS ON TRADE IN GOODS AND SERVICES SIGNED BY 1999. OUR CONTACTS AT THE FRENCH AND BRITISH EMBASSIES AGREE.

4. THE CHILEANS REMAIN VERY INTERESTED IN NAFTA OR A BILATERAL FTA WITH THE U.S., INSULZA MADE CLEAR TO HIS AUDIENCE, THOUGH "CHILE PLAYS INDIFFERENT IN THE PRESS." THE U.S. IS STILL CHILE'S LARGEST TRADING PARTNER (IF THE EU IS NOT COUNTED AS A SINGLE MARKET). PERHAPS EVEN MORE IMPORTANTLY, NAFTA'S HIGHER DISCIPLINES AND ITS BROADER COVERAGE ARE WHAT CHILE SEEKS.

5. DESPITE THIS PROFESSION OF INTEREST, INSULZA GAVE NO INDICATION THAT HE BELIEVED TALKS WITH THE U.S. ARE IMMINENT. IN FACT, HE NOTED THAT CHILE HAS BEEN POSTPONING NEGOTIATING DOUBLE TAXATION AND INVESTMENT TREATIES WITH THE U.S. ON THE GROUNDS THAT THESE ISSUES COULD BEST BE DEALT WITH DURING THE NAFTA TALKS. PERHAPS, HE SAID, IT IS NOW TIME TO PROCEED ON THESE SUBJECTS.

6. INSULZA DID NOT GIVE SHORT SHRIFT TO CHILE'S NEIGHBORS, EITHER, NOTING THAT LATIN AMERICA IS A "STRATEGIC ISSUE FOR CHILE." CHILE CAN NOT DO WELL IF THE REST OF THE CONTINENT DOES POORLY, HE ARGUED. HE NOTED THAT CHILE IMPORTS MORE FROM LATIN AMERICAN COUNTRIES (AS A PERCENT OF GDP) THAN DOES ANY OTHER LATIN AMERICAN COUNTRY. FURTHER, CHILE HAS MORE MONEY INVESTED IN THE REST OF LATIN AMERICA THAN ANY OTHER COUNTRY IN THE REGION.

7. COMMENT: AS RECENTLY AS DECEMBER, CHIEF TRADE NEGOTIATOR FOR CHILE JUAN GABRIEL VALDES TOLD US THAT HE SAW AN AGREEMENT WITH THE EU "IN THE MEDIUM

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WHITE HOUSE SITUATION ROOM

PAGE 03 OF 03

TERM, AT BEST." THE GREAT VICTORY OF FREI'S TRIP TO EUROPE WAS MOVING NEGOTIATIONS TO THE IMMEDIATE FUTURE. THIS JUST SERVES ONCE AGAIN TO HIGHLIGHT THE SPEED WITH WHICH GLOBALIZATION IS MOVING IN THIS CORNER OF THE GLOBE. HAVING POCKETED AGREEMENTS WITH MERCOSUR AND CANADA LAST YEAR, UNCLAS SECTION 02 OF 02 SANTIAGO 001432

USDOC FOR UNDERSECRETARY EIZENSTAT

WHITE HOUSE FOR COUNSELOR MCLARTY

DEPT PASS USTR FOR BARSHEFSKY

NEC FOR TARULLO

ARA FOR DAVIDOW

E.O. 12958: N/A

TAGS: ETRD, PREL, NAFTA, CI, EU

SUBJECT: CHILE-EU FTA ON THE FAST TRACK

CHILE IS MOVING FORWARD BY DEEPENING ITS TRADE RELATIONSHIP WITH MEXICO (EXTENDING ITS CURRENT FA TO SERVICES BY OCTOBER OF THIS YEAR), BROADENING ITS LATTICEWORK OF FTAS TO INCLUDE THE EU, AND CASTING THE WIDEST POSSIBLE OF NETS BY UNILATERALLY REDUCING TARIFFS. WE ARE BEING LEFT BEHIND.

8. WHILE WE CANNOT JUDGE THE OPTIMAL TIMING IN U.S. POLITICAL TERMS, THE PERSPECTIVE FROM SANTIAGO IS THAT SECRETARY DALEY WILL CERTAINLY FEEL THE HEAT IF FAST TRACK LEGISLATION IS NOT SUBMITTED BEFORE HE ARRIVES HERE IN MID-MAY.

SHAPIRO

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<^SSN>1432

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MACK McLARTY

March 6, 1997

To: Bob Kyle
Bryan Samuel

I need another tutoring session regarding Dick Gephardt's commentary, in light of his letter to his Democratic colleagues.

We will try to schedule next week if possible.



Attachment
cc: Eric Farnsworth

THE DUBERSTEIN GROUP, INC.

Need to discuss w
lyla / Brian Simonc
Pete Hildt
FAX TRANSMISSION

Eric
① Steve
② Peter

DATE: 2/27/97

NUMBER OF PAGES 13
(including cover)

TO: Mack McLarty

COMPANY: _____

FAX NUMBER: 456-2215 DIRECT NUMBER: _____

FROM: Steve Champlin

MESSAGE/INSTRUCTIONS: in case you have not
seen this.

MACK- STEVE TOLD ME HE WOULD
ALSO FAX THIS TO ERIC.
P.

If you have any questions or problems with this transmission,
please call (202) 728-1100
FAX NUMBER (202) 728-1123

RICHARD A. GEPHARDT
MISSOURI
DEMOCRATIC LEADER

Congress of the United States
House of Representatives
Office of the Democratic Leader
Washington, DC 20515-6537
February 26, 1996

Dear Democratic Colleague:

Shortly, President Clinton is expected to request that Congress grant new fast track trade negotiating authority. I am writing to seek your support for a forward looking agenda that will ensure that future trade agreements promote progress in living standards, environment and human rights here in the U.S. and around the globe.

This is an important topic. Article One, Section Eight of our Constitution vests exclusive authority over international commerce in the legislative branch. In recent years, Congress has delegated more authority to the Executive Branch as our trade negotiating agenda has expanded beyond tariff and quotas issues.

However, delegating trade negotiating authority should not be an abdication of the important role that Congress has in this matter. The Constitution demands, and the American people — our constituents — expect that we will fight for their rights and interests in all venues. Any delegation of legislative authority over international trade that occurs should be based on a complete and thorough debate of the issues and a positive grant of authority.

In my view, the broad delegation of legislative authority involved in fast track isn't a privilege to be granted lightly; it has to be earned.

In 1991, I supported President Bush's request for fast track authority because I believed, as I do now, that we should seek to expand trade. We can't shy away from the world trading system. Exports support millions of jobs here in the U.S. We've got to continue our efforts to pry open foreign markets to ensure that American farmers, workers and businesses will have the opportunity to sell their competitive products abroad.

However, focusing on exports alone fails to recognize that our nation's trade deficit has reached historic levels fueled by an increasing flood of imports. Too many ideologues of the old status quo are not willing to address the impact of imports. The fact is that imports are having a tremendous impact on U.S. jobs and living standards. Last year, our nation's trade deficit reached a new record with a \$166.6 billion deficit in goods. Many Americans see themselves as victims rather than beneficiaries, of recent trade agreements.

As well, many of our nation's corporations are using the pressure of international competition and the threat of moving jobs out of our country to limit wage and salary increases and as a tool in fighting union organization efforts. During the debate over NAFTA, a Wall Street Journal poll of executives found that a majority of executives from large companies intended to shift some production to Mexico and that a large number intended to use NAFTA "as a bargaining chip to keep down wages in the U.S." This trend continues: A recent survey provided to the U.S. Department of Labor found that in more than half of union organizing drives the threat of moving jobs to Mexico or closing plants was used to limit organizing success.

Needs to
discuss
why

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Page 2

We must not negotiate away our jobs and our living standard based on outdated theories and assumptions about trade and international economics. Defenders of the status quo seek to define the debate on trade as being about either protectionism or free trade. Labels denigrate the debate and short-sell the interests of our people. What's needed is an honest debate about the real issue. We need a debate about the facts and our future, not motives and past theories.

The debate should be about how we continue the process of economic integration in a way that is truly a force for progress for all involved. We must continue to provide U.S. leadership without selling out average Americans who work hard, play by the rules and simply want a fair chance to succeed.

We must be unwilling to compromise or negotiate away the economic interests of our people. According to a recent survey, the public is growing increasingly frustrated with trade treaties and agreements which a majority believes are sacrificing our jobs, opportunity and economic future based on elite establishment projections that, in the long term, we'll all be better off. Used in this way, the long-term is simply a debating point: a point in time that may never come.

The primary focus of the current debate over fast track negotiating authority is the goal of expanding the North American Free Trade Agreement (NAFTA) first to Chile and, ultimately, throughout all of South and Central America.

During the debate over NAFTA, I traveled around my District and across the U.S. talking to farmers, workers and businesspeople to understand what competitive pressures faced our country. I visited Mexico several times to see for myself what was happening on the ground. I flew to the U.S. side of the border and drove across unannounced so that I could get an unvarnished view. I talked to hundreds of average people. I walked through scenes of environmental and health devastation. I knocked on the doors of many companies asking to see and understand their operations. I didn't want to rely simply on statistics or theories. I wanted to *really* understand what was necessary for everyone to benefit.

I supported fast track in 1991 because I believe that we needed a NAFTA. We can't ignore Mexico. Closing off our borders isn't an option. The question then, and now, is how do we make NAFTA a real force for progress. How do we ensure that an agreement promotes, not undermines living standards, health and safety for all our people. I believed that it was in the deep self-interest of the U.S. to reach an agreement that addressed the issues in a way that would promote fundamental, long-term change.

Recently David Bonior and I had the opportunity to visit Mexico to review first hand the results of NAFTA. Rather than improving conditions, the NAFTA has validated Mexico's system of labor relations, wage setting mechanisms and environmental enforcement that has damaged the standard of living, health and safety of the Mexican people. We saw 21st century technology combined with 19th century living and working conditions. The wages and living conditions of average hard-working Mexicans haven't improved. They've declined. Real manufacturing wages are now 25% lower than they were when NAFTA began.

our response?

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Since 1980, real manufacturing wages have dropped by about 50%. Everyone clearly agrees that real wage declines have accelerated due to the peso crisis. However, it's important to recognize that real wages were stagnating prior to the peso crisis while at the same time worker productivity continued to grow. Workers simply aren't being compensated in relation to their efforts. The peso crisis exacerbated the real wage declines but the problem of inadequate compensation has much deeper roots in the Mexican economic and legal system.

There has been a tremendous increase in the number of maquiladora plants and an almost 50% increase in the maquiladora work force along the border since NAFTA began — plants that are almost exclusively created to send their exports into the U.S. During the 1993 debate on NAFTA's passage, proponents in Mexico and the United States said that NAFTA would eliminate the incentive to create maquiladoras. Investment in maquiladoras in the state of Baja California has surged by more than 35% over the past year alone. Since the start of NAFTA, hundreds of thousands of jobs have been shifted to maquiladora plants. These jobs pay wages on which it's almost impossible to raise a family. We met family after family who said that they simply couldn't make ends meet — a gallon of milk costs almost three hours of wages. One mother told me her children were lucky if they got to drink milk once a week. Almost everyone in the family is forced to work simply to get by.

Mexican workers are viewed simply as producers, not consumers. Many of the maquiladoras experience turnover rates of 100% or more. As wage increases are virtually nonexistent, workers have little recourse — many act like economic nomads going from plant to plant hoping for the slightest advantage to survive. Some return home. Many decide that the only ticket to a better life is to cross the border into the U.S. No one can live on much more than a survival basis working in these plants.

We drove by industrial parks where the companies continue to dump their toxic wastes at night into the rivers where people bathe. We saw furniture plants using highly toxic solvents and finishes that once operated in California and throughout the U.S. which had moved to Mexico because, as the General Accounting Office pointed out, of lax environmental enforcement. We revisited an abandoned lead recycling facility that I had visited on an earlier trip to the area. Tarps now covered the huge mounds of waste, yet nothing has been done to really clean up the site. Just feet away a dairy farm continues to operate. The milk from these cows is drunk by the kids in the area — those that can afford it. High blood levels of lead continue to plague the surrounding communities.

Not only have things not improved in the border area, but since NAFTA they've gotten worse. The only positive sign for me was that the Mexican people continue to have hope. They are proud people who simply want a chance to provide for themselves and their families. While the border is only miles away, and it beckons far too many people, most want to stay in Mexico because they love their country. Yet, many find that the pressures of daily life along the border and throughout the country are too great. Countless people continue to cross the border into the U.S. every day with the hope of a better life.

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Some are pointing to the fact that we need to recognize the impact that the peso crisis has had in Mexico. I agree that the impact has been devastating. But, the negative trends under NAFTA in our trade balance and in real wages for Mexican workers were in place before the peso crisis hit. Months before the December 1994 peso crash, the U.S. trade surplus with Mexico had already turned into a monthly deficit. And, as I wrote to the President before the peso crisis occurred, the crisis was foreseeable. I warned, as many others did, about the overvalued peso and the threat to our economy that would result if the issue was not dealt with during the negotiations.

Some are also highlighting the repayment of the billions of dollars in loans that we made to Mexico as part of the peso bailout as a real sign of success. Clearly, we're all pleased that Mexico has refinanced these loans. But let's recognize that Mexico has repaid this loan in two ways. First, they've shifted some of their borrowing to other countries. Second, we ran a more than \$16 billion trade deficit with Mexico last year alone and have amassed more than \$33.6 billion in trade deficits with Mexico since the peso crisis began. In other words, many American workers have repaid Mexico's loans with their jobs and living standard.

As I said, I supported President Bush's request because I believed that we should seek to negotiate new trade agreements that expand opportunity. I spent several months negotiating with President Bush and his Administration about what our objectives should be. I believed then, as I believe now, that President Kennedy was right when he said in his first inaugural address: "Let us never negotiate out of fear, but let us never fear to negotiate." I'm confident that if we understand and fight for our objectives, we can reach good new agreements.

But there is a key difference between the debate in 1991 and today. In 1991 we were dealing with abstract ideas. Now we have had three years of real life experience under a specific set of rules embodied in the NAFTA. I believe that it would be a fundamental mistake to simply extend the current NAFTA. It simply isn't working.

Why Isn't NAFTA working?

The single biggest flaw in the NAFTA was its failure to adequately address industrial relations -- the right to strike, the right to organize and the right to freely associate. We've seen clearly that the failure to adequately enforce such core labor laws in Mexico means that Mexican wages have failed to rise. Nationally, wages are basically capped under the agreement known as "El Pacto." Additionally, as numerous workers in Tijuana told David Bonior and me recently, the maquiladora owners also privately set minimum and maximum wages so that they don't compete for workers on this basis.

While U.S. businesses were able to demand a provision in the NAFTA that requires that Mexico enforce its intellectual property laws, and is able to use trade sanctions, criminal penalties and impoundment of goods to enforce these measures, there is no similar provision for enforcement of Mexico's labor laws or, for that matter, Mexico's environmental laws. Thus, if Mexico's failure to enforce its labor laws results in Mexican worker wages being held down and their rights abrogated, there is little that we can do other than complain. So far, the few complaints that have been brought under the labor side agreement have made little or no impact.

Our
Answer

Dick
Posit
The
Right
Wish
of
Agreements

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Five cases concerning Mexico have been brought under the labor side agreement for labor violations in Mexico. As a result of these cases, no union has been recognized in Mexico. There has been no noticeable change on the ground. Take for example the cases at General Electric in Ciudad Juarez or Honeywell in Chihuahua where workers were fired trying to organize independent unions. Those unions remain unrecognized. Those workers have not been reinstated.

The workers that David and I talked to told stories very similar to the ones we heard during the NAFTA negotiations. Worker after worker told us how there was no ability to try and fight for better working conditions. If you complained, you were fired. Many told how the maquiladora owners kept lists of "problem" employees who were blacklisted because of their complaints. Many are arrested for their activities on trumped up charges.

Several workers told us they didn't even know if there was a union contract or, if there was, they had no idea who their union representative was. The union was a sham, but there wasn't anything they could do about it.

our response

If we don't have an effective way of addressing this problem, Mexican workers aren't going to get a fair deal. They won't be fairly compensated for their hard work. We won't create and expand the middle class that can buy our products and alleviate the downward pressure on our people's wages. Labor rights is a trade issue. It has an impact on Mexican workers and our workers. The only truly effective way of dealing with this issue is being able to resort to trade sanctions if all else fails.

I don't agree
But our answer

The promise of NAFTA was to be greater opportunity and increased standards of living in all three countries. That has not been the case. If Mexican workers can't bargain for higher wages, they won't expand the middle class that can purchase U.S. products. Indeed, since NAFTA, the percentage of Mexicans considered "extremely poor" rose from 31% in 1993 to 50% in 1996. Two out of three Mexicans now report that their personal economic situation is worse than before NAFTA. And, the downward pressure on our wages will continue.

As we seek to ensure adequate enforcement of labor laws, we need to seriously examine the need to provide for cross-border organizational rights for our labor organizations. Because of government dominated labor movements, coercion, and inadequate enforcement structures, it may be that the situation could be materially improved through the assistance of U.S. or other international labor organizations. As our businesses are able to form new alliances and have access to the enforcement process, our labor unions should have the same rights as well.

our answer

In the area of the environment, the increase in post-NAFTA border production has increased the border population and industrial and toxic emissions and waste. Yet, the promised improvements to the existing serious border health and environmental damage have not occurred. The NAFTA environmental side agreement is simply inadequate to the task.

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To date, less than a handful of projects have been approved for funding by the NADBank and through the BECC. While projects have languished before these organizations, the health and safety of people on both sides of the border deteriorates. These organizations must begin to really fulfill their intended purpose and focus on the needs of the people live on and near the border — not just companies that are seeking to have their costs underwritten and defrayed by public funds.

We also need to be able to fully understand the potential impact of future trade agreements on the world's environment. We must carefully balance economic development and environmental protection. To do this, we must have complete environmental impact statements conducted as negotiations proceed.

I am unwilling to support new trade negotiations that do not address these fundamental flaws by including labor rights and the environment as chapters in the core of the agreement equal in stature and force and linked to provisions on investment and trade. And, such labor and environmental provisions must be fully enforceable with access to trade sanctions where necessary. Access to the enforcement process for average citizens and non-governmental organizations must be provided. Transparency throughout the process must also be assured.

These issues must not be covered in separate side agreements that can later be rejected by the Republicans, but as integral parts of the agreement itself. For me, this is not negotiable. Trade, labor and the environment are inextricably intertwined. Trade agreements should not become vehicles to undermine progress in these important areas.

Scope of authority

Over the past four years we have signed more than 200 new trade agreements — NAFTA and the GATT among them. While I support expanding our export opportunities and enhancing the rules of trade, I do not believe that a case has yet been made for broad fast track authority.

Last year I joined with then Secretary of Commerce Kantor and Senator Hollings in calling for dramatically expanded trade monitoring and enforcement capabilities. It was my belief — and continues to be my belief — that we should seek to capitalize on and learn from existing trade agreements before we haphazardly seek to engage in new negotiations simply for the sake of negotiating.

In the first six months of its operation the trade monitoring and enforcement unit at the Department of Commerce has already begun to root out substantial problems in the carrying out of our trade policy. I commend the Department for its attention to this area. It would be unwise to proceed in new areas before we understand what has and hasn't worked.

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Accordingly, I believe that we should limit any grant of fast track authority — if the issues that I have raised are addressed — to bilateral negotiations with Chile or to remedy the flaws in the NAFTA before we proceed on any accession agreements. Indeed, our former colleague Bill Richardson, now serving as U.S. Ambassador to the United Nations, and I introduced Chile-only fast track legislation in 1994. While the legislative language is out-of-date, the approach of moving forward only with Chile, with significant changes from the 1994 NAFTA, should be the basis for any new trade negotiating authority. This proposal, and one I made later that year, provided trade negotiating authority while including significant procedural safeguards to protect Congress' interests.

I have been frustrated by the Administration's reluctance to provide factual analysis on our trade agreements and ongoing negotiations. Let me give you a few examples. Authority is being requested to expand NAFTA even before the congressionally-mandated July 1997 review is complete. I requested that the International Trade Commission do an analysis of the potential impact of allowing China to join the World Trade Organization. The ITC refused this request. As well, I requested that the USTR endorse my request, as provided for under current law, to force the ITC into acting. My understanding is that the USTR wants to limit the scope of the ITC's examination of these issues. Our Department of Labor has not released the survey it commissioned, which I mentioned earlier, that shows how companies are using the threat of moving jobs out of the country to limit union organizing success. There are many other areas where the debate is not being joined or is being stifled.

A case has not been made for providing trade negotiating authority in an open-ended way. That would be an overly broad delegation of Congressional power. Let's review where we are, what's been accomplished, and what needs to be accomplished before we provide broad trade negotiating authority. I believe that there will be broad bipartisan support on this point.

Upward Harmonization:

Our first step in reaching new trade agreements must be to require that all signatories enforce their basic laws. We should expect that as we engage in negotiations, the rule of law that a country has on its books — in its Constitution, statutory and regulatory manifestations — be fully enforced.

But this is the starting point, not the end, of our efforts. I commended the Mexicans during the negotiations for many of the laws that they have had on their books — especially those represented in Article 123 of their Constitution pertaining to basic labor rights. The first and most fundamental problem we faced, and continue to face, with Mexico is inadequate enforcement.

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Chile, on the other hand, has not made similar progress in terms of its basic body of labor laws. While Chile's efforts at democratic and political reform deserve our recognition and support, Chile's progress in advancing labor rights has fallen short of the mark. The labor law put in place during the Pinochet dictatorship remains in effect, thwarting organizing efforts. Large groups of Chilean workers are effectively barred from being able to engage in collective bargaining: rural, forestry, construction, and fisheries workers. Where the Chilean labor law even allows contracts to be collectively negotiated, they are limited in scope to plant or enterprise bargaining with a ban on industry-wide organizing.

It's important to recognize that President Frei's government has offered a number of important labor law reforms that would improve Chile's legal foundation. But these reforms have been blocked by business interests and the Pinochet faction in the Chilean Senate. A precondition for reaching an agreement with Chile should be the passage of these and other reforms. As we have demanded that other countries improve their intellectual property protection laws prior to entering into agreements with them, we should require the same approach with regard to labor laws.

There also are improvements necessary in Chile's environmental laws. The most glaring problem is that regulations have yet to be issued to implement Chile's 1994 environmental law. In a resource rich economy where four categories of natural resources — agriculture, forestry, fisheries, and mining — comprise 80% of all exports, this is a fundamental problem.

Clearly Chile has made great strides in advancing democracy — strides that I and many others applaud. We need to work towards further enhancing and deepening the progress that has been made. We have the opportunity to reach a good agreement with Chile. But, before we sit down at the bargaining table, we have an obligation to consider what a "good agreement" really means. And we have a right to say to the people of Chile: we'll start a new trade partnership — but not if it means trading away our values. Not if it means lowering our labor and environmental standards or standard of living, instead of raising yours.

Let's recognize that what we're talking about is comprehensive economic integration between our countries: This is more comprehensive than the average trade agreement, which simply don't address these important issues. We're talking about a form of economic marriage. As such, we can, and must, expect to have a comprehensive discussion of these issues. If the agreement is to be a force for progress, it must address more than minimal standards. It has to ensure that the opportunity growth and economic advancement are possible. If we limit the debate by failing to address all the important issues we put our people's standard of living at risk.

During the NAFTA negotiations I and many others were told that we would be able to change the agreement once it had been signed into law. We were told that a process existed that would allow for negotiation and renegotiation of various changes.

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This was essentially a false promise. The ability to achieve results exists during the negotiating phase — not afterwards when our negotiating leverage has been lost. Rather than set an arbitrary deadline for completing negotiations, or being willing to accept a less than desirable result, we should remain at the negotiating table, or be willing to leave that table, if our national interests aren't furthered by the text of the agreement.

But in addition to the changes that should be made as part of any agreement, we need to recognize that further upward harmonization is necessary in labor and the environment and other important areas. We need to find a process that will ensure further progress, over time. A process that ties further trade liberalization — possibly within the context of the agreement — to other important improvements would further our interests in these vital areas.

Monetary Flows:

I pointed out earlier that I and others had raised during the NAFTA debate the threat that a devaluation of Mexico's peso could have on the U.S. and on the potential benefits that could result from any trade agreement with Mexico. Terms to counter major current fluctuations is an appropriate area for negotiation as part of any trade agreement.

During the peso crisis Administration officials pointed out the contagious effect that Mexico's problems could have on world financial markets. They pointed out that currencies and markets around the globe — from the Thai baht to the Italian lire — were effected. The bipartisan leadership on both sides of the Capitol supported the President's call for action.

But that call for action might have been avoided had we been aggressive with Mexico in addressing their economic policies during the course of the NAFTA debate. We must not allow this mistake to be made again. Congress' reluctance to support the peso bailout was a harbinger of future reluctance. The international financial system is not yet fully equipped to deal with a similar threat in the future. New trade agreements must address the issue of capital flight and currency stability.

Why must certain issues be covered in the core of the agreement

Coverage of labor and environmental issues must be included as a chapter in the core agreement, rather than included as side agreements as was done in NAFTA. Given the expansion of the impact of trade disciplines into the realm of domestic standards, coverage of labor and environmental issues is now as important to the success of a trade agreement as "traditional" trade issues.

A number of Republican members have indicated that they are willing to allow the commercial components of a trade agreement to be considered under fast track, but that other issues — labor and the environment and possibly others — might be subject to amendment. We cannot allow for some issues to be considered under procedural rules favoring passage and others under more cumbersome procedures. These Republicans want to try to delink labor and environmental issues from the trade agreement. This is simply unacceptable.

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It's important to understand that any changes to the core agreement would require symmetrical changes in other countries. If we were to accept coverage of labor and environment and other issues under side agreements and these provisions were not agreed to by either the U.S. or other countries, the core of the agreement could still stand. Only by including these issues in the core of the agreement can we ensure that they will either be part of the law, or the entire agreement will fall. The rules of the game must be as fair and effective for our workers as for our patents.

Human Rights --- Rule of Law

The adequate protection of human rights should be a basic standard we apply to our trade relations with any country. Our basic values and interests should not be auctioned off to the highest bidder. The moral leadership of the United States has acted to promote change around the globe. We must not debase this basic interest.

It's also important to understand that advocacy of human rights promotes, not undermines, our economic interests. A country that does not protect human rights does not afford its people the ability to demand fair compensation for their efforts. The result is that we fail to lift up the standard of living of people in other countries. This means that we are not expanding the class of consumers who can purchase our exports and we are putting downward pressure on our living standard simply to compete.

Our business community also needs to understand that promotion of human rights is a question of the rule of law. A country that fails to enforce its laws in this important area may refuse to adequately enforce its laws that protect our business interests as well. We have clearly seen this in China where the disdain for the basic rule of law as it relates to human rights has a parallel in China's failure to adequately protect intellectual property, failure to adequately abide by its market access commitments and its failure to follow the rule of law in many other areas.

Trade in narcotics

I believe that we must address narcotics flows as part of any future trade negotiations. As we seek to enhance the flow of goods and services through easier access between and among our trading partners, we must recognize the risk of increased drug trafficking. As we ease the way for products to come to our shores, we increase the ability of drug traffickers to take advantage of relaxed customs procedures.

It's appropriate and, indeed, vital that we address this issue as part of our trade negotiations. Failure to aggressively address this issue will undermine our ability to stem the flow of drugs. We've already seen the impact of the failure to address this issue as part of the NAFTA. Estimates indicate a dramatic rise in the drug trade with Mexico.

Clearly enhancing economic opportunity in other countries through greater trade will help to ease the pressure on the population to engage in drug production and trafficking as growth and opportunity rise. But it would be naive to believe that this will occur quickly and that there will be a wholesale replacement of the financial benefits in the drug trade.

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Drug use by our nation's children is on the rise. While we must do all that we can to reduce the demand for drugs here in this country, we must also take advantage of every opportunity to reduce the supply of drugs. This is not a problem to be swept under the rug.

Transition

The American people know that our future lies in expanding economic engagement, not shying away from it. Given fair trade rules, American farmers, workers and businesses can out compete anyone.

But even with further economic integration under fair rules, we've got to recognize that there will be a price to pay for some Americans. While observers focus on the big winners, as elected public officials, we've got to focus on making ordinary people winners as well.

During the NAFTA debate I argued strenuously on this point. On two occasions I invited officials from the European Union to meet with me and other members of the Democratic Caucus to learn how they had addressed the integration of Spain, Portugal and Greece into the EU. To this day, the EU continues to focus on structural adjustment issues as a vital public policy issue. Since the integration of these countries into the EU, well over \$100 billion has been spent on integration efforts. The leaders understood the need to seriously address the impact of integration and address any dislocation or disruption in the economy. Clearly, any program we look at would, at best, only spend a fraction of this amount, but it's clear that we just haven't been serious about this issue. We need to have a comprehensive debate about this issue.

To date, over 109,000 people have been certified for NAFTA Trade Adjustment Assistance benefits. Many, many more were disqualified because of the difficulty in qualifying for assistance. And, many others never applied because of inadequate information or understanding about the current program. And, the program needs to be expanded to increase individual eligibility and to cover firms that need assistance as well. Employees should not have to relocate themselves and their families because their firm and community has been adversely affected — we should also find ways of helping firms shift their focus to new product lines and endeavors so that we prepare for change, rather than protect against it.

In the past, transition assistance here in the U.S. has been an afterthought rather than an integral part of our trade policy formulation. This is a fundamental mistake. If we are to build public support for further trade expansion efforts we've got to seriously address this issue.

I believe that now is the time for a comprehensive trade adjustment assistance program to be put in place that will provide the foundation for any future trade expansion efforts. We must not allow future trade agreements to proceed without an adequate transition program being adopted that is directly linked to the consideration of the trade agreement in Congress.

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Foreign Corrupt Practices

At the Miami Summit of the Americas in December, 1994 the issue of foreign corruption was highlighted. Former Commerce Secretary Mickey Kantor spent a great deal of effort highlighting this issue and seeking to promote positive solutions.

Across the globe U.S. business interests are prohibited from offering bribes or engaging in other corrupt practices, rightfully so, to expand their business interests. Rather than handcuffing our businesspeople as they seek to do business, we need to aggressively seek ways to rein in foreign corrupt practices that seek to pit one business against another to win a contract. Future trade agreements must seek to address this issue.

Length of authority

If trade negotiating authority is to be granted, it will essentially be a contract with President Clinton as to what powers and authority are delegated to him and his administration by Congress. While I believe that this grant should be as specific as possible, we must recognize that the authority will also depend on the intent and beliefs of the President.

Accordingly, I believe that Congress should be extremely reluctant to grant fast track authority beyond the current term of the President. Each President should have to make his or her case to the Congress and the American people as to how the authority is to be used.

Conclusion

I know that this letter is long, but the issues are important and complex. And, believe it or not, there are many other trade-related issues that demand attention — the treatment of indigenous peoples, and money laundering to name just two.

We need to have an engaged national debate on these issues in the country, not limit them to the back rooms in Congress. I hope that you will join with me in this debate so that we can ensure that future trade agreements enhance opportunity for all our people.

We must not be bound by arbitrary deadlines or the threat of lost opportunities. The United States is still the most open market in the world. And, it is the most desirable consumer market. We should be willing to use the leverage of access to our market to ensure that the rights and interests of our farmers, workers, businesses, public health and the environment are advanced, not undermined, by economic integration. I'm confident that an open, honest debate can yield positive results here at home and around the world.

Sincerely,



Richard A. Gephardt
House Democratic Leader

Bob - Lyke
I need to discuss
w/ p
p

COMMENTARY

Need to discuss
re analyze

PATRICK BUCHANAN

Economic winners and losers

The U.S. government this week will release final trade figures for 1996. Before they disappear into the Cuisinarts of the spin doctors, Americans would do well to focus on what they portend.

Since 1992, exports have indeed grown, as President Clinton boasts, by 6 percent a year. But imports have exploded by more than 9 percent a year. In 1996, the U.S. merchandise trade deficit hit \$170 billion, perhaps the largest wealth transfer in history. Under Mr. Clinton's trade policy, the U.S. deficit in goods has more than doubled!

Big winner: China. In 1996, China's merchandise trade surplus with the United States hit \$41 billion, second only to Japan's \$47 billion. What will the Chinese be buying with that hoard of dollars?

A September story in Defense News — "France Opens Arsenal Door for Chinese" — reports that a 32-man Chinese delegation was in Paris shopping for air-to-air missile and submarine technology. Said one expert, there have been reports, "that France has already provided some systems for China's new Song-class submarines, and submarine technology is near the top of China's shopping list."

Whose Pacific fleet do you suppose those Chinese submarines will be tracking and targeting? Rick Fisher, an analyst at the Heritage Foundation, was quoted, "European aircraft and ships will never be put at risk in a future Asian conflict with China. But European-derived weapons could conceivably be aimed at Americans."

Runner up in the trade lottery: Mexico.

In 1992, America ran a \$5 billion trade surplus in goods with Mexico. In 1996, post-NAFTA, we had a \$17 billion deficit. If \$1 billion in exports



equals 20,000 jobs, as Mr. Clinton claims, U.S. workers last year lost 340,000 production jobs to Mexico.

Included in those "exports" to Mexico is machinery for the new plants being opened there at the rate of two a day, as factories are being closed and shuttered in the United States.

The combined U.S. trade deficit with NAFTA partners Mexico and Canada is now \$40.5 billion — with \$21 billion of that deficit in "road vehicles." Watching United Auto Workers officials work to re-elect Bill Clinton was like watching chickens work on a fund-raiser for Frank Perdue.

A new winner in the trade statistics: Indonesia. In 1996, the U.S. merchandise trade deficit with Jakarta was \$4.6 billion, triple what it was when Mr. Clinton took office. The Riadys, Mochtar and James, made a wise investment in Bill Clinton.

Last week, the New York Times

ran a graph titled, "End of a Drought?" It was based on real hourly wages paid to U.S. workers in private industry and contained dramatic news: In 1996, the real wages of U.S. workers rose to the same level they were at — in 1965!

In 1996, real wages were \$11.98 an hour, almost \$2 below the \$13.78 per hour of 1973, America's best year. That year was about the same time America's traditional trade surpluses began to vanish and our enormous trade deficits began to appear.

Let it be said directly: Between the collapse of U.S. wages and the booming prosperity of Asia, the correlation is absolute.

American workers can thank the cheerleaders of the "global economy" and the champions of "global free trade" for the fact that they make 13 percent less than what their fathers did. It is upon the backs of America's manufacturing

workers that the Asian economies are riding so high. U.S. lobbyists for Asian interests have done their work well. Last year, our merchandise trade deficit with all of East Asia was \$115 billion, a net transfer of U.S. jobs, factories and wealth equal to the gross national product of many foreign countries.

America's elites have not gone unrewarded for the sellout of our working people. Corporate profits are soaring; the stock market is booming; the 401k pension plans are flush; and America's downsized companies run the laggards of Europe off the road.

How did America's companies become the most competitive? By ceasing to be so "American," by becoming "global companies." By closing down plants and factories in the United States, getting rid of those high-paid American workers and siting new plants overseas, where labor is productive, inexpensive, appreciative and docile.

The success of the new transnational companies has been paid for by the shrinkage of the U.S. manufacturing labor force, the ripping up of the old social contract and the compression in wages.

In Europe, they are paying in record unemployment. Unemployment is nearly 12 percent in France and Germany. The last time it was that high in Germany — 1933.

The great game of "Global Economy" will continue, until the losers come to understand that it is a fixed game they cannot win.

Then, the table will be upended.

Patrick Buchanan is a nationally syndicated columnist.

Examples on the other side
E-P-4

- ① Eric
- ② Steve
- ③ Stan
- ④ Jeff Paul
- ⑤ Mike
- ⑥ Power
- ⑦ The First Trial
- ⑧

THE TIMES, GAINESVILLE, GEORGIA

MONDAY, FEBRUARY 24, 1997

NAFTA headed back to Congress

Deal 'undecided' on including Chile

From staff, wire reports

Including Chile under NAFTA could be a step toward creating a Western hemisphere free-trade zone. And the Clinton administration is counting on Chile's president to push Congress in that direction.

But the idea's harshest

critics aren't on Capitol Hill. They're the thousands of Americans whose jobs have gone south to Mexico.

The question on a new NAFTA is whether Congress will listen to Eduardo Frei, its Chilean guest this week, or to folks like Gary Hefner, unemployed American.

Hefner was laid off last month after a 30-year career at a General Electric plant in Hickory, N.C. For 40 years, the plant made

Nathan Deal

Said review of NAFTA should look at what jobs gained and lost



electric transformers to power America.

Last year, Hefner and 300 co-workers received notice: Operating the Hickory factory was no

longer profitable, GE was shutting it down and moving the work to Monterrey, Mexico.

"They put us out to pasture because we were making \$15 hourly wages and they could get the work done in Mexico for 83 cents an hour," Hefner said.

Opponents of free trade have made similar charges since President Clinton went against labor unions and many in his own party in 1993 to

push the North American Free Trade Agreement through Congress. The 1997 replay promises an even tougher fight.

U.S. Rep. Nathan Deal, a Lula Republican who voted for NAFTA when it passed in 1993, said Sunday he hasn't made a decision on expanding NAFTA to include Chile.

"I'd be reluctant to include Chile until we get more statistics on NAFTA in its current state. What jobs have we gained,

what have we lost and what our projections are," Deal said.

Opponents have armed themselves with statistics showing swollen trade deficits with Mexico and Canada since NAFTA's birth.

Clinton blames factors unrelated to NAFTA. He argues that unless Congress quickly renews his authority to expand NAFTA, the United States risks losing European and Asian competitors.