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[Memo from Phil Caplan to John Podesta, et al. RE: Administration Initiatives Relating to Fast Track]
[Folder #5]

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1998-SE-002004

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THE WHITE HOUSE
WASHINGTON

February 11, 1998

TO: John Podesta
Gene Sperling
Secretary Rubin
Larry Stein

FR: Phil Caplan *WV*

Attached is a "white paper" outlining several Administration initiatives relating to fast track. It's my understanding from Dan Tarullo and Bob Kyl that, in order to fulfill a commitment made to Sen. Daschle last fall, we committed to having the President send the paper to the Cabinet whether fast track passed or not.

Erskine asked me to ask you specifically to read through the paper to see if you're comfortable with everything in it -- it is several months old now. That is, has anything changed that would prevent this from being sent? Bob Kyl tells me it cleared an interagency process in the fall.

I'll wait to hear from you. Thanks.

*Phil - see pages 3 and 6.
Many of the steps in here
concerning the IMF are also
currently the subject of negotiations
between the Administration and
Congress in relation to IMF funding.
Sorry we didn't get this back
sooner - Neal 3/5*

7621

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE ATTORNEY GENERAL
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
ADMINISTRATOR, ENVIRONMENTAL PROTECTION AGENCY
UNITED STATES TRADE REPRESENTATIVE

SUBJECT: Initiatives Relating to Worker Rights and the
Environment

Attached is a list of various initiatives I support that have been designed to promote worker rights and protect the environment.

Accordingly, I instruct my Administration to take all appropriate steps to implement such initiatives.

Attachment

Tab 1 Executive Initiatives

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Tab I

STATEMENT OF EXECUTIVE INITIATIVES

The renewal of traditional trade negotiating authority will enable the United States to continue to assume the leadership role in breaking down trade barriers and opening markets — creating new opportunities for our workers and our companies. By fostering a close partnership between the President and the Congress, this authority also ensures that the United States speaks with a united, bipartisan voice in pursuing our international trade agenda.

Even as we use this authority to negotiate strong new trade agreements, we need to ensure that our trade agenda complements and reinforces other important policy objectives -- as it always has done. These goals include helping promote greater attention by other countries to the protection of the environment and worker rights. Because of American leadership, we already have witnessed significant progress in both areas. Maintaining and extending this progress depends on our continued economic leadership role, which in turn is dependent on the renewal of our traditional trade negotiating authority. Failing to do so not only will deny us the ability to attack foreign trade barriers and create new jobs at home, but also will ensure that we are not positioned to help advance environmental protection and promotion of worker rights in other countries.

Greater international attention to labor and environmental issues is integral to our efforts to see that all workers have the opportunity to compete and win in the global marketplace. It also helps serve as an important reminder that the ultimate rationale for freer, expanded trade is to create additional wealth and, by so doing, to improve the living conditions of workers both in the United States and abroad. U.S. leadership in this regard also affords a clear example to the rest of the world that protecting the environment and worker rights helps contribute to increased economic growth and prosperity.

The initiatives described below complement the provisions on labor and the environment in the "fast track" legislation now under consideration in the Senate and House of Representatives. They demonstrate that we should work to promote stronger protection of the environment and worker rights in a variety of ways in a variety of fora; indeed, they reveal that trade negotiations may not always afford the best venue for achieving these important objectives.

These initiatives are fully consistent with our goal of expanding international trade. By remaining active here, the United States can help ensure that protection of the environment and promotion of worker rights are in step with trade liberalization. Our leadership position grants us both an opportunity and a challenge: to ensure that trade expansion and improved protection of the environment and worker rights are mutually supportive, and together contribute to economic growth, higher standards of living, and a higher quality of life both in the United States and abroad.

I. Environmental Issues

A. World Trade Organization (WTO): Transparency and Openness

This Administration has long been committed to improving the transparency of WTO activities and the openness of WTO proceedings, and we will be continuing our active pursuit of these goals in the coming year. First, to demonstrate the significance we attach to this issue, the Administration's fast track bill included a principal negotiating objective of achieving the observance of open and equitable procedures by U.S. trading partners and WTO members. Second, we will present our transparency objectives with respect to WTO activities and proceedings at a meeting of the WTO General Council (the WTO's governing body) before the end of the year. Third, we will adopt increased transparency, openness and public participation as priority objectives for the mandated review of the WTO dispute settlement rules and procedures that must be completed by WTO Members by the end of 1998.

The specific objectives that we will pursue in support of greater openness and transparency in dispute settlement include:

- Advocating consideration by WTO panels and the Appellate Body of *amicus curiae* submissions from non-governmental interested parties in dispute settlement proceedings that involve environmental and conservation issues.
- Seeking to open WTO dispute settlement panel and Appellate Body proceedings to observance by the public.
- Providing for more timely public access to dispute settlement documents, including through electronic means, to enhance the ability of non-governmental representatives to provide their input and expertise.

In addition, we will work to ensure that similar transparency and openness provisions are included in future trade agreements -- whether multilateral, regional, or bilateral -- that contain dispute settlement provisions.

B. WTO: Eminent Persons Group

We strongly support efforts to improve the understanding of how environmental considerations relate to WTO rules and principles. We believe that establishment of an "eminent persons group" can advance that process significantly and help establish the groundwork for further initiatives in this area. To that end:

- We will propose that the WTO Director General convene a group of eminent persons, to include independent experts in the fields of trade, the environment, and development, to examine issues and formulate options for the WTO to consider.

- We will propose that the group examine the interaction of national and international environmental policies with WTO rules and principles. Among the issues it should address are: the relationship of GATT Articles III and XX to environmental measures that affect trade; the relationship between trade measures in international environmental agreements and WTO rules; and the relationship between trade disciplines and ecolabeling.

C. International Financial Institutions (IFIs)

We intend to build upon and expand our efforts to promote incorporation by the IFIs of the full range of environmental issues into their operations and promote a greater flow of resources to environmental projects. In an effort to achieve these goals, the following specific steps will be taken:

- Secretary Rubin will propose that the Inter-American Development Bank (IDB) create an independent advisory committee comprised of senior IDB officials, representatives of non-governmental organizations, and others to examine environmental issues arising from prospective operations and to make specific recommendations to the IDB.
- We will press for significant increases in direct lending for environment and natural resources management projects (in the IDB such funding rose to \$815 million in 1996 due in large part to our advocacy) and for a higher share of lending to be dedicated to these projects.
- We will continue to scrutinize closely the effectiveness of public information disclosure for environmentally sensitive projects to ensure compliance with the existing law, focusing on the required advance consultation with affected and interested persons.
- We will examine closely the practices of the independent inspection panels established to examine alleged non-compliance with established policies and propose improvements to this process and its expansion to the IFIs that currently do not make use of independent inspection panels.
- We will pursue vigorously international support for our proposal to create a \$250 million fund that would provide below market rate loans to finance environmental initiatives.
- We will continue to urge the IMF, as appropriate, in its program design and annual consultations with members to consider the link between the environment and economic policy choices.

IMF
Hasn't Agreed
To Do This
Yet

Goes Too Far

Please note also the environmental dimensions of the review of future free trade agreement partners, described below at II(A).

II. Labor Issues

In the labor area, the Administration supports a range of initiatives designed to strengthen the respect for core labor standards. We already have taken a number of important steps to broaden international respect for freedom of association, the right to organize and bargain collectively, prohibitions on forced labor and exploitative child labor, and discrimination in employment. The list of measures that follows illustrates our commitment to address worker rights issues aggressively in a variety of ways.

A. Review of Future Free Trade Agreement (FTA) Partners

The Administration is committed to ensuring that Congress and the American public have an opportunity to thoroughly evaluate future free trade agreements. One important element of this plan is our commitment to make certain that Members of Congress and the public are informed of the broader relevant conditions in prospective FTA partner countries, including each country's labor laws and practices, environmental laws and practices, legal system, macroeconomic policies and conditions, trade laws and practices, and other relevant conditions. To advance this effort:

- We will submit to the Congress, and make available to the American public, a review evaluating these conditions in each prospective FTA partner country when an agreement is brought back for congressional approval. This review will be prepared with the participation of relevant Executive Branch agencies, including the Department of Labor, the Environmental Protection Agency, the Department of Justice, the Department of Treasury, the Office of the United States Trade Representative, and the Department of Commerce.
- Among the matters this review will address are: (1) the FTA partner country's relevant labor and environmental laws, including the enforcement of those laws; (2) the integrity and effectiveness of the country's legal system; (3) the country's macroeconomic policies and practices, including the operation of its exchange rate system; and (4) a description of the country's institutional structures and general policies and practices for addressing each of these areas.

B. Labor Department Annual Report on Labor Conditions under the North American Agreement on Labor Cooperation

We believe that a greater understanding of the labor conditions in our NAFTA partners will allow us to build on the work already being done under the North American Agreement on Labor Cooperation (NAALC) and, at the same time, strengthen the NAALC's own effectiveness in addressing relevant labor issues. To aid in this objective:

- The Department of Labor will produce an annual report reviewing for each NAFTA partner the labor laws, practices, and conditions covered by the NAALC, as well as the relevant proceedings, actions and cases under the NAALC, and the steps being taken by our NAFTA partners to conform to the findings in any such cases.

C. International Financial Institutions (IFIs)

The Administration will undertake a series of measures designed to enhance the U.S. leadership role in pressing for incorporation of issues related to core labor standards into the planning and programs of the IFIs. The following measures will help enhance attention to these issues within the U.S. Government, secure a greater international focus on worker rights issues, and heighten the priority given to worker rights issues by the IFIs:

Ensuring International Focus on Worker Rights Issues

- The Administration believes the United States should continue to heighten attention to this issue. To that end, Secretary Rubin highlighted the need to place greater emphasis on labor standards in his speech at the World Bank/IMF Annual Meeting in September. He will continue to do so in appropriate fora.
- We will propose a summit meeting of the presidents of the IFIs and the Director General of the ILO to reinforce the commitment of the institutions to working closely together.

Enhanced Focus Within the Administration

- In consultation with Secretary of Labor Herman, Secretary of the Treasury Rubin will propose formation of an interagency team -- including the Departments of Labor, State, and Commerce -- to explore issues related to core labor standards more broadly and examine ways to incorporate these issues more systematically into the work of the IFIs. As part of this, the State Department will undertake a variety of diplomatic efforts to promote observance of core labor standards.

Heightening the Priority given by the IFIs to Worker Rights Issues

- We will call for the World Bank to establish an office that is dedicated to analysis of labor issues and has direct input into the Bank's program and lending activities, and will encourage regular direct contacts between ILO staff and this office. We will seek over time to pattern this effort on the institutional reforms undertaken by the Bank in recent years to strengthen its capacity to incorporate environmental considerations in lending and policy advisory activities.
- We will continue to promote vigorously our proposal to develop a screening mechanism -- now under discussion with the multilateral development banks -- to ensure that worker rights issues are taken systematically into account in the institutions' operational planning and programming. We also will explore the best means for ensuring that IFI budgets contain resources sufficient to conduct screening operations and similar analytical functions.
- We will actively promote the Administration's proposed joint World Bank-IMF conference on issues related to core labor standards in an effort to pursue explicit commitments to make tangible progress in the IFIs on these issues. The conference could bring together senior IFI and ILO officials, as well as academics and representatives of non-governmental organizations.
- We will urge the multilateral development banks to increase both technical assistance and direct lending to promote greater adherence to core labor standards.
- We will urge the IMF to further emphasize the importance of labor issues in its annual reviews of member countries and by examining the link between promotion of core labor standards and long-term macroeconomic performance (for possible inclusion in its new governance policies).
- We will follow up vigorously on the paper completed, at our urging, by the World Bank on child labor issues, including its specific proposals for more active Bank engagement on these issues.
- We will continue to implement the statutory requirement directing the Secretary of the Treasury to urge the IFIs to adopt policies encouraging borrowing countries to protect worker rights and requiring an annual report to Congress on how the IFIs are performing.

Trying to
get out
of the
issues

D. Export Processing Zones

The U.S. Government has been concerned over the past several years with programs through which certain countries apply lower labor standards and permit less adequate worker protections in special tariff-free export processing zones (EPZs). We are committed to developing a clearer understanding of such programs and, in so doing, exploring the best means for addressing the concerns that already have been identified and any others that may be highlighted through additional study of EPZs. To accomplish this:

- The Department of Labor will update its 1990 study finding that some countries applied different rules in such zones with the intent of restricting certain important labor standards, including the freedom of association and the right to bargain collectively.
- We will continue to encourage work within the ILO to analyze the extent to which differential standards exist in such zones, and will urge the ILO to work with member states to address these practices. We also will review whether to recommend increased coordination on this issue between the ILO and the WTO.

E. Child Labor

The Administration has focused particular attention on addressing concerns about the exploitation of child labor. Since 1993, we have responded to congressional concerns by preparing three major reports on child labor practices, and have used these reports to aid the private sector in developing voluntary codes of conduct, labeling efforts, and production changes in overseas facilities. Innovative approaches in this area also include technical assistance to help developing countries eliminate exploitative child labor, pressing successfully for a greater ILO focus on exploitative child labor, using U.S. laws to suspend trade benefits in response to persistent exploitative child labor practices, and holding two workshops in 1997 with our NAFTA partners to discuss child labor concerns in North America. To build on these efforts:

- The Labor Department will soon release a fourth report on actions being taken internationally to combat child labor and other exploitative working conditions. The Department also expects to begin a fifth report evaluating strategies that have been undertaken in other countries to reduce exploitative child labor.
- The Administration supported the recent enactment of a change in the Tariff Act of 1930 to clarify that products of forced or bonded child labor can be excluded from entry into the United States. The Department of the Treasury is establishing a task force to assure that the Administration can effectively respond to any allegations raised under the new law.

3425

OASIA CORRESPONDENCE PROFILE
CORRESPONDENCE FOR SECRETARY RUBIN
APPROPRIATE ACTION

PROFILE# SE-002004

DATE REC: 2/18/98

AUTHOR: CAPLAN, PHIL
WHITE HOUSE

DUE DATE: 2/19/98

ACTION TO: WHIT WARTHIN

**INFORMATION COPIES: LUNDSAGER, SHAH,
LOWERY, MOYNIHAN**

1. IF NO REPLY IS WARRANTED, SUBMIT SIGNED BUCKSLIP OR LAN MESSAGE FROM DIRECTOR/DEPUTY DIRECTOR WITH JUSTIFICATION TO MARCIE NICHOLSON, OASIA SECRETARIAT.
2. IF IMPROPERLY ASSIGNED - ADVISE OASIA SEC WITHIN 24 HOURS OF RECEIPT AND RETURN ORIGINAL PACKAGE.
3. ALL CLEARANCES BELOW THE A/S LEVEL SHOULD BE ACQUIRED BEFORE PACKAGE IS GIVEN TO A/S OFFICE.
4. ORIGINAL OF ANY CORRESPONDENCE PACKAGE REQUIRING LEGISLATIVE AFFAIRS CLEARANCE SHOULD BE GIVEN TO A/S OFFICE, WITH A COPY OF PACKAGE (MARKED COPY) GIVEN TO LEGISLATIVE AFFAIRS TO CLEAR OFF ON. AFTER THREE DAYS, THE ORIGINAL PACKAGE WILL BE GIVEN DIRECTLY TO EXEC SEC.
DUE INTO THE EXECUTIVE SECRETARIAT 2/20/98.

EXECUTIVE SECRETARIAT CORRESPONDENCE COVER SHEET

Wednesday, February 18, 1998

ACTION REQUIRED

PROFILE #: 1998-SE-002004

DATE CREATED: 02/18/1998

PRIORITY: Y

ADDRESSEE: Robert E. Rubin
SecretaryAUTHOR: Caplan, Phil
White House

SUBJECT: White Paper Outlining Several Administration Initiatives Relating To Fast Track

ABSTRACT: Request for comments on the White paper outlining several Administration initiatives relating to fast track.

TASK ASSIGNMENT MEMORANDUM

ASSIGNED TO: Timothy Geithner
AS, International Affairs

DATE DUE: 02/20/1998

REQUIRED ACTION: Appropriate Action

TASK: Please return comments to Executive Secretary for submission to the White House by COB 2/20/98.

DISTRIBUTION: EXECUTIVE SECRETARIAT
CHIEF OF STAFF
AS, LEGISLATIVE AFFAIRS
GENERAL COUNSEL

THE WHITE HOUSE
WASHINGTON

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- Comments from Ann Lewis attached
- Comments from Treasury attached / edits
- comments from Podesta attached

THE WHITE HOUSE

WASHINGTON

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THE SECRETARY OF THE TREASURY
THE ATTORNEY GENERAL
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Larry Stein

FR: Phil Caplan 

Attached is a "white paper" outlining several Administration initiatives relating to fast track. It's my understanding from Dan Tarullo and Bob Kyl that, in order to fulfill a commitment made to Sen. Daschle last fall, we committed to having the President send the paper to the Cabinet whether fast track passed or not.

Erskine asked me to ask you specifically to read through the paper to see if you're comfortable with everything in it -- it is several months old now. That is, has anything changed that would prevent this from being sent? Bob Kyl tells me it cleared an interagency process in the fall.

I'll wait to hear from you. Thanks. --

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THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE ATTORNEY GENERAL
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
ADMINISTRATOR, ENVIRONMENTAL PROTECTION AGENCY
UNITED STATES TRADE REPRESENTATIVE

SUBJECT: Initiatives Relating to Worker Rights and the
Environment

Attached is a list of various initiatives I support that have been designed to promote worker rights and protect the environment.

Accordingly, I instruct my Administration to take all appropriate steps to implement such initiatives.

Attachment
Tab 1 Executive Initiatives

Tab I

STATEMENT OF EXECUTIVE INITIATIVES

The renewal of traditional trade negotiating authority will enable the United States to continue to assume the leadership role in breaking down trade barriers and opening markets -- creating new opportunities for our workers and our companies. By fostering a close partnership between the President and the Congress, this authority also ensures that the United States speaks with a united, bipartisan voice in pursuing our international trade agenda.

Even as we use this authority to negotiate strong new trade agreements, we need to ensure that our trade agenda complements and reinforces other important policy objectives -- as it always has done. These goals include helping promote greater attention by other countries to the protection of the environment and worker rights. Because of American leadership, we already have witnessed significant progress in both areas. Maintaining and extending this progress depends on our continued economic leadership role, which in turn is dependent on the renewal of our traditional trade negotiating authority. Failing to do so not only will deny us the ability to attack foreign trade barriers and create new jobs at home, but also will ensure that we are not positioned to help advance environmental protection and promotion of worker rights in other countries.

Greater international attention to labor and environmental issues is integral to our efforts to see that all workers have the opportunity to compete and win in the global marketplace. It also helps serve as an important reminder that the ultimate rationale for freer, expanded trade is to create additional wealth and, by so doing, to improve the living conditions of workers both in the United States and abroad. U.S. leadership in this regard also affords a clear example to the rest of the world that protecting the environment and worker rights helps contribute to increased economic growth and prosperity.

The initiatives described below complement the provisions on labor and the environment in the "fast track" legislation now under consideration in the Senate and House of Representatives. They demonstrate that we should work to promote stronger protection of the environment and worker rights in a variety of ways in a variety of fora; indeed, they reveal that trade negotiations may not always afford the best venue for achieving these important objectives.

These initiatives are fully consistent with our goal of expanding international trade. By remaining active here, the United States can help ensure that protection of the environment and promotion of worker rights are in step with trade liberalization. Our leadership position grants us both an opportunity and a challenge: to ensure that trade expansion and improved protection of the environment and worker rights are mutually supportive, and together contribute to economic growth, higher standards of living, and a higher quality of life both in the United States and abroad.

I. Environmental Issues

A. World Trade Organization (WTO): Transparency and Openness

This Administration has long been committed to improving the transparency of WTO activities and the openness of WTO proceedings, and we will be continuing our active pursuit of these goals in the coming year. First, to demonstrate the significance we attach to this issue, the Administration's fast track bill included a principal negotiating objective of achieving the observance of open and equitable procedures by U.S. trading partners and WTO members. Second, we will present our transparency objectives with respect to WTO activities and proceedings at a meeting of the WTO General Council (the WTO's governing body) before the end of the year. Third, we will adopt increased transparency, openness and public participation as priority objectives for the mandated review of the WTO dispute settlement rules and procedures that must be completed by WTO Members by the end of 1998.

The specific objectives that we will pursue in support of greater openness and transparency in dispute settlement include:

- Advocating consideration by WTO panels and the Appellate Body of *amicus curiae* submissions from non-governmental interested parties in dispute settlement proceedings that involve environmental and conservation issues.
- Seeking to open WTO dispute settlement panel and Appellate Body proceedings to observance by the public.
- Providing for more timely public access to dispute settlement documents, including through electronic means, to enhance the ability of non-governmental representatives to provide their input and expertise.

In addition, we will work to ensure that similar transparency and openness provisions are included in future trade agreements -- whether multilateral, regional, or bilateral -- that contain dispute settlement provisions.

B. WTO: Eminent Persons Group

We strongly support efforts to improve the understanding of how environmental considerations relate to WTO rules and principles. We believe that establishment of an "eminent persons group" can advance that process significantly and help establish the groundwork for further initiatives in this area. To that end:

- We will propose that the WTO Director General convene a group of eminent persons, to include independent experts in the fields of trade, the environment, and development, to examine issues and formulate options for the WTO to consider.

- We will propose that the group examine the interaction of national and international environmental policies with WTO rules and principles. Among the issues it should address are: the relationship of GATT Articles III and XX to environmental measures that affect trade; the relationship between trade measures in international environmental agreements and WTO rules; and the relationship between trade disciplines and ecolabeling.

C. International Financial Institutions (IFIs)

We intend to build upon and expand our efforts to promote incorporation by the IFIs of the full range of environmental issues into their operations and promote a greater flow of resources to environmental projects. In an effort to achieve these goals, the following specific steps will be taken:

- Secretary Rubin will propose that the Inter-American Development Bank (IDB) create an independent advisory committee comprised of senior IDB officials, representatives of non-governmental organizations, and others to examine environmental issues arising from prospective operations and to make specific recommendations to the IDB.
- We will press for significant increases in direct lending for environment and natural resources management projects (in the IDB such funding rose to \$815 million in 1996 due in large part to our advocacy) and for a higher share of lending to be dedicated to these projects.
- We will continue to scrutinize closely the effectiveness of public information disclosure for environmentally sensitive projects to ensure compliance with the existing law, focusing on the required advance consultation with affected and interested persons.
- We will examine closely the practices of the independent inspection panels established to examine alleged non-compliance with established policies and propose improvements to this process and its expansion to the IFIs that currently do not make use of independent inspection panels.
- We will pursue vigorously international support for our proposal to create a \$250 million fund that would provide below market rate loans to finance environmental initiatives.
- We will continue to urge the IMF, as appropriate, in its program design and annual consultations with members to consider the link between the environment and economic policy choices.

Please note also the environmental dimensions of the review of future free trade agreement partners, described below at II(A).

II. Labor Issues

In the labor area, the Administration supports a range of initiatives designed to strengthen the respect for core labor standards. We already have taken a number of important steps to broaden international respect for freedom of association; the right to organize and bargain collectively; prohibitions on forced labor and exploitative child labor; and discrimination in employment. The list of measures that follows illustrates our commitment to address worker rights issues aggressively in a variety of ways.

A. Review of Future Free Trade Agreement (FTA) Partners

The Administration is committed to ensuring that Congress and the American public have an opportunity to thoroughly evaluate future free trade agreements. One important element of this plan is our commitment to make certain that Members of Congress and the public are informed of the broader relevant conditions in prospective FTA partner countries, including each country's labor laws and practices, environmental laws and practices, legal system, macroeconomic policies and conditions, trade laws and practices, and other relevant conditions. To advance this effort:

- We will submit to the Congress, and make available to the American public, a review evaluating these conditions in each prospective FTA partner country when an agreement is brought back for congressional approval. This review will be prepared with the participation of relevant Executive Branch agencies, including the Department of Labor, the Environmental Protection Agency, the Department of Justice, the Department of Treasury, the Office of the United States Trade Representative, and the Department of Commerce.
- Among the matters this review will address are: (1) the FTA partner country's relevant labor and environmental laws, including the enforcement of those laws; (2) the integrity and effectiveness of the country's legal system; (3) the country's macroeconomic policies and practices, including the operation of its exchange rate system; and (4) a description of the country's institutional structures and general policies and practices for addressing each of these areas.

B. Labor Department Annual Report on Labor Conditions under the North American Agreement on Labor Cooperation

We believe that a greater understanding of the labor conditions in our NAFTA partners will allow us to build on the work already being done under the North American Agreement on Labor Cooperation (NAALC) and, at the same time, strengthen the NAALC's own effectiveness in addressing relevant labor issues. To aid in this objective:

- The Department of Labor will produce an annual report reviewing for each NAFTA partner the labor laws, practices, and conditions covered by the NAALC, as well as the relevant proceedings, actions and cases under the NAALC, and the steps being taken by our NAFTA partners to conform to the findings in any such cases.

C. International Financial Institutions (IFIs)

The Administration will undertake a series of measures designed to enhance the U.S. leadership role in pressing for incorporation of issues related to core labor standards into the planning and programs of the IFIs. The following measures will help enhance attention to these issues within the U.S. Government, secure a greater international focus on worker rights issues, and heighten the priority given to worker rights issues by the IFIs:

Ensuring International Focus on Worker Rights Issues

- The Administration believes the United States should continue to heighten attention to this issue. To that end, Secretary Rubin highlighted the need to place greater emphasis on labor standards in his speech at the World Bank/IMF Annual Meeting in September. He will continue to do so in appropriate fora.
- We will propose a summit meeting of the presidents of the IFIs and the Director General of the ILO to reinforce the commitment of the institutions to working closely together.

Enhanced Focus Within the Administration

- In consultation with Secretary of Labor Herman, Secretary of the Treasury Rubin will propose formation of an interagency team -- including the Departments of Labor, State, and Commerce -- to explore issues related to core labor standards more broadly and examine ways to incorporate these issues more systematically into the work of the IFIs. As part of this, the State Department will undertake a variety of diplomatic efforts to promote observance of core labor standards.

Heightening the Priority given by the IFIs to Worker Rights Issues

- We will call for the World Bank to establish an office that is dedicated to analysis of labor issues and has direct input into the Bank's program and lending activities, and will encourage regular direct contacts between ILO staff and this office. We will seek over time to pattern this effort on the institutional reforms undertaken by the Bank in recent years to strengthen its capacity to incorporate environmental considerations in lending and policy advisory activities.
- We will continue to promote vigorously our proposal to develop a screening mechanism -- now under discussion with the multilateral development banks -- to ensure that worker rights issues are taken systematically into account in the institutions' operational planning and programming. We also will explore the best means for ensuring that IFI budgets contain resources sufficient to conduct screening operations and similar analytical functions.
- We will actively promote the Administration's proposed joint World Bank-IMF conference on issues related to core labor standards in an effort to pursue explicit commitments to make tangible progress in the IFIs on these issues. The conference could bring together senior IFI and ILO officials, as well as academics and representatives of non-governmental organizations.
- We will urge the multilateral development banks to increase both technical assistance and direct lending to promote greater adherence to core labor standards.
- We will urge the IMF to further emphasize the importance of labor issues in its annual reviews of member countries and by examining the link between promotion of core labor standards and long-term macroeconomic performance (for possible inclusion in its new governance policies).
- We will follow up vigorously on the paper completed, at our urging, by the World Bank on child labor issues, including its specific proposals for more active Bank engagement on these issues.
- We will continue to implement the statutory requirement directing the Secretary of the Treasury to urge the IFIs to adopt policies encouraging borrowing countries to protect worker rights and requiring an annual report to Congress on how the IFIs are performing.

D. Export Processing Zones

The U.S. Government has been concerned over the past several years with programs through which certain countries apply lower labor standards and permit less adequate worker protections in special tariff-free export processing zones (EPZs). We are committed to developing a clearer understanding of such programs and, in so doing, exploring the best means for addressing the concerns that already have been identified and any others that may be highlighted through additional study of EPZs. To accomplish this:

- The Department of Labor will update its 1990 study finding that some countries applied different rules in such zones with the intent of restricting certain important labor standards, including the freedom of association and the right to bargain collectively.
- We will continue to encourage work within the ILO to analyze the extent to which differential standards exist in such zones, and will urge the ILO to work with member states to address these practices. We also will review whether to recommend increased coordination on this issue between the ILO and the WTO.

E. Child Labor

low The Administration has focused particular attention on addressing concerns about the exploitation of child labor. Since 1993, we have responded to congressional concerns by preparing three major reports on child labor practices, and have used these reports to aid the private sector in developing voluntary codes of conduct, labeling efforts, and production changes in overseas facilities. Innovative approaches in this area also include technical assistance to help developing countries eliminate exploitative child labor; pressing successfully for a greater ILO focus on exploitative child labor; using U.S. laws to suspend trade benefits in response to persistent exploitative child labor practices; and holding two workshops in 1997 with our NAFTA partners to discuss child labor concerns in North America. To build on these efforts:

- *is preparing a 50th* The Labor Department ~~will soon release a report on actions being taken internationally to combat child labor and other exploitative working conditions. The Department also expects to begin a new report evaluating strategies that have been undertaken in other countries to reduce exploitative child labor.~~
- The Administration supported the recent enactment of a change in the Tariff Act of 1930 to clarify that products of forced or bonded child labor can be excluded from entry into the United States. The Department of the Treasury is establishing a task force to assure that the Administration can effectively respond to any allegations raised under the new law *and the FY99 Budget includes funds for additional resources to enforce this law.*
- *The President's FY99 budget* includes a request for a 10 fold increase in US support for IPEC, raising our commitment from \$3 to \$30 million for *the*

THE WHITE HOUSE
Washington, DC

OFFICE OF THE STAFF SECRETARY

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THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE ATTORNEY GENERAL
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THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
ADMINISTRATOR, ENVIRONMENTAL PROTECTION AGENCY
UNITED STATES TRADE REPRESENTATIVE

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SUBJECT: Initiatives Relating to Worker Rights and the Environment

Attached is a list of various initiatives ~~I support that have been~~ designed to promote worker rights and protect the environment.

Please review these initiatives and take all
Accordingly, I instruct my Administration to take all appropriate steps to implement such initiatives.

accept them.

Attachment
Tab 1 Executive Initiatives

[Large handwritten signature]

Clerks 2-6-98
Could you edit

this directive as I
indicated and return.

✓OK/S/Clark Thanks
Phil

Phil 2-6-98
7 p.m.

were you
happy w/ the
attachment? Yes
S/Clark OK

7621

Bob Kyle

69286

THE WHITE HOUSE
WASHINGTON

58 FEB 17 PM 12:20

To Phil & Bob K -

See changes on the
last page -

Anne Lewis