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DLC
Democratic Leadership Council

The Democratic Leadership Council on Trade

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

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

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

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

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

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

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

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

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

DLC
Democratic Leadership Council

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

DLC ANNOUNCES NEW TRADE PROJECT, NAMES DIRECTOR

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

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

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

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

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

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

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DLC

Democratic Leadership Council

Edith R. Wilson

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

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

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

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

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

THE BATTLE AHEAD

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

BY AL FROM

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

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

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

The success of New Democrat ideas hasn't stopped at the water's edge. In Britain, Tony Blair's New Labour movement rode to power last month on themes virtually identical to those of the New Democrats. And at a conference I attended recently in Berlin, it was difficult not to notice the influence of New Democrat ideas on European leaders struggling to reconcile postwar social welfare promises with the economic realities of the 1990s.

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

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

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

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

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

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

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

Al From is president of the Democratic Leadership Council.

The DLC Update

To Fax or to E-Mail, that is the question...If you are currently receiving this *DLC Update* via fax but would prefer to have it e-mailed to you, please notify us at: Email:webmaster@dlcppi.org

The Democratic Leadership — Tuesday, May 13, 1997

Two Steps Forward, No Turning Back

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

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

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

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

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

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

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

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

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

A National Conversation

In our continued effort to expand our national network of New Democrat leaders, we will be hosting a special roundtable discussion in Washington, DC on July 17th and 18th. Featuring DLC/PPI principals as well as New Democrat rising stars from around the country—including business leaders, elected officials and policy experts—the event will kick off a more sustained, interactive dialogue with our growing network from around the country. Key issues such as education, entitlement reform, trade, and economic opportunity will be discussed. For more information about the event, please call the DLC Development Department at 202-546-0007.

This Fax is broadcast to thousands of public officials, citizen activists, and supporters in the DLC network nationwide.
c/o *The DLC Update*, Democratic Leadership Council, 518 C Street NE, Washington, DC 20002
P: 800/546-0027 (202/544-6172 in DC) F:202/546-0628 E-MAIL:info@dlcppi.org WWW: http://www.dlcppi.org/

The DLC Update

The Democratic Leadership — Tuesday, May 20, 1997

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China MFN: Toward a Tough but Smart Policy

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

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

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

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

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

Time for a Real Debate on U.S Defense Strategy

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

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

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

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

The New Democrat Takes a Closer Look at Campaign Finance Reform

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

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

The DLC Update
The Democratic Leadership Council
Wednesday, May 28, 1997

Visit the DLC-PPI Web site for more information on foreign policy and trade: http://www.dlcppi.org/.

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

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

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

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

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

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

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

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

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

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

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

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

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The DLC Briefing

A New Democrat Perspective on the Issues from the Democratic Leadership Council May 22, 1997

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

Renewing China MFN

What's Happening

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

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

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

New Democrat Principles

- "Democratic realism" in foreign policy means that the United States should view its most important relationships in the world through a careful balancing of all our interests—economic, strategic, and ideological—instead of acting narrowly and precipitously in reaction to ongoing events that displease us.

- Given China's size, strategic importance, and potential economic and political power, the United States should seek a "new bargain" with China whereby we support modernization of its economy while drawing it into international institutions and rules of conduct.

The Politics

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

Especially hostile to MFN are: (1) labor-oriented "populists" on the left, led by House Minority Leader Dick Gephardt, who not only attack China on human rights grounds but claim that our trading relationship with China undermines American workers; (2) old-fashioned "cold warriors" on the right who view China as the new "evil empire;" (3) a small but very active group (including the U.S. Conference of Catholic Bishops and the conservative evangelical Family Research Council) that wants to protest China's mistreatment of Christians; and, (4) an array of Republican partisans who are using the issue to highlight the "China angle" in fundraising allegations against the President and the Democratic National Committee.

The New Democrat Take

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

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

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

Talking Points

- As President Clinton pointed out, every President since 1980 has annually renewed MFN.

- MFN is a misnomer. It is only normal trade status—not a favor, not a privilege, not foreign aid.

- Removing MFN is too blunt an instrument to be an effective tool to change Chinese behavior.

- An effective, alternative way to achieve demonstrable results with China would be to shift the focus from MFN to China's accession to the World Trade Organization, which will shape China's economy and its commercial relationship with the world for the next generation. Using a benefit that China wants but does not currently have, instead of one it currently has that would be withdrawn, would give us greater leverage at a much lower risk to U.S. interests.

PROGRESSIVE POLICY INSTITUTE

FOR IMMEDIATE RELEASE
Tuesday, May 27, 1997

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PPI REPORT CHARTS NEW 'TOUGH, SMART' CHINA POLICY

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

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

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

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

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

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

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

- more -

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

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

  - In areas where internal trends are moving in positive directions—expansion of non-governmental organizations (NGOs), rule of law, local elections—the United States should cooperate with China in facilitating these trends.

  - We could allow individual Americans to exercise their condemnation of repression in China by, as the Heritage Foundation has proposed, enacting "Know Your Trading Partner" legislation, which would identify all Chinese military-owned companies and products, allowing consumers to make a choice.

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

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

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

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DLC news release
Democratic Leadership Council
518 C Street, NE ▪ Washington, DC 20002 ▪ 202-546-0007 ▪ FAX: 202-546-0628

FOR IMMEDIATE RELEASE
Tuesday, May 27, 1997

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

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

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

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

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

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The DLC Update

Visit the DLC-PPI Web site for more information on recent DLC-PPI products: http://www.dlcppi.org/.

The Democratic Leadership Council — Tuesday, June 3, 1997

MATTERS OF PRINCIPLE

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

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

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

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

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

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

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

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

Some traditional liberals oppose this approach because they think we can find the money to keep the entitlements intact while making public investments, by slashing the defense budget, or soaking the rich with new taxes. New Democrats think that's wishful—and thus irresponsible—thinking, and plays into the Republican strategy of starving public investments to death. Ours is a principled position.

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

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

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

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

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

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

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An appeal to Congress:
Give President Clinton the authority to negotiate tough, fair trade agreements.

America can compete and win
Under President Clinton's leadership, the U.S. economy is now consistently ranked as the most competitive in the world. Not since the Administration of John F. Kennedy has there been a comparable period of sustained low-inflation, low-unemployment growth. Like JFK and every other Democratic President of this century, President Clinton believes trade is essential to economic growth. He has fought to give Americans the education and skills they need to succeed in the new economy. Expanding trade means expanding opportunities for American families and communities.

American trade is critical to state economic growth
As state leaders, we know lower trade barriers have been critical to expanding markets for American goods and services overseas and increasing investment here. Nearly all states have registered *double-digit export growth* over the past four years. *Export-related jobs accounted for nearly one-fourth of the new jobs created since 1992 -- jobs that pay an average of 13 - 15% more.* Increasing trade is essential to increasing growth. But if we hesitate to open new markets, this growth could falter.

No time for unilateral disarmament in trade
For three years now, the President of the United States has not had fast-track negotiating authority. Now *key negotiations are about to start* -- in agriculture, services, financial services, and information technology -- sectors where our country is the world leader -- and in Asia and Latin America, the two fastest growing regions in the world. This is no time to unilaterally disarm our President and our negotiators. *Without fast track,* the United States cannot negotiate new trade agreements that are in our interest, and fair, reciprocal trading rules. Failure to renew negotiating authority will only encourage more competitors to leave us behind by cutting America out of new industry-wide and regional accords. Already 22 *agreements* have been signed without the United States.

We urge Congress to give President Bill Clinton the ability to protect America's interests in the world trading system through renewed fast-track trade negotiating authority -- which every President since Gerald Ford has received. As Democrats, we call on all members of our Party to sustain our economic growth by supporting fast-track authority for this Democratic President. We must not lose tomorrow's jobs because we failed to lead today.

Democrats for Economic Leadership
Compete, don't retreat. Let America lead.
Sponsored by the Democratic Leadership Council

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Nelson
Steve
Eric
Dan

DLC
Democratic Leadership Council

July 31, 1997

To: Mac White House Staff
(See Distribution)

Fr: Edie Wilson, Trade Project Director

Re: **Fast Track**

The enclosed materials were delivered to all Congressional offices today for use during the August recess. We thought you would like to have a copy.

I can be reached at 608-1236.

Distribution

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Edie

DLC
Democratic Leadership Council

Dear Member of Congress:

Now that the budget debate is over, we are about to begin an important public debate about the future of U.S. international leadership as Congress takes up President Clinton's request for renewed fast track negotiating authority this fall. As every Democratic President in this century has known, expanding trade is essential to creating economic opportunity for ordinary Americans.

As you head home for the August recess, we hope you will find these materials helpful in explaining these issues to your constituents. We have included:

- America and the World Economy: What Every American Needs to Know
- Fast Track: Myths and Realities Talking Points
- Fast Track Negotiating Authority: What It Is and How It Works
- Expanding the Winners Circle: A New Social Compact
- Key Facts About U.S. and World Trade
- Key Facts About NAFTA

Support for open markets and hostility to protectionism is the oldest principle of the Democratic Party. It is simply unfair to elevate the interests of industries or groups threatened by international competition above the interests of workers in exporting industries; of consumers; of communities that benefit from foreign investment; and of every American who benefits from steady growth, low unemployment, and low inflation. The trade agreements we forge today will determine the strength of our nation's global position tomorrow and define U.S. opportunities in the new global economy.

At the same time, we must substantially improve our efforts to equip all Americans with the education and skills they need to be as competitive as individual citizens as we now are as a nation. We must defend the rights of workers to organize and influence employer decisions that affect their jobs and income. We must encourage and reward good corporate citizenship towards both employees and their communities. And we must use trade negotiations not simply to knock down barriers but also to lift incomes here and abroad, create eager customers for our goods, and fair and worthy competitors at the same time.

The message about fast track is simple: If America can't negotiate, Americans lose. We will be supplying the best information we can find to help you sift through the facts. I can be reached at 202-546-0001, and look forward to assisting you and your staff in the weeks ahead.

Sincerely,

Edie Wilson

Edith R. Wilson
Trade Project Director

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Talking Points

July 1997

America and the World Economy

What All Americans Need to Know

▸ Trade Contributes to American Prosperity

Trade expansion raises American living standards while simultaneously increasing economic prosperity in other countries. When unemployment is high, export growth increases demand for U.S. goods and services, increasing employment. Even today, in an economy at full employment, trade expansion benefits Americans by contributing to higher incomes and shifting the pattern of job creation in the direction of high-productivity, high-wage jobs. Since 1992, over 11 million new jobs have been created and, of these, 1.5 million have been high-wage, export-related jobs—which, on average, pay 13 to 16 percent more.

▸ We Need Fast Track Authority

The United States has been the world's most competitive, major economy for the last three years. To maintain this prosperity, Congress must give the President the ability to protect America's interests in the world trading system through renewed fast track trade negotiating authority. Key regional negotiations are about to begin as well as negotiations in agriculture, financial services, information technology, and other service industries—sectors where our country is a world leader. Unfortunately, the President has not had fast track trade authority for three years now—despite the fact that every President since Gerald Ford has had it. Without fast track, the United States cannot negotiate tough, new trade agreements and fair, reciprocal trading rules. Failure to renew negotiating authority will only encourage competitors to cut America out of new industry-wide and regional accords. Already 22 agreements have been signed without the United States.

▸ All Americans Gain from Global Leadership

The recent passage of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), the formation of the World Trading Organization (WTO), and free trade agreements with Canada and Mexico, as well as 200 other lesser-known trade agreements since 1992, have benefitted the United States by substantially reducing tariff barriers and by including provisions for the reduction of non-tariff barriers. Only three years after its passage, the North American Free Trade Agreement (NAFTA) is fulfilling its promise.

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Our trade relations with Canada and Mexico are better, prices on consumer goods are lower, and trade and investment throughout North America have increased. Today, the U.S. economy creates in one month the number of jobs displaced because of NAFTA in the last three years.

▸ We Need to Open New Markets

With 95 percent of the world's consumers living outside our borders, the United States depends on new markets to sell its goods and services. From Latin America to the booming Pacific Rim, to Russia and the former communist states of Europe, the failure of socialism and centrally-planned economies has sparked a resurgence of market economies and democratic governance. The United States has spurred this resurgence by helping emerging economies tap into global investment and by developing new multilateral, debt-reduction programs for heavily-indebted poor countries. Expanding trade and opening new markets are important components of an overall strategy to accelerate U.S. economic growth while promoting democracy and stability abroad.

▸ Investment at Home and Abroad Benefits Americans

U.S. investment abroad creates new markets and customers for U.S. companies. In 1993, American companies' foreign operations sold 66 percent of all their goods and services in the host country's market and 89 percent of their goods and services outside the United States. Foreign direct investment (FDI) in the United States creates jobs and fuels economic growth. In 1993, foreign companies operating in the United States employed 4.7 million people, or five percent of all Americans employed by private industry. Currently, the United States receives more FDI than any other country in the world.

▸ Imports Play a Vital Role in Our Economy

Imports play an important role in strengthening our overall economy by increasing competitive pressures on domestic producers to upgrade and innovate and by providing American consumers with the best and most competitively priced products in the world. The United States is the world's largest importer even though, proportionate to the size of its economy, the United States imports far less than countries such as China, France, Germany, and the United Kingdom. By contrast, U.S. imports are now equal to only 12 percent of gross domestic product (GDP).

▸ Trade Deficits Don't Tell the Whole Story

Despite the attention annual trade deficits receive in the media, running a current account deficit is not always bad. Current account deficits and surpluses are primarily determined by macroeconomic circumstances, particularly the balance between domestic saving and investment. A current account deficit simply means that the United States is, on balance, borrowing from the rest of the world; a current account surplus means that the U.S. is a net lender to the rest of the world. Whether this borrowing or lending is good or bad depends, as it would for any individual or business, on what the borrowing is used for or why the country is lending. Annual trade deficits are 1.7 percent of GDP. In the 1980s, U.S. trade deficits were problematic because large budget deficits were reducing national saving without increasing public investment. However, the recent increase in our trade deficit appears to be financing new U.S. investment, particularly in business equipment. Moreover, the U.S. economy is experiencing historic prosperity which provides the necessary resources to repay our loans from the rest of the world. It should be noted, however, that running large current account deficits over a long period of time may have a negative impact on the overall economy. The most efficient way to counter this potential negative impact is to increase national savings rates.

▸ The Cost of Inaction—We Have No Time to Wait

With the expansion of global markets linked by computers, satellite communications, and advanced transportation networks, international trade and investment play an ever-increasing role in American prosperity. The United States cannot afford to retreat from a proactive strategy of trade expansion that takes advantage of our position as the world's most prosperous and dynamic economy. The trade agreements we sign today will determine the strength of our nation's global position tomorrow and define U.S. opportunities in the rapidly globalizing economy. Increases in GDP, a 70 percent reduction in federal budget deficits over the last four years, and the prospect of a balanced budget lay the foundation for continued economic expansion. However, sustained prosperity is contingent on our willingness to use all the tools at our disposal to compete in and shape the global economy.

For additional information , please visit our Web site: http://www.dlcppi.org/trade.htm.

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Fact Sheet
July 1997

Fast Track

Myths & Realities

1. Myth **Fast track authority will only repeat the mistakes we made with the North American Free Trade Agreement (NAFTA).**

Reality Wrong. The fast track debate is about American leadership in world trade—about whether we will participate in a wide-ranging series of new negotiations that are about to start with or without us. It is about expanding opportunities in international markets for American-made goods and services and about sustaining our economic growth and prosperity. The trade agreements we forge today will determine the strength of our nation's global position tomorrow and define U.S. opportunities in the economy of the future—but we can't do it without fast track.

Second, NAFTA is on track. In 1996, nearly one-third of U.S. trade in goods was with Canada and Mexico ($421 million). Our NAFTA partners accounted for 53 percent of the growth in total U.S. exports in the first four months of 1997. Further, NAFTA has "locked in" not only a steadily decreasing tariff rate on almost all products, but also significant market reforms and dispute settlement procedures. It has increased certainty and stability in our commercial relations with our two largest trading partners in the world.

Third, NAFTA has also given us increased opportunities, new forums, and a process to engage our neighbors in addressing non-trade issues of mutual concern including immigration, drug trafficking, labor rights, and environmental protection.

2. Myth **Fast track authority means that our Congress has no voice in the negotiations.**

Reality Wrong. Fast track authority is an agreement between the executive branch and the Congress to ensure that:

- The executive branch's constitutional prerogative to conduct international commercial negotiations is balanced by the legislative branch's constitutional prerogative to review and approve these agreements. *Fast track is the proven vehicle for achieving this balanced approach,* having been used for every international trade negotiation since 1974.

- There is extensive consultation between the President and the Congress prior to and throughout the negotiation of trade agreements to ensure transparency, public debate, and fine-tuning of negotiating positions.

- U.S. trade negotiators and trade partners can negotiate with full confidence of knowing that the agreement they reach *will not be changed once submitted* to Congress, and will be honored and implemented in its entirety by the United States provided Congress approves the agreement. Without it, we cannot expect our partners to negotiate seriously.

- Fast track is a process designed to serve the overall national interest in trade, not any single special interest. If the President can negotiate a good trade deal, he should have the authority to submit it to Congress for approval. Without fast track, he cannot.

3. **Myth** **Fast track is only about expanding NAFTA to include Chile.**

Reality Wrong. The fast track stakes for the United States are much larger and more complex. Negotiations are scheduled to begin soon with or without U.S. participation. Fast track authority will enable the United States to advance our global economic interests in four key trade arenas of trade:

- *Multilateral arena*: The World Trade Organization, the institution under which the General Agreement on Tariffs and Trade operates, has an ongoing agenda that includes:

  — Agricultural negotiations to further reduce barriers—such as export subsidies and domestic support programs—in the $526 billion global agricultural trade market.

  — Services negotiations addressing a wide range of services in which the United States is highly competitive—such as health care, education, entertainment, tourism, business consulting, and advertising—to further open this $1.2 trillion global market.

– Government procurement–the provision of goods and services to public-sector entities and public works projects. U.S. providers in sectors such as construction, high-tech electronics, telephone, and office product sectors need to participate in the creation of these new rules to ensure a level playing field with foreign competitors for these multi-billion dollar contracts.

- *Sectoral trade agreements*: With fast track negotiating authority, the United States can pursue its national interest and break down trade barriers in key sectoral negotiations where we are world leaders–including areas such as computer software, information technology, medical equipment, and environmental technology.

- *Regional trade agreements*: Through negotiations toward a "Free Trade Area of the Americas" (FTAA), targeted for completion in 2005, the United States could reduce trade barriers in our fastest growing market. In Asia, the Asia-Pacific Economic Cooperation (APEC) forum contains the fastest growing economies in the world today (a market of $2.8 trillion in gross domestic product); the United States is committed to achieving free and open trade with its fellow APEC members by 2010.

- *Bilateral trade agreements*: The United States has committed to negotiating comprehensive bilateral agreements with Chile and New Zealand, among others. In addition, a number of countries have requested negotiations for bilateral intellectual property rights agreements and bilateral investment treaties.

4. Myth **Fast track leads to more trade agreements that will increase the U.S. trade deficit.**

Reality Wrong again. Fast track ensures that the Congress will have the opportunity to review each new trade agreement, both during the negotiations and as a package once submitted for approval.

There is no direct relationship between annual trade deficits and the signing of new trade agreements. More importantly, current account trade deficits are not necessarily harmful to the overall economy if the deficit is at a manageable percentage of gross domestic product (GDP) and the capital we are borrowing is invested in activities that contribute to economic growth. Currently, our annual trade deficit is only 1.7 percent of GDP which is much lower than other advanced countries.

5. **Myth** **We should fine tune existing trade agreements before we negotiate any more.**

Reality Wrong approach. The United States should have the ability to engage in trade negotiations that are in our national interest while we work with our trade partners to improve existing agreements.

If all we do is fine tune existing agreements, our competitors will take advantage of further delays by reaching agreements without U.S. participation, which is likely to be detrimental to the interests of U.S. workers and businesses. Over twenty-two such agreements have already been signed without any U.S. participation.

6. **Myth** **America can grow without trade.**

Reality Dead wrong. The United States is the world's largest trading nation and the world's most competitive trader. To sustain our own economic growth, we need increased access to the 95 percent of the world's consumers living outside our borders—85 percent of whom live in developing countries, the largest growth regions both now and in the future.

U.S. exports account for 12 percent of all world goods exports and 16 percent of all world services exports. Expanded trade has been a huge contributor to our national economic success. Exports have increased by one-third in the last three years alone. Between 1986 and 1994, jobs supported by exports rose 63 percent—more than four times faster than overall private industry growth. By 1997, 12 million U.S. jobs depended on exports, a number that is expected to rise to 16 million by the year 2000. Over the last four years, U.S. job growth has been greater than the combined job creation of all the other industrialized nations.

7. **Myth** **Fast track is detrimental to American workers. Fast track negotiated trade agreements are responsible for falling wages, increased job insecurity, declining incomes, and a decline in manufacturing jobs in America.**

Reality Just plain wrong. By allowing the President to negotiate free and fair trade agreements, fast track allows us to protect the interests of American workers by opening new markets for American-made exported goods and services. It also allows us to set new rules in areas like intellectual property rights that ensure that American investment in innovation is not stolen. Exports support higher paying jobs and are key to sustaining economic growth. Fast track is about maintaining and expanding the U.S. export base—U.S. manufacturing exports are increasing, not decreasing.

Export-related jobs pay an average 13-16 percent higher than the national average. In addition, competitive pressures associated with trade play a key role in holding down consumer prices. Export-related jobs contribute to a rising standard of living.

We are enjoying the most stable U.S. economy in thirty years. Unemployment has fallen from 7.5 percent in 1992 to 4.9 percent in April of 1997 while inflation remained steady at approximately 3.5 percent. Core inflation (excluding volatile energy and food prices) was at 2.6 percent in 1996. The combination of low unemployment and low inflation means the lowest "misery index" since the 1960s.

8. **Myth** **We always give up more than we gain in trade negotiations. Fast track just makes our losses happen more quickly.**

Reality Untrue. Because our market is already one of the world's most open, we give up very little in trade negotiations. Our trading partners, whose markets are still far more restrictive, give up substantially more. Nevertheless, our trade partners leap at any opportunity to enhance access to the world's richest market. We need fast track authority in order to break down foreign barriers to trade, open new markets for U.S. goods and services, and ensure that they remain open.

9. **Myth** **Fast track won't take care of issues like immigration, drug trafficking and environmental problems like those that have resulted from NAFTA.**

Reality True: Fast track has nothing to do with these issues. However, having the authority to engage our partners in trade negotiations gives us more clout to make progress on these issues. Conversely, without fast track, we weaken our ability and credibility to pursue other foreign and economic policy objectives.

Trade agreements give us enhanced and more frequent opportunities and forums to engage our trading partners on these important issues. For example, making environmental and trade policy mutually supportive enjoys growing support in our country and internationally. The Rio Summit on Sustainable Development (1992), the Summit of the Americas (1994), and ongoing work in the World Trade Organization all reflect an international commitment to find new methods of collaboration to resolve environmental issues.

10. **Myth** **We should just "wait and see" how other trade negotiations shape up and then decide whether or not to play a role.**

Reality No. That is not only a bad negotiating strategy, but unsound public policy. If we wait to see how global or regional agreements shape up, we will have no ability to influence the trade agenda, the rules of individual agreements, or the obligations of the members of the agreement. The United States would be left in a position of accepting or rejecting a trade package in which we did not participate but which may be detrimental to the interests of our workers and businesses.

11. **Myth** **The United States does not need fast track to negotiate trade agreements, and our partners need access to our market so badly that they will continue to negotiate with us anyway.**

Reality Yes, we do and no, they won't. Our trading partners are unwilling to engage in comprehensive negotiations without the assurance that the deal they strike will not be watered down by amendments and other changes. No country is going to reveal their best offer to a trading partner that can't make a deal and keep it. Our trading partners will not negotiate with us without fast track, as evidenced by Chile's current refusal to go forward with bilateral negotiations. Instead, Chile has negotiated an associate membership with the Mercosur, and a free trade agreement with Canada, both of which carry tangible disadvantages for the American economy.

It is clear that our trading partners would prefer the status quo with the United States to bad faith negotiations. Meanwhile, they are cutting deals with other markets to the detriment of U.S. interests.

12. **Myth** **Fast track and more trade agreements will just make hard times harder for those American workers who are not benefitting from our prosperity.**

Reality Trade, like technological change and every other development in the new world economy, produces dislocations and insecurity. But the way to deal with dislocations and insecurity is to confront them directly, not wish them away.

We must substantially improve our efforts to equip all Americans with the education and skills they need to be as competitive as individual cities as we are now as a nation. We must defend the rights of workers to organize and influence employer decisions that affect their jobs and income. We must encourage and reward good corporate citizenship towards both employees and the communities in which they live. And we must use trade negotiations not simply to knock down barriers, but also to lift incomes here and abroad, create new customers for our products and fair and worthy competitors at the same time.

For additional information , please visit our Web site: http://www.dlcppi.org/trade.htm.

DLC
Democratic Leadership Council

Fact Sheet
July 1997

Fast Track Negotiating Authority

What It Is & How It Works

What is Fast Track negotiating authority?

- Fast track negotiating authority was agreed to between the executive and legislative branches as part of the Trade Act of 1974 in order to negotiate and implement the Tokyo Round of the General Agreement on Tariffs and Trade (GATT). Reviewed and renewed over time, fast track authority has been used to implement each comprehensive trade agreement in which the United States has been a party since that time: Tokyo Round of the GATT (1979); U.S.-Israel free trade agreement (1985); U.S.-Canada FTA (1988); National Free Trade Agreement (NAFTA) (1993); and, the Uruguay Round of the GATT(1994).

Fast track authority is an agreement by the executive branch and Congress designed to ensure that:

- The executive branch's constitutional prerogative to conduct international commercial negotiations is balanced by the legislative branch's constitutional prerogative to review and approve these agreements. Fast track is the proven vehicle for achieving this balanced approach.

- There is extensive consultation between the President and Congress prior to and throughout the negotiation of trade agreements to ensure transparency, public debate, and fine-tuning of negotiating positions.

- U.S. trade negotiators and trade partners can negotiate with full confidence that the agreement they reach will not be changed once submitted to Congress, and will be honored and implemented in its entirety by the United States provided Congress approves the agreement.

How does Fast Track work?

- Fast track negotiating authority is granted by Congress, usually for a specified period and a specified set of negotiations.

- The President notifies Congress that he intends to negotiate a trade agreement with a given country or countries.

- Congress approves or disapproves the President's request under a special timetable.

- If approved, the President enters into negotiations for the trade agreement, assured of an up or down vote by the Congress upon submission of legislation implementing the agreement under U.S. law.

- During the negotiation process, fast track requires the President to consult with Congress on the progress, substance, and issues in the negotiation. Congress typically holds hearings related to the negotiation but individual consultations with Members and committees are also held as needed.

- Once negotiations are completed, the President notifies Congress of his intent to sign the agreement. After a specified time period has elapsed, the President signs the agreement and submits legislation that will implement the agreement under U.S. law (including mandated reports by his advisory committees, etc.) for congressional approval.

- Under a specific timetable, Congress then votes on the implementing legislation for the trade agreement.

(Based on the Trade Act of 1974 as amended; 1988 Omnibus Trade Act as amended)

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Expanding the Winner's Circle

A New Social Compact

As our stake in the new global economy increases, so does our responsibility to ensure that all Americans have the opportunity to compete effectively. Trade liberalization must go hand-in-hand with a new domestic agenda that offers all U.S. workers lifelong access to career training; provides more effective public support for workers in transition; equips them with the tools to manage their own career security by controlling their health and pension resources; and redefines corporate responsibility in a world of borderless markets.

Create a Lifelong Career Opportunity System for All Americans

- Expand support for apprenticeships to help train young people not bound for college.

- Replace today's ineffective federal job training and adult education programs for displaced workers with individual vouchers. Workers would be able to decide for themselves the best way to build the skills they need to secure good jobs and wages in a rapidly changing economy.

- Create a competitive system of public, non-profit and private One-Stop Career Centers that would give every American access to reliable information, allowing them to choose appropriate education and training providers, apprenticeships, colleges and, ultimately, jobs.

- Reform the tax code to provide all workers with access to job training by: 1) experimenting with tax-preferred savings accounts to help people set aside funds to enhance their career skills; and 2) reforming the tax law so that any firm providing tax-free training to its managers and professionals could not discriminate against other employees by denying them comparable opportunities, as long as workers who take advantage of these opportunities agree to stay with the firm for a reasonable period.

Extend Portable Health Insurance and Pensions to all Americans

- Portable health insurance is critical for workers as they assume more responsibility for their own economic security in the global economy.

Although job-based health insurance covers most Americans, workers should have portable benefits that enable those who are changing jobs or are laid-off to retain their health insurance coverage during the transition. To support these workers and those whose employers do not offer insurance, this segment of the population should be able to purchase their own coverage with help from a refundable tax credit.

- Restructuring Social Security to place the program on sound fiscal footing should include changes in our retirement system that promote self-reliance, greater personal responsibility, and a more reasonable tax burden on working families.

- While many workers have portable pensions that allow them to roll over their pension assets when they change employers, this option should be available for every American.

Performance-based Compensation, Equity-Sharing and other Reward Systems

- To provide average Americans with more opportunities and incentives to increase productivity and innovation on the job, firms should be encouraged to establish reward systems that are internally equitable, competitive, and linked to the long-term performance of the firm. Extending the non-discrimination rule that is currently used for health care coverage and pension contributions to this area should be examined. Specifically, when a firm provides tax-favored, performance-based bonuses to executives, all employees should be eligible to earn such compensation.

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Key Facts About U.S. and World Trade

- Between 1977 and 1996, U.S. exports as a percentage of U.S. gross domestic product (GDP) increased from 8.5 percent to 13 percent. In addition, global capital flows have exploded—between 1990 and 1995, total U.S. investment abroad has grown by 65 percent, while investment in developing countries has nearly doubled.

- Since 1992, the number of high-wage, export-related jobs in the U.S. economy has increased by 1.5 million. These jobs pay more—13 percent to 16 percent more on average—than the median wage job. Over 12 million U.S. jobs are supported by export-based industries, and by the year 2000 this number is expected to rise to 16 million.

- Exports have increased 42 percent since 1992, and today we export one-eighth of all the goods and services we produce.

- As a percentage of GDP, the United States imports far less than other advanced countries. The United States imports 12.6 percent of GDP, compared to 19.4 percent for China; 21.4 percent for France; 23.3 percent for Germany; and 30 percent for the United Kingdom.

- Running a trade surplus is very difficult when the economy is growing. Nonetheless, the overall U.S. trade deficit today is only 1.7 percent of GDP, down from 3.3 percent of GDP in 1986-87.

- Foreign direct investment (FDI) benefits the investor and the host country by creating new markets and customers, increasing access to new knowledge and technology, and reducing capital and information failures. In 1993, American companies' foreign operations sold 66 percent of all their goods and services in the host country's market and 89 percent of their goods and services outside the United States. Also, the United States is the world's largest recipient of FDI.

- Trade between firms and their foreign affiliates (intrafirm trade) is often an efficient form of international trade because it reduces problems of imperfect information. Over a third of U.S. exports and two-fifths of U.S. imports are estimated to be intrafirm. Worldwide, about one-third of trade is intrafirm.

- The Asia-Pacific region is the United States' most viable market, purchasing 30 percent of U.S. goods and absorbing more than $40 billion of U.S. foreign direct investment between 1991 and 1995. Latin America is the second fastest growing region for U.S. goods and services.

- Overall, trade with Mexico has grown nearly 60 percent in the last three years. Despite Mexico's economic problems and a temporary drop in U.S. exports, the United States still exported $46.3 billion worth of goods to Mexico in 1995. This is 11 percent more than the pre-NAFTA level of $41.5 billion in 1993. U.S. investment in Mexico averages only half of one percent of domestic investment in plant and equipment. By the end of 1997, Mexico will be our second largest trading partner. For every dollar Mexico spends on imports, 75 cents goes to the United States.

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Key Facts About NAFTA

North American Trade

- In 1996, nearly 40 percent of U.S. trade in goods with the world was with the Western Hemisphere ($242 billion). Trade with our North American Free Trade Agreement (NAFTA) partners has increased 44 percent since NAFTA was signed, compared with 33 percent for the rest of the world. Mexico and Canada accounted for 53 percent of the growth in total U.S. exports in the first four months of 1997.

- Between 1993 and 1996, U.S. exports to Mexico grew by 36.5 percent to a record high of $15.2 billion, despite a 3.3 percent reduction in overall Mexican demand over this same period.

NAFTA's Impact on Trade Barriers and the U.S. Economy

- Since NAFTA, Mexican tariffs on U.S. goods have been reduced by an average of 7.1 percent. U.S. tariffs on Mexican imports have been reduced by 1.4 percent; however, some of these reductions would have taken place under the Uruguay Round, regardless of NAFTA.

- Overall, U.S. trade with Mexico has grown nearly 60 percent in the last three years. Despite Mexico's economic problems and a temporary drop in U.S. exports, the United States still exported $46.3 billion in 1993. U.S. investment in Mexico averages only half of one percent of domestic investment in plant and equipment. By the end of 1997, Mexico will be our second largest trading partner. For every dollar Mexico spends on foreign imports, 75 cents goes to the United States.

- The U.S. economy creates in one month the number of jobs displaced by NAFTA in three years.

- It is difficult, methodologically, to isolate NAFTA's effect on the U.S. economy because NAFTA is only three years old, the Mexican peso has fallen, and U.S. tariff reductions under the Uruguay Round have taken place during the same period. However, after controlling for other variables, several studies have shown that NAFTA had a modest positive impact on U.S. net exports, income, investment, and jobs supported by exports.

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- A recent study by DRI estimates that NAFTA increased real exports to Mexico by $12 billion in 1996, compared to a smaller real increase in imports of $5 billion, controlling for the Mexican peso crisis. The larger impact on U.S. exports reflects the fact that under NAFTA, Mexico lowered its tariffs approximately five times more than the United States. DRI estimates that NAFTA contributed $13 billion to U.S. real income and $5 billion to business investment in 1996, controlling for the Mexican peso crisis.

NAFTA'S Impact on the Mexican Economy

- In 1996, Mexico recovered from its most severe recession since the 1930s. NAFTA played a small, yet positive, role in this recovery by imposing economic discipline on the Mexican economy. In contrast to Mexico's 1982 financial crisis, Mexican economic output dropped more quickly in 1995, but it also rebounded more quickly, reaching pre-crisis levels at the end of 1996. In 1982, it took Mexico 7 years to return to international capital markets, in 1995, it took only 7 months.

- In 1995, Mexico continued to implement NAFTA provisions even as it raised tariffs on imports from other countries. As a result, U.S. exports recovered in 18 months and were up nearly 37 percent by the end of 1996 relative to pre-NAFTA levels, even though overall Mexican consumption decreased by 3.3 percent.

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