FOIA Number: 2017-0401-F

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Slene

WHITE HOUSE STAFFING MEMORANDUM

DATE: 7/23 ACTION/CONCURRENCE/COMMENT DUE BY: Immediate

SUBJECT: Fast track memo

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	✓		McCURRY		✓
BOWLES	✓		McGINTY	✓	
McLARTY	✓		NASH		
PODESTA	✓		RUFF		
MATHEWS	✓		SMITH		
RAINES			REED		
BAER			SOSNIK	✓	
ECHAVESTE			LEWIS		
EMANUEL	✓		YELLEN		
GIBBONS			STREETT		
IBARRA			SPERLING		✓
RADD			TARULLO		✓
MARSHALL			VERVEER		
HILLEY		✓	WALDMAN		
KLAIN	✓				
BERGER		✓			
LINDSEY					

REMARKS: 6:45 pm version of memo. All signatories have not yet approved, but need comment ASAP so I can get it to POTUS this evening.

Phil

RESPONSE:

Staff Secretary
Ext. 6-2702

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER
GENE SPERLING
DANIEL K. TARULLO
JOHN HILLEY

SUBJECT: Fast Track

We continue to use the July-August period to organize our efforts and prepare for a more visible Congressional and public campaign in September. We also need to finalize our position on two key substantive issues: 1) the negotiations for which we will use fast track authority; and 2) our opening position on the labor/environment issue. This permits us to sharpen our message and begin some quiet, limited Hill consultations before the August recess -- and to prepare for your Thursday meeting with Members.

Uses of Fast-Track Authority

Although we will continue to refine our message framework and develop the most cogent presentation possible, our broad message regarding the uses of fast-track authority clearly should build on three points. First, trade expansion has been a key element of the Clinton economic strategy that has created 12 1/2 million jobs, brought core inflation to a 30-year low and created sustained economic growth. Second, as we enter the 21st Century, we need to be in front of world trade opening efforts, not lagging behind and losing market opportunities. Third, fast track will advance a coherent trade strategy built around four Presidential initiatives:

> FTAA/Latin America: As the hemisphere integrates, the United States must not be left behind. Negotiating free trade with Chile is key to exerting American leadership in the FTAA process, to be launched during your April 1998 trip to Santiago.

cc: Vice President
Chief of Staff

APEC/Asia: We should build on APEC's success by negotiating sectoral agreements in key areas that are springboards to global market opening (in the same way that the 1996 APEC Information Technology Agreement led to the global agreement).

Africa: We would build on our Africa trade and investment initiative by indicating our readiness to begin free trade talks with South Africa when it is ready.

Multilateral: We would continue a 50-year record of American leadership in the GATT/WTO that has substantially lowered global trade barriers and contributed to a 90-fold increase in world trade. Upcoming WTO talks in key areas like agriculture, services, intellectual property rights and government procurement create significant opportunities to reduce foreign barriers.

The Principals recognized that talk of Latin trade can be used by fast-track opponents, who seek to make this debate a referendum on NAFTA. Despite this sensitivity, the Principals felt we must forthrightly make the case for the FTAA and continued Latin American trade expansion, as it is an integral part of our agenda and buttresses our broader themes of global leadership and market opening. However, our hemispheric message is leavened by the fact that the only Latin FTA likely to be concluded during your term is Chile.

A focus principally on Chile and sectoral agreements may cause some Members to question whether this agenda is sufficiently far-reaching to be worth the fight. Principals discussed the possibility of identifying additional bilateral FTA candidates. However, discussions with other countries are not sufficiently advanced, and we would need to know that they helped, rather than hurt, political prospects for fast track. Thus we propose to indicate that we would consider a limited number of additional bilateral FTAs in your second term which could advance U.S. trade policy aims in APEC or elsewhere, but only after thorough analysis and consultations. (For your information, USTR has been thinking of Australia, New Zealand, and possibly others, but there are still questions about them.)

Labor/Environment

We need to settle on our labor/environment position so Charlene can consult quietly on the Hill before the August recess, permitting a quick rollout in September. Our position should be seen only as preliminary, subject to revision after consultation with the Hill. Ultimately, the Administration may need to broker a deal between Republicans and swing Democrats. If past trade legislation is any guide, swing Democrats and others may want to include other provisions (e.g., worker retraining, general trade law reform) going beyond labor/environment. We will not initiate these at the outset, but we should anticipate them.

There are two parts to the labor/environment issue: 1) what we commit to do outside (parallel to) any free trade agreements; and 2) what labor/environment provisions should be included within any free trade agreement.

Outside the Trade Agreement: The Principals believe we should negotiate labor/environment side agreements as appropriate, regardless of what can be included in the trade agreement. This would reaffirm our promotion of worker rights and the environment consistent with our NAFTA record. We would argue no one approach fits all countries, so the need for agreements and the terms may vary by country (e.g., New Zealand v. Brazil). Side agreements essentially equivalent to those for NAFTA could be reached through executive authority and would not require legislation. If asked, we would state our willingness to enforce side agreement through trade sanctions similar to those in the NAFTA side agreements (i.e., sanctions imposed only to collect "fines" assessed against a country's failure to enforce its labor/environment laws), while eschewing a broader use of trade sanctions. Some in the business community may oppose even this, but others may not and we feel it is essential to persuade swing Democrats of our ongoing labor/environment commitment.

Some have suggested labor/environment side agreements should be a precondition of new trade agreements. The Principals felt this would unduly restrict our capacity to reach agreements in the U.S. interest (and which may, on their own, promote better labor/environmental practices.) Also, countries vary: Australia and New Zealand do not warrant the same approach as Mexico. Although a country's labor/environment record would not be a precondition, it would, of course, be an informal consideration (i.e., we are unlikely to negotiate with a country having a bad environmental record and showing no willingness to address its problems).

You should be aware some will argue this approach steps back from your NAFTA position because you are not insisting on full NAFTA-like side agreements for every country. Again, we can argue that different countries justify different approaches.

Within the Trade Agreement: The second, and more controversial, issue is the extent to which labor/environment provisions can be included within fast-track trade agreements. Gephardt insists they be fully included and enforceable through trade sanctions, perhaps even through privately initiated actions. The Principals believe this would be neither feasible to negotiate nor, in the view of many, desirable. It would likely lose most Republicans and the business community, making it impossible to assemble a coalition for passage.

Representative Bill Archer favors allowing on the trade bill labor/environment provisions that are "specifically related to trade," a formulation that was almost the basis for agreement between Ambassador Kantor and Archer in 1994. The phrase has some appeal: it makes sense that only trade-related provisions would be in a trade agreement. However, Archer's definition is quite narrow (e.g., sanctions apply against a country enacting environmental protections that are really disguised barriers to trade, a definition that, if anything, limits environmental protection). The definition could be broader (e.g., country reduces export costs by failing to enforce its labor/environment laws), but Republicans and the business community are rallying around the term, narrowly defined.

You should be aware Charlene believes we will ultimately end up with a fairly narrow definition of "trade-related" coupled with a commitment by the Administration to negotiate side agreements when appropriate. For this reason, she believes it is important you be comfortable with accepting this formulation eventually. If so, the choice between the options below may heavily be a tactical question of the best place to start. There are three options:

Option 1: Trade-Related "Plus": We would essentially accept Archer's "specifically related to trade" term, but leave the definition a little more open-ended. This would permit us to seek a broader definition, but not put us in opposition to a term -- and a fairly narrow definition -- that Charlene believes is likely ultimately to prevail. We could correctly present the term as one we embraced in 1994. No matter how the term ultimately is defined, we would state our intention to negotiate labor/environment side agreements when appropriate.

Option 2: "Trade-Related" Broadly Defined: Instead of leaving ambiguous the breadth of the definition of "trade-related," this approach would specify a fairly far-reachng definition. So, for instance, the provisions on persistent failure to enforce labor or environmental laws that were included in the NAFTA side agreements could be included as provisions in a basic trade agreement, so long as this failure was related to trade (i.e., affected imports or exports). These provisions would be subject to normal dispute settlement under the trade agreement, with the possibility of trade sanctions/fines if a country did not comply with a dispute settlement panel's ruling. In addition, we would articulate some threshold criteria indicating which countries we would choose to negotiate with. We would also seek to set up some informal review mechanism by Congress before entering negotiations with any one country. Again, we would negotiate labor/environment side agreements, when appropriate.

Option 3: Clean Bill: The bill would make no reference to labor/environment, theoretically permitting any labor/environment provisions (because there is no limiting language). This permits us to argue it is the same authority granted President Bush, distinguishes our position from Archer's, and avoids a thorny negotiation over Archer's definition of "trade-related." However, this may be only a short-term position, since Republicans and the business community will unite in opposition to ambiguity, fueled by lingering distrust over past negotiations. It will probably quickly drive us into a debate over "trade-related" or some variant or cause us to forswear labor/environment provisions in trade agreements. For these reasons, no Principals favor this option.

USTR, Treasury, NSC, NEC, Commerce, State, Mack McLarty and Jay Berman favor Option 1. They feel it is best to start at a position close, though not identical to, the position of the coalition you are likely to need (many Republicans, the business community, some swing Democrats). The more explicit Options 2 position will cause parties to lock into positions from which agreement will be more difficult, divide our coalition rather than uniting it and grind progress to a halt. The business community, which will be an important engine behind this effort, will refuse to be active until this issue is resolved. Those on the left will push for more an even more aggressive labor/environment stance than the postured position. Therefore, we will be caught in a two front war, with little support. Eventually, we will need to move off our position, which will only hurt us with swing Democrats. If our goal is to secure fast track in 1997 or early 1998, Option 2 makes it virtually impossible.

John Hilley, CEQ and John Podesta favor Option 2. They feel we are better positioned if we stake out a tougher position, show solidarity with Democratic concerns and give opposing Democrats less running room substantively to oppose our opening position. They believe Option 1 makes us too dependent on Republican support and that Option 1 will signal to Democrats that we have thrown in our lot with the Republicans, making it difficult to secure more than a core 20-40 Democratic votes. They recognize we may need to move off this opening position, but would be better served if we took this approach at the outset.

Those favoring Option 1 are concerned about the establishment under Option 2 of threshold criteria and informal Congressional review mechanisms before negotiations with a country begin. They fear starting down this road would result in Congress enacting rigid, statutory criteria and a Congressional vote before we could begin any negotiations, hobbling our trade agenda and damaging bilateral relations.

Under either Option 1 or 2, if you eventually accept a more narrow definition of "trade-related" some will argue you are backtracking on your NAFTA approach by not insisting labor/environment provisions be included in the trade agreement itself. Your October 1992 Raleigh speech on NAFTA references that labor/environment provisions were "serious omissions" from the Bush-negotiated NAFTA. (There is no discussion of future trade agreements.) We think you can argue that a "trade-related" approach does envision inclusion of some provisions in the trade agreement and, as in NAFTA, side agreements may be sufficient to achieve our labor/environment objectives. This argument may persuade some, but probably not environmental groups.

Again, this should be seen as a starting position, subject to revision based on Hill consultations. In particular, we need to get the impressions of Democratic supporters (Matsui) and key swing Democrats (Rangel), who are critical to a successful coalition.

RECOMMENDATION

USTR, Treasury, NSC, NEC, State, Commerce, Berman and McLarty favor Option 1.

John Hilley, CEQ and Podesta favor Option 2.

Option 1___________

Option 2___________

Option 3___________

Let's Discuss___________

THE WHITE HOUSE

WASHINGTON

July 23, 1997

MEETING WITH
SELECTED MEMBERS OF THE HOUSE

DATE: July 24, 1997
LOCATION: Cabinet Room
TIME: 10:00 a.m. - 11:00 a.m.

FROM: SAMUEL BERGER
GENE SPERLING FOR:
DANIEL K. TARULLO FOR:
JOHN HILLEY FOR:

I. PURPOSE

To make our affirmative case for fast track to undecided Democratic House members, and to encourage them to keep an open mind during the August recess.

II. BACKGROUND

We continue to use the July-August period to organize our efforts for a more visible Congressional and public fast track effort in the fall. Efforts during this period include building the White House and agency team (Jay Berman is now fully on board), sharpening our message, building our coalition through outreach to business, agriculture, state/local officials and others, laying a foundation of support with the press and elites and developing a communications and legislative strategy for the fall.

We also need to ensure that we avoid attrition on the Hill during the August recess, when we expect our opponents to mount a significant communications and lobbying effort. To that end, Ambassador Barshefsky has met with approximately 170 Members of Congress over the past few months to solicit their opinions and gather information; Legislative Affairs at the White House, NSC Legislative Affairs, USTR and various Agencies have made staff level calls to all House offices; the Cabinet has been informed that they need to be available to participate in satellite interviews, press conference calls and in-state visits to approximately 35 supportive, yet undecided, member districts during the month of August; we have offered Cabinet members and Administration officials to various House and Senate Caucuses, Sub-caucuses and Committees.

This meeting is an important part of that effort. The purpose is to make the affirmative case for fast track and, at a minimum, persuade them to remain neutral until we set forth legislation (including a labor/environment approach) in the fall. We recommend your message be built around three themes:

1. Optimism/Future v. Pessimism/Past: This issue is at the center of our national debate about our future: whether we will meet the challenge to compete and win, or whether we will convince ourselves -- against the evidence -- that we should not move forward. Trade expansion has been a key element of a forward-looking economic strategy that has created 12.5 million jobs, brought core inflation to a 30-year low and created sustained economic growth.

2. American Leadership: As we enter the 21st Century, we need to be in front of world trade opening efforts, not lagging behind and losing market opportunities. The world is watching. If we don't act, others will.

3. Important Market Opening Opportunities: Fast track is the tool for eliminating foreign barriers, whether through sectoral agreements (e.g., medical equipment, environmental technology, agriculture), continuing regional processes in Latin America or Asia or eliminating global barriers in the WTO. This is not a referendum on NAFTA, as some suggest. It is about a far different agenda: eliminating foreign barriers worldwide, which are much higher than ours.

Members are likely to be interested in our approach on labor and the environment. (We have separately sent you a decision memo on this subject.) However, we do not recommend you foreshadow our approach at this meeting; it likely would leak and would make it even more difficult for Members to stay neutral during August. Instead, we suggest you reaffirm your commitment to these issues and indicate we will set forth an approach in September.

III. PARTICIPANTS

See Tab C.

IV. PRESS PLAN

None

V. SEQUENCE

We recommend you open with brief remarks (attached), introduce Jay Berman and Vicki Radd, then open the floor for discussion.

Attachments
Points to be Made
Q's and A's

Hill Participants

Representative Robert Matsui
Representative Cal Dooley
Representative Nita Lowey
Representative Vic Fazio
Representative Robert Menendez
Representative E.B. Johnson
Representative Charles Rangel
Representative Tom Sawyer
Representative Ron Kind
Representative Wm. Jefferson
Representative Ben Cardin
Representative Jim Davis
Representative Charles Stenholm
Representative Howard Berman
Representative Earl Blumenauer
Representative David Skaggs
Representative Ed Markey
Representative Tim Roemer
Representative Barbara Kennelly
Representative Karen Thurman
Representative Nick Lampson
Representative Richard Neal
Representative Solomon Ortiz
Representative Anna Eshoo
Representative Steny Hoyer
Representative Earl Pomeroy
Representative Karen McCarthy
Representative Leonard Boswell
Representative Jim McDermott
Representative Floyd Flake
Representative Darlene Hooley
Representative David Price

Administration Participants

The President
Vice President
Secretary Rubin
Secretary Glickman
Secretary Dailey
Secretary Herman
Administrator Browner
Ambassador Barshefsky
Under Secretary Eizenstat
Erskine Bowles
Sandy Berger
Daniel K. Tarullo
Gene Sperling
John Hilley
Mack McLarty
Jay Berman
Vicki Radd
Susan Brophy
Bob Kyle
Bill Danvers
John Podesta/Sylvia Mathews

POINTS TO BE MADE FOR MEETING ON FAST TRACK

Introduction

- I want to talk with you about why it is in our nation's interest to renew fast track trade negotiating authority. Before I begin, let me introduce Jay Berman and Vicki Radd, who will be leading our effort. Their appointment underscores the high priority I attach to this issue. It is one of the most important votes you will cast this year. In fact, when we look back, I think it will be one of the most important decisions we will make this decade.

Optimism/Future v. Pessimism/Past

- This issue is at the heart of our effort to define America's future. It tests whether we will confidently meet the challenge to compete and win in the global economy, or whether we will convince ourselves -- against the evidence -- that we should not move forward. As President, I have tried to adopt a forward-looking economic strategy that guides our country into the 21st Century. And it is clear to me that international trade is central to that strategy:

  - Over the next decade, the global economy is expected to grow at three times the rate of the U.S. economy. Over the past four years, one-quarter of our economic growth came from trade. In a world where over 96 percent of the world's consumers live outside the U.S., we must export to sustain growth at home.

  Our strategy has made the American economy the envy of the world. We are perfectly positioned to seize these trade opportunities.

  - We have enjoyed the longest period of sustained growth of all of our G-7 partners -- seven years as of last March. We have created 12 million net new jobs, more than all of the other G-7 countries combined. The unemployment rate was 5% in June, the lowest in over 23 years.

  - We are once again the world's largest exporter, the largest producer of semiconductors, the largest producer of automobiles. Independent studies have found America to be the most competitive economy in the world for the past five years. No country in the world is better positioned to compete.

Global Leadership

- To continue that record, I need the authority to continue opening markets. Without it, America will not maintain its leadership position in world trade and a critical part of our economic expansion will stall. We must be in front of market opening efforts, not lagging behind and losing opportunities.

- Let's not kid ourselves -- if we don't act, others will.

  - Since 1992, in Latin America and Asia alone, other countries have reached more than 20 preferential trade agreements without us.

  - Today every major economy in this hemisphere has a preferential trade deal with Chile, except the United States. Chile has an 11 percent across-the-board tariff that these countries are eliminating for their products. That means every time an American company competes to sell to Chile, it will face an immediate 11 percent cost disadvantage compared to its Canadian competitor. Canada's Northern Telecomm won a $180 million telecommunications contract over three U.S. companies in part because it could avoid paying $20 million worth of tariffs.

  - The EU, China and others are on the move. The EU has begun a process to reach a free trade agreement with Brazil, Argentina and other MERCOSUR countries. President Chirac has declared "the future of the region rests with Europe, not the United States." China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America.

Significant Market Opportunities

- The potential gains are great, if we seize them. If you give me the authority, we will attack foreign trade barriers on a number of fronts:

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

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

- Asia: Contains the fastest growing economies in the world, with nearly 3 billion people. Forecasters expect real growth of 6-7% annually for the next 15 years. In APEC, we are working to reach agreements in key sectors that could open these markets to America's most competitive products. Without fast track, that process will come to a halt.

- Africa: Working with Congress, I recently launched an Africa trade initiative. Africa's nations are joining the march toward freedom and open markets - and we should encourage it. Sub-Saharan Africa alone has 700 million people, but we supply only 7 percent of Africa's imports. We want to explore negotiations with South Africa when it is ready.

- Global: Over 50 years of persistent American leadership has helped bring down global tariffs from an average of 40 percent at the end of World War II to about 5 percent today, leading to a 90-fold increase in global trade. Upcoming WTO talks on agriculture can help us cut barriers and subsidies in the $526 billion global farm market. We can eliminate barriers to services trade, a $1.2 trillion global market, where U.S. firms had a surplus of $74 billion in 1996.

Conclusion

- We face a critical choice. We can recognize that the American economy is the model for the world, continue to open foreign markets and seize the initiative. Or we can convince ourselves that we are on the wrong track, that we cannot succeed and that we should not move forward. Years from now, we will either proudly recognize that we saw our opportunities and we took them. Or we will have become paralyzed by indecision, squandered our strong competitive advantage and let others seize the initiative. The choice is that clear -- and that important. I ask you to support me on this critical issue.

QUESTIONS AND ANSWERS
FAST TRACK MEETING

NAFTA

Q: NAFTA is relevant to fast track. Critics argue that NAFTA has cost us over 400,000 jobs. Our trade surplus has turned into a deficit. If NAFTA was a failure, why should we extend it to the rest of the hemisphere and beyond?

A: The critics are wrong. The best information available indicates that NAFTA has had a positive effect on jobs, creating 90,000 to 160,000 jobs in trade with Mexico alone. The trade deficit with Mexico was caused by Mexico's peso crisis and the recession, not NAFTA.

If anything, the trade deficit would have increased further if it were not for NAFTA. When Mexico had its last financial crisis in 1981-82, it imposed 100 percent duties on American products, U.S. exports fell in half and it took 7 years for us to recover to 1981 levels. This time, Mexico continued to reduce its tariffs as required by NAFTA (even though it raised on them on our competitors). U.S. exports recovered to pre-recession levels in 18 months, protecting the 750,000 jobs dependent on those exports. A Federal Reserve of Dallas study concluded U.S. export growth was 7 percent higher than it would have been absent NAFTA.

Q: What will you do about labor/environment in future trade agreements?

A: I share your concerns about labor and environmental issues. We must remain committed to promoting worker rights and ensuring that economic growth is not at the expense of the environment. In the fall, I will set forth a proposal addressing these concerns. In the meantime, I ask you to keep an open mind.

But failing to engage these countries will not improve their worker rights or the environment. These countries will advance economically, whether or not we negotiate trade agreements with them -- and other countries won't be as concerned about their labor or environmental protection. By leading the world, we have a far better opportunity to promote our values than by disengaging.

Q: NAFTA was supposed to have improved labor/environment conditions on the border, but it hasn't. In fact, the problem is worse.

A: The problems along the border existed before NAFTA and they won't be solved overnight. But NAFTA has given us better progress and cooperation than we would have had without it. There are clear signs of improvement:

- From 1993 to 1996, Mexico increased it budget for enforcement of labor laws by 250 percent.
- The overall rate of occupational injuries and illnesses fell from 47 per thousand in 1994 to 33 per 1000 in 1996.
- Mexico has seen the number of environmental violations dropping; with a 72 percent reduction in serious violations in the maquiladora industry from 1993 to 1996; and a 43 percent increase in the number of maquiladora facilities in complete compliance.
- The NAFTA institutions financing border cleanup projects have certified 16 projects, including infrastructure projects costing nearly $230 million.

Q: Opponents have successfully made this a referendum on NAFTA. How do I refute that?

A: I think NAFTA's been good for this country. But no matter what you think, this is not about NAFTA. It's about the global trading agenda I outlined.

- Our competitors would like nothing better than to have us rehash the NAFTA debate for four years, while they seize new market opportunities.

- Inaction will simply let foreign barriers stand. When we reach these trade agreements, we give up very little, while other countries give up far more. When the Uruguay Round is phased in, our tariffs will average only 2.8 percent. Other countries are far higher: India (31 percent); Thailand and Turkey (26 percent); Chile and Indonesia (11 percent). Becoming mired in a debate about NAFTA won't level the playing field.

Q: NAFTA has diverted investment from the U.S. to Mexico. It was an investment agreement, not a trade agreement.

A: No. U.S. foreign direct investment in Mexico averaged $3.1 billion in 1994-96, little changed from the $2.5 billion the year before NAFTA took effect. The $3.1 billion was less than 0.3 percent of gross private fixed investment in the U.S. in 1996. The Big 3 invested $39 billion in the U.S. economy in the last three years, only $3 billion in Mexico.

Q: U.S. companies use the threat of relocation to Mexico to jawbone down the wages of America's workers. That will just happen over and over again if we reach more free trade agreements.

A: The fact is that NAFTA makes it more attractive to stay in the United States. Beforc NAFTA, U.S. exports faced an average 10 percent tariff when sending U.S.-made goods to Mexico. They had restrictions that basically forced us to locate car production down there if we wanted to sell in their market. NAFTA eliminates all of this -- and will eliminate only a 2 percent average tariff on products coming here.

If we let other countries reach trade agreements, while we sit on the sidelines, it will make it even more attractive for U.S. companies to move offshore. If Brazil has eliminated all tariffs it faces in this hemisphere -- and we still face high tariffs -- U.S. companies have one more incentive to move offshore. If we want to keep jobs here, we should eliminate trade barriers for U.S.-made products.

Trade Generally

Q: Why should be reach trade agreements with low wage countries? How can U.S. workers compete against foreign workers earning a fraction of U.S. wages?

A: The fact is that U.S. workers do compete successfully with low wage countries. In the last 10 years, U.S. exports to low-wage countries have risen 240 percent, while exports to high wage countries are up just 140 percent and domestic sales by 75 percent. Exports to low wage countries now account for 42 percent of total U.S. exports. And these are good jobs. Wages for export-related jobs pay 13-16% more than the national average.

Competition from low wage countries does create competitive pressures in industries where skills and productivity are lower, but most such jobs don't compete with imports. In fact, imports from non-oil developing countries account for only 4 percent of U.S. spending and has grown only 1.5 percent during the past decade.

For those workers who are affected, we need to maintain our commitment to education and worker retraining. That's why I have made them a priority. It must be part of a complete strategy to prepare us for global competition.

Q: The U.S. trade deficit has hurt the U.S. economy and cost American jobs.

A: It's hard to argue that the trade deficit is devastating the U.S. economy. We are growing at a steady pace of about 3 percent per year over the past five years, unemployment is at a 23 year low, income levels are rising and exports are at record levels.

But one way to attack the deficit is to break down foreign barriers - and I can't do that unless I have fast track authority.

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THE WHITE HOUSE

WASHINGTON

July 23, 1997

MEETING WITH
SELECTED MEMBERS OF THE HOUSE

DATE: July 24, 1997
LOCATION: Cabinet Room
TIME: 10:00 a.m. - 11:00 a.m.

FROM: SAMUEL BERGER
GENE SPERLING FOR: ®
DANIEL K. TARULLO FOR: ®
JOHN HILLEY FOR: ®

I. PURPOSE

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II. BACKGROUND

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2. American Leadership: As we enter the 21st Century, we need to be in front of world trade opening efforts, not lagging behind and losing market opportunities. The world is watching. If we don't act, others will.

3. Important Market Opening Opportunities: Fast track is the tool for eliminating foreign barriers, whether through sectoral agreements (e.g., medical equipment, environmental technology, agriculture), continuing regional processes in Latin America or Asia or eliminating global barriers in the WTO. This is not a referendum on NAFTA, as some suggest. It is about a far different agenda: eliminating foreign barriers worldwide, which are much higher than ours.

Members are likely to be interested in our approach on labor and the environment. (We have separately sent you a decision memo on this subject.) However, we do not recommend you foreshadow our approach at this meeting; it likely would leak and would make it even more difficult for Members to stay neutral during August. Instead, we suggest you reaffirm your commitment to these issues and indicate we will set forth an approach in September.

III. PARTICIPANTS

See Tab C.

IV. PRESS PLAN

None

V. SEQUENCE

We recommend you open with brief remarks (attached), introduce Jay Berman and Vicki Radd, then open the floor for discussion.

Attachments

Points to be Made

Q's and A's

Hill Participants

Representative Robert Matsui
Representative Cal Dooley
Representative Nita Lowey
Representative Vic Fazio
Representative Robert Menendez
Representative E.B. Johnson
Representative Charles Rangel
Representative Tom Sawyer
Representative Ron Kind
Representative Wm. Jefferson
Representative Ben Cardin
Representative Jim Davis
Representative Charles Stenholm
Representative Howard Berman
Representative Earl Blumenauer
Representative David Skaggs
Representative Ed Markey
Representative Tim Roemer
Representative Barbara Kennelly
Representative Karen Thurman
Representative Nick Lampson
Representative Richard Neal
Representative Solomon Ortiz
Representative Anna Eshoo
Representative Steny Hoyer
Representative Earl Pomeroy
Representative Karen McCarthy
Representative Leonard Boswell
Representative Jim McDermott
Representative Floyd Flake
Representative Darlene Hooley
Representative David Price

Administration Participants

The President
Vice President
Secretary Rubin
Secretary Glickman
Secretary Dailey
Secretary Herman
Administrator Browner
Ambassador Barshefsky
Under Secretary Eizenstat
Erskine Bowles
Sandy Berger
Daniel K. Tarullo
Gene Sperling
John Hilley
Mack McLarty
Jay Berman
Vicki Radd
Susan Brophy
Bob Kyle
Bill Danvers
John Podesta/Sylvia Mathews

POINTS TO BE MADE FOR MEETING ON FAST TRACK

Introduction

- I want to talk with you about why it is in our nation's interest to renew fast track trade negotiating authority. Before I begin, let me introduce Jay Berman and Vicki Radd, who will be leading our effort. Their appointment underscores the high priority I attach to this issue. It is one of the most important votes you will cast this year. In fact, when we look back, I think it will be one of the most important decisions we will make this decade.

Optimism/Future v. Pessimism/Past

- This issue is at the heart of our effort to define America's future. It tests whether we will confidently meet the challenge to compete and win in the global economy, or whether we will convince ourselves -- against the evidence -- that we should not move forward. As President, I have tried to adopt a forward-looking economic strategy that guides our country into the 21st Century. And it is clear to me that international trade is central to that strategy:

    - Over the next decade, the global economy is expected to grow at three times the rate of the U.S. economy. Over the past four years, one-quarter of our economic growth came from trade. In a world where over 96 percent of the world's consumers live outside the U.S., we must export to sustain growth at home.

  Our strategy has made the American economy the envy of the world. We are perfectly positioned to seize these trade opportunities.

    - We have enjoyed the longest period of sustained growth of all of our G-7 partners -- seven years as of last March. We have created 12 million net new jobs, more than all of the other G-7 countries combined. The unemployment rate was 5% in June, the lowest in over 23 years.

    - We are once again the world's largest exporter, the largest producer of semiconductors, the largest producer of automobiles. Independent studies have found America to be the most competitive economy in the world for the past five years. No country in the world is better positioned to compete.

Global Leadership

- To continue that record, I need the authority to continue opening markets. Without it, America will not maintain its leadership position in world trade and a critical part of our economic expansion will stall. We must be in front of market opening efforts, not lagging behind and losing opportunities.

- Let's not kid ourselves -- if we don't act, others will.

  - Since 1992, in Latin America and Asia alone, other countries have reached more than 20 preferential trade agreements without us.

  - Today every major economy in this hemisphere has a preferential trade deal with Chile, except the United States. Chile has an 11 percent across-the-board tariff that these countries are eliminating for their products. That means every time an American company competes to sell to Chile, it will face an immediate 11 percent cost disadvantage compared to its Canadian competitor. Canada's Northern Telecomm won a $180 million telecommunications contract over three U.S. companies in part because it could avoid paying $20 million worth of tariffs.

  - The EU, China and others are on the move. The EU has begun a process to reach a free trade agreement with Brazil, Argentina and other MERCOSUR countries. President Chirac has declared "the future of the region rests with Europe, not the United States." China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America.

Significant Market Opportunities

- The potential gains are great, if we seize them. If you give me the authority, we will attack foreign trade barriers on a number of fronts:

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

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

- Asia: Contains the fastest growing economies in the world, with nearly 3 billion people. Forecasters expect real growth of 6-7% annually for the next 15 years. In APEC, we are working to reach agreements in key sectors that could open these markets to America's most competitive products. Without fast track, that process will come to a halt.

- Africa: Working with Congress, I recently launched an Africa trade initiative. Africa's nations are joining the march toward freedom and open markets - and we should encourage it. Sub-Saharan Africa alone has 700 million people, but we supply only 7 percent of Africa's imports. We want to explore negotiations with South Africa when it is ready.

- Global: Over 50 years of persistent American leadership has helped bring down global tariffs from an average of 40 percent at the end of World War II to about 5 percent today, leading to a 90-fold increase in global trade. Upcoming WTO talks on agriculture can help us cut barriers and subsidies in the $526 billion global farm market. We can eliminate barriers to services trade, a $1.2 trillion global market, where U.S. firms had a surplus of $74 billion in 1996.

Conclusion

- We face a critical choice. We can recognize that the American economy is the model for the world, continue to open foreign markets and seize the initiative. Or we can convince ourselves that we are on the wrong track, that we cannot succeed and that we should not move forward. Years from now, we will either proudly recognize that we saw our opportunities and we took them. Or we will have become paralyzed by indecision, squandered our strong competitive advantage and let others seize the initiative. The choice is that clear -- and that important. I ask you to support me on this critical issue.

QUESTIONS AND ANSWERS
FAST TRACK MEETING

NAFTA

Q: NAFTA is relevant to fast track. Critics argue that NAFTA has cost us over 400,000 jobs. Our trade surplus has turned into a deficit. If NAFTA was a failure, why should we extend it to the rest of the hemisphere and beyond?

A: The critics are wrong. The best information available indicates that NAFTA has had a positive effect on jobs, creating 90,000 to 160,000 jobs in trade with Mexico alone. The trade deficit with Mexico was caused by Mexico's peso crisis and the recession, not NAFTA.

If anything, the trade deficit would have increased further if it were not for NAFTA. When Mexico had its last financial crisis in 1981-82, it imposed 100 percent duties on American products, U.S. exports fell in half and it took 7 years for us to recover to 1981 levels. This time, Mexico continued to reduce its tariffs as required by NAFTA (even though it raised on them on our competitors). U.S. exports recovered to pre-recession levels in 18 months, protecting the 750,000 jobs dependent on those exports. A Federal Reserve of Dallas study concluded U.S. export growth was 7 percent higher than it would have been absent NAFTA.

Q: What will you do about labor/environment in future trade agreements?

A: I share your concerns about labor and environmental issues. We must remain committed to promoting worker rights and ensuring that economic growth is not at the expense of the environment. In the fall, I will set forth a proposal addressing these concerns. In the meantime, I ask you to keep an open mind.

But failing to engage these countries will not improve their worker rights or the environment. These countries will advance economically, whether or not we negotiate trade agreements with them -- and other countries won't be as concerned about their labor or environmental protection. By leading the world, we have a far better opportunity to promote our values than by disengaging.

Q: NAFTA was supposed to have improved labor/environment conditions on the border, but it hasn't. In fact, the problem is worse.

A: The problems along the border existed before NAFTA and they won't be solved overnight. But NAFTA has given us better progress and cooperation than we would have had without it. There are clear signs of improvement:

- From 1993 to 1996, Mexico increased it budget for enforcement of labor laws by 250 percent.
- The overall rate of occupational injuries and illnesses fell from 47 per thousand in 1994 to 33 per 1000 in 1996.
- Mexico has seen the number of environmental violations dropping; with a 72 percent reduction in serious violations in the maquiladora industry from 1993 to 1996; and a 43 percent increase in the number of maquiladora facilities in complete compliance.
- The NAFTA institutions financing border cleanup projects have certified 16 projects, including infrastructure projects costing nearly $230 million.

Q: Opponents have successfully made this a referendum on NAFTA. How do I refute that?

A: I think NAFTA's been good for this country. But no matter what you think, this is not about NAFTA. It's about the global trading agenda I outlined.

- Our competitors would like nothing better than to have us rehash the NAFTA debate for four years, while they seize new market opportunities.

- Inaction will simply let foreign barriers stand. When we reach these trade agreements, we give up very little, while other countries give up far more. When the Uruguay Round is phased in, our tariffs will average only 2.8 percent. Other countries are far higher: India (31 percent); Thailand and Turkey (26 percent); Chile and Indonesia (11 percent). Becoming mired in a debate about NAFTA won't level the playing field.

Q: NAFTA has diverted investment from the U.S. to Mexico. It was an investment agreement, not a trade agreement.

A: No. U.S. foreign direct investment in Mexico averaged $3.1 billion in 1994-96, little changed from the $2.5 billion the year before NAFTA took effect. The $3.1 billion was less than 0.3 percent of gross private fixed investment in the U.S. in 1996. The Big 3 invested $39 billion in the U.S. economy in the last three years, only $3 billion in Mexico.

Q: U.S. companies use the threat of relocation to Mexico to jawbone down the wages of America's workers. That will just happen over and over again if we reach more free trade agreements.

A: The fact is that NAFTA makes it more attractive to stay in the United States. Before NAFTA, U.S. exports faced an average 10 percent tariff when sending U.S.-made goods to Mexico. They had restrictions that basically forced us to locate car production down there if we wanted to sell in their market. NAFTA eliminates all of this -- and will eliminate only a 2 percent average tariff on products coming here.

If we let other countries reach trade agreements, while we sit on the sidelines, it will make it even more attractive for U.S. companies to move offshore. If Brazil has eliminated all tariffs it faces in this hemisphere -- and we still face high tariffs -- U.S. companies have one more incentive to move offshore. If we want to keep jobs here, we should eliminate trade barriers for U.S.-made products.

Trade Generally

Q: Why should be reach trade agreements with low wage countries? How can U.S. workers compete against foreign workers earning a fraction of U.S. wages?

A: The fact is that U.S. workers do compete successfully with low wage countries. In the last 10 years, U.S. exports to low-wage countries have risen 240 percent, while exports to high wage countries are up just 140 percent and domestic sales by 75 percent. Exports to low wage countries now account for 42 percent of total U.S. exports. And these are good jobs. Wages for export-related jobs pay 13-16% more than the national average.

Competition from low wage countries does create competitive pressures in industries where skills and productivity are lower, but most such jobs don't compete with imports. In fact, imports from non-oil developing countries account for only 4 percent of U.S. spending and has grown only 1.5 percent during the past decade.

For those workers who are affected, we need to maintain our commitment to education and worker retraining. That's why I have made them a priority. It must be part of a complete strategy to prepare us for global competition.

Q: The U.S. trade deficit has hurt the U.S. economy and cost American jobs.

A: It's hard to argue that the trade deficit is devastating the U.S. economy. We are growing at a steady pace of about 3 percent per year over the past five years, unemployment is at a 23 year low, income levels are rising and exports are at record levels.

But one way to attack the deficit is to break down foreign barriers - and I can't do that unless I have fast track authority.

Document No.

WHITE HOUSE STAFFING MEMORANDUM

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

SUBJECT: Fast Track

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☑	McCURRY	☐	☑
BOWLES	☐	☑	McGINTY	☐	☐
~~McLARTY~~	☐	☑	NASH	☐	☐
PODESTA	☐	☐	RUFF	☐	☐
MATHEWS	☐	☑	SMITH	☐	☐
RAINES	☐	☐	REED	☐	☐
BAER	☐	☐	SOSNIK	☐	☑
ECHAVESTE	☐	☐	LEWIS	☐	☐
EMANUEL	☐	☑	YELLEN	☐	☐
GIBBONS	☐	☐	STREETT	☐	☐
HALE	☐	☐	SPERLING	☐	☐
HERMAN	☐	☐	HAWLEY	☐	☐
HIGGINS	☐	☐	WILLIAMS	☐	☐
HILLEY	☐	☑	RADD	☐	☑
KLAIN	☐	☐		☐	☐
BERGER	☐	☐		☐	☐
LINDSEY	☐	☐		☐	☐

REMARKS:

This memo went to Potus last night.

RESPONSE:

Staff Secretary

THE WHITE HOUSE

WASHINGTON

April 7, 1997

MEMORANDUM FOR THE PRESIDENT

From: Samuel Berger
Daniel Tarullo
Gene Sperling

Subject: Fast Track

Purpose

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

Background

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

The normal difficulties of obtaining fast track are compounded this year by several factors. First, free trade agreements have become strongly associated by many in Congress and the public with NAFTA. The peso crisis and resulting reversal in our trade balance, along with seemingly extraneous issues such as drugs and corruption in Mexico, have made NAFTA unpopular in many quarters. Second, budgetary constraints suggest little room for additional programs to ease displacement anxieties of potentially affected groups of workers. Third, the substantial resistance to fast track among House Democrats presents a very awkward situation as we try to conclude a budget agreement that is already placing severe strains on party unity. A number of your political and congressional advisors are particularly concerned that proceeding vigorously with fast track now risks both alienating Democrats we need on the budget and sustaining an early loss that would reduce our influence on the Hill.

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

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

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

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

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

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

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

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

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

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

<u>Suggested Approach</u>

There are three sets of considerations that need to be reconciled. <u>First</u>, it is important not to exacerbate relations with House Democrats over fast track at the same time as budget negotiations are placing strains on party unity. Since any fast track bill with a real chance of passage will fall short of what labor and many House Democrats will demand, waging both fights simultaneously could alienate at the worst moment some of those whose support we will need on the budget.

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

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

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

The elements of this approach are as follows:

(1) A speech by you that includes an affirmation of your support for fast track and our trade policies and that calls on all sides to see if a consensus can be reached on pursuing free trade agreements while respecting labor and environmental standards. Such a speech is critical for publicly committing to make fast track a priority. We could use your remarks at the American Society of Newspaper Editors this Friday as the venue for this speech.

(2) A single, early meeting between you and a bi-partisan group of about two dozen Members, in which you make the same statements of support for fast track, and indicate you are asking us to work with them to try to work out consensus positions.

(3) Charlene and others would continue consultations with others on the Hill in pursuit of the same end.

(4) We would also work individually with Members to urge that they not commit to an opposing position while we are trying to work out a common view.

(5) We would bring in labor and environmental groups to be sure they feel thoroughly consulted.

(6) If the budget process does not move forward rapidly, we would reassess our

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

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

RECOMMENDATION

That you approve the approach described above.

Approve ____________ Disapprove ____________ Discuss ______________

June 10, 1997

MEMORANDUM FOR MACK McLARTY

FROM: NELSON CUNNINGHAM
ANDREW FRIENDLY
STEVE RONNEL

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

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

GOALS

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

Talking points:

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

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

Talking points:

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

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

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

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

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

2. DEFINE WHAT YOUR ROLE SHOULD BE

Talking points:

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

- A public advocate, traveling the country (this summer and fall) and the hemisphere (possible CODEL in August) with a clear message about the importance of trade, NAFTA's success, the need for U.S. leadership in international commerce, and the need for fast track.

- A primary liaison to the business community, working to secure endorsements and public support from business.

- A primary spokesman, getting our message out in the media -- helping to shape stories and respond quickly to false info and attacks from critics.

- A Congressional lobbyist, supporting Pat Griffin and Charlene on the Hill -- especially with Republican members. My ties are strong on both sides of the aisle.

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

Talking points:

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

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

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

THE PRESIDENT HAS SEEN
5-19-97

THE WHITE HOUSE

WASHINGTON

May 17, 1997

Copied
Berger
Sperling
Tarullo
NSC WW Desk
COS

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Fast Track Timing

The attached Berger/Sperling/Tarullo memo concerns the timing of a push to get fast track legislation. Such legislation will entail a real fight, particularly over whether labor and environmental provisions should be included in trade agreements. Amb. Barshefsky envisions a compromise bill neither requiring nor excluding such provisions, together with a public announcement that we will seek labor and environmental side agreements when appropriate. **The issue for your decision now is timing. Your advisors are divided among three options.**

Option 1 -- Start now. USTR would float a proposal soon with aim to have bill reported by Committee in early summer, on House floor before August recess, and on Senate floor in fall or early 1998. **Rationale:** Delay gives our opponents more time to gear up against us. If we delay now and unexpected problems arise in September (e.g., taxes), we'll be pushed into early 1998 and lose chance for fast track altogether. Also, you have momentum now from Chemical Weapons, NATO-Russia and budget. *NSC favors, though would take Option 3 as fall back.*

Option 2 -- Wait until September. Announce now that we are delaying so as to deal with budget and China-MFN first, and seek support of House leaders for proceeding with fast track in September. **Rationale:** Given budget and China-MFN (debate likely in June/July), moving on fast track now would badly strain our resources and your time. Also risk losing some Democrats if we force three tough votes in rapid succession on budget, China-MFN and fast track. And public debate on China-MFN and fast track at same time could cause discrete opponents to coalesce against alleged threat to U.S. jobs and wages. If House acted in September, seek Senate action pre-Santiago trip in March 1998. *State, NEC, OMB, CEQ, Hilley, Rahm favor.*

Option 3 -- Seek leadership agreement to move fast track in September; if that fails, start now. We would seek formal agreement by key Congressional leaders now that they would move fast track legislation in September. **Rationale:** Try to avoid pitfalls of Option 1 (straining resources, etc.), while avoiding uncertainties of Option 2 (the chance that fast track gets preempted by other problems in September). But if securing Congressional agreement now is not possible, we'd go forward in June on basis that waiting past September is untenable. *USTR and Labor favor.*

Sec. Rubin believes further analysis is needed on degree to which fast track would interfere with China-MFN and on likelihood of securing the congressional agreement referenced in Option 3.

Option 1___ Option 2___ Option 3___ Discuss/meet further V

THE PRESIDENT HAS SEEN
5-19-97

THE WHITE HOUSE

WASHINGTON

May 16, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Samuel Berger
Gene Sperling
Daniel Tarullo

SUBJECT: Timing of Fast Track Effort

In our memorandum on this subject last month, we suggested reconsideration of the timetable for fast track following clarification of the balanced budget situation. With the budget agreement reached, we must now decide when to begin a major push to obtain fast track legislation. This memo presents the options.

BACKGROUND

Following your speech to the Newspaper Editors on April 11, in which you renewed your call for fast track authority and suggested we would search for a compromise on the nettlesome labor and environment issues, we have consulted widely on the Hill. Charlene has now met with nearly one hundred members, either one-on-one or in groups. Other senior officials are making calls to Members. These consultations have generally confirmed our perception of sharp divisions on the labor and environment issues. To move forward, we will have to offer a proposal on these issues, a step which will likely set off potentially contentious Congressional and public debates.

Chairman Archer believes there is a window for both Ways & Means Committee and House floor action during the May-early June period, before heavy budget activity begins anew, and that further delay will make obtaining fast track extraordinarily difficult. While further delay undoubtedly has at least some negative effect on fast track, Archer's view that he can move fast track quickly through the House may well be too optimistic. Acquiring significant (80-90 votes) Democratic support will, at best, entail extensive discussions/negotiations on the labor and environment issues. Even some moderate Democrats have recently suggested they will insist that labor and environmental provisions be included in trade agreements. This latter position may be a tactical starting point to counter the position of some Republicans, such as Rep. Dreier, who oppose even side agreements on labor and the environment, but it does indicate the degree of difficulty in moving forward. In addition, any fast track bill, like its predecessors in previous Congresses, is likely to attract other provisions, such as changes in the trade law.

As you recall, the compromise Charlene envisions would include a "clean" fast track bill that does not either require or exclude labor and environmental provisions from trade agreements. We would publicly indicate that we would seek labor and environmental side agreements when appropriate in connection with bilateral or regional free trade agreements, but we would not include those provisions in the free trade agreements submitted for fast track consideration by the Congress. Archer seems open to this approach, though hardly enthusiastic about it.

Archer wanted to mark up a bill this week or next, and then move quickly to the floor. Even Democrats who strongly support fast-track, such as Representative Matsui, are opposed to the Republican effort, on grounds of both process (no consultation with Democrats on this approach, which was announced only a few days ago) and the substance of the Republican proposal. It is clear that Archer is trying to force a decision on timing and substance from the Administration. In addition, those Republicans who favor moving rapidly now may be motivated in part by a desire to sharpen divisions within the Democratic Party in the wake of the budget agreement by forcing us to take a position on a Republican crafted fast track bill. In the absence of support from Democrats on the Committee and from the Administration, Archer did not proceed with his mark-up. However, he did send a letter to you, saying that because the Administration's failure to offer a specific fast-track proposal "dictate that discussion on renewal of fast track authority be set aside."

OPTIONS

All your advisors recognize the pitfalls of delaying a strong push for fast track or moving forward immediately. Many of those who have taken a position would regard this choice as a close call.

Option 1: Begin Legislative Process Now

Under this approach, Charlene would in the very near future float a proposal along the lines indicated above with Archer, Rangel, and a few others, with the goal of reaching a bipartisan compromise on labor and the environment (although significant Democratic opposition would likely remain). We would try to have the bill reported out of committee in the early summer and bring that bill to the House floor prior to the August recess. Then we would try to secure Senate passage later in the fall or early next year.

This approach rests on the proposition that trade is a legacy issue for you, and must be accorded the highest possible priority. Passage will be difficult, but starting now increases chances of real progress this year, and thereby maximizes the possibility of your securing fast track authority for your second term. Because there will always be other important demands on your time and Administration resources, we will never have an unimpeded shot at fast track. The longer we wait, the more opportunity the AFL and other fast track opponents have to gear up their campaign. Indeed, since September is probably the last realistic chance to move fast track, delay means that an unexpected set of problems in September (on taxes, e.g.) could preclude the last window for action.

Moving ahead immediately also removes any questions about the Administration's commitment to fast track and an activist trade policy, and increases the chances that there will have been movement on fast track before your October trip to Latin America.

Another argument for this approach is that the Chemical Weapons Convention, NATO-Russia, and the budget agreement successes create both the impression and reality of momentum in your second term that could be lost if we defer important issues like fast track. China MFN and fast track can be fought simultaneously, albeit with some strains on our resources, under the broader theme of asserting global leadership. The possible trade-off between China MFN and fast track (arising from the comments of some Democrats that they can give us a vote on one, but not both) will exist whenever we act. Besides, moving forward now maintains at least a chance that the harder fast track vote will occur before the China MFN vote.

Option 2: Delay Legislative Push Until September

Under this approach we would forthrightly indicate that we will delay moving forward with fast track until September, in order to deal first with the major issues of the remaining budget work and China MFN renewal. We would inform key Congressional leaders of our decision and attempt to obtain their support for proceeding rapidly with fast track in September. We would continue efforts to build support for fast track with Members and important constituencies through the summer.

The core rationale for this view is that the combined political and resource effects of moving ahead with fast track now will have negative consequences for China MFN and the budget, as well as fast track. Statutory deadlines mean that the China MFN debate will almost certainly occur in June and July, with a vote on renewal (and on any alternatives thereto) prior to the August recess. Following your announcement in late May or early June of your intention to renew MFN there will be a flurry of activity and attention, which will intensify after Hong Kong's reversion to China on July 1. Implementation work on the budget agreement will likely be most concentrated during this same period. Thus moving ahead immediately would badly overtax Administration resources, including your own time. There is also continuing concern about the negative symbiosis among Democrats, and our relations with them, of hard votes on the budget, China MFN, and fast track in close proximity: Democrats who have to cast these votes in relatively quick succession in the summer will be more likely to vote "no" in at least one case.

Those arguing for the September time frame for fast track note that the China MFN vote *must* proceed during the summer, and any unnecessary risks to winning that vote should be avoided. By launching the public debate on fast track now, we may unintentionally cause discrete opposition to both China MFN and fast track to coalesce into a stronger reaction against what opponents could portray as related threats to jobs and wages in America.

Proponents of this view acknowledge that delay will have costs for fast track, but still believe that we can pursue House action in the fall, then use your March 1998 trip to Santiago to press for Senate action early next year. They believe that indicating a specific time for pushing ahead with fast track will blunt, though perhaps not eliminate, criticism that we have not been sufficiently committed to fast track.

Option 3: Obtain Leadership Agreement to Move Fast Track in September

Under this approach we would attempt to obtain now the agreement of the key Congressional leaders that we will proceed together with fast track in September and finish work on the bill by the end of the year. If we obtain their agreement, we would use the time between now and September to prepare internally, continue Hill consultations, and work with supportive constituencies.

In the view of its advocates, Option 3 best balances the factors which lead some to favor delay with the factors that argue for going ahead as quickly as possible. They acknowledge the resources and political problems entailed with going forward in June, as described under Option 2. However, they believe that delay until September without a firm commitment to move may well be tantamount to losing fast track completely. There is too high a likelihood of other legislative issues arising which provide reasons not to proceed with fast track quickly in the fall (e.g., action on the tax bill is delayed until September). By relatively early next year any momentum for fast track will have been lost and the mid-term election season will have begun.

RECOMMENDATION

This is, as indicated earlier, a close call, and your advisers are split. (Secretary Rubin has not indicated a position, because he believes that further analysis is needed on the amount of intereference with China MFN that fast track would entail and on prospects for agreement among key Congressional leaders. He would prefer that this additional analysis before you decide among these options.)

Option 1 -- making a decision now to move ahead in early June -- is preferred by NSC (although Sandy indicates he accepts Option 3).

Option 2 -- delaying a legislative push until September -- is recommended by State, OMB, Legislative Affairs, CEQ, NEC/Sperling and NEC/Tarullo

<u>Option 3</u> -- attempting to obtain leadership agreement to move fast track in September but otherwise moving in June -- is recommended by USTR and Labor

Option 1 ______ Option 2 ______ Option 3________ Discuss_________

cc: Vice President
Chief of Staff

THE WHITE HOUSE

WASHINGTON

① Steve
② Andrew
③ Dan
④ Nelson

July 8, 1997

Mack,

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

Bob

Attachment: Draft Fast Track Game Plan

FAST TRACK GAME PLAN

Phase One: Present -September

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

The first step is to develop an interim organizational structure. Until a coordinator is chosen, a senior White House official, working closely with Ambassador Barshefsky, should convene a meeting at least weekly to assess progress and give direction. USTR would be the lead agency in the effort. The White House staff team should consist of officials largely dedicated to this effort from the following disciplines: legislative, communications, policy, outreach, intergovernmental and cabinet affairs. We would create three interagency working groups (Legislative, Communications/Outreach and Policy) to meet at least weekly. In addition, we would assemble a group of 4-5 agency detailees that would assist the effort generally and assist the coordinator once he is on board.

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

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

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

Administration/Internal

- Start regular meetings (Ongoing)
    - Weekly senior WH meetings (WH COS/USTR)
    - MWF White House/Agency working group meetings (Kyle)
    - Internal USTR meetings (USTR to convene)
    - Weekly Interagency Legislative meetings (Brophy/Arky)
    - Weekly Interagency Communications/Outreach meetings (D. Johnson?/Ziegler)
    - Weekly Interagency Policy meetings (Kyle/Novick)
    - NEC/NSC Deputies meetings (as needed)(Tarullo/Berger)
- Secure WH fast track coordinator (WH/USTR)(end of July)
- Assemble White House team (WH COS/NEC) (July 15) (proposed list being provide to Erskine)
- Retain 4-5 agency detailees to assist effort (WH COS/NEC/NSC)(end of July) (proposed list to be provided to Erskine)
- Develop plan for broader Cabinet role (WH Cabinet Affairs/USTR) (July 20)

Policy

- Finalize substantive positions (Tarullo/Barshefsky/Kyle)
    - Uses of fast track (July 20)
    - Labor/Environment (August)
    - List of sectoral initiatives (late July)
    - Form of proposed legislation (August)
    - Administration Statement of Intent (August)
- Sharpen affirmative arguments (NEC/USTR/WH Communications)(July 25)
    - Costs of Inaction
    - Foreign barriers high than U.S.
    - Other key arguments
- Sharpen key defensive arguments (NEC/USTR/WH Communications (July 25)
    - Defense of NAFTA
    - Defense of NAFTA side agreements
    - Develop additional labor/environment border achievements
    - Sharpen key Q&A's
    - Other key defenses
- Develop anecdotes/data for use in effort (USTR/Commerce/NEC) (end of July)
    - Sharpen state-by-state data
    - Develop anecdotes (including Council of America examples)
    - Other data/examples

Legislative [Susan Brophy to supplement Tuesday]

- Plan POTUS meeting with Members (Brophy) (prior to August recess)
- Letters to targeted Members (to address articularted concerns) as part of NAFTA Report roll-out (USTR/Brophy) (Week of July 7)
- Agency calls to all House/Senate offices (Brophy) (assignments made, calls to occur by [insert date])
- Develop "digestible" message packet for Congressmen (WH/USTR) (July 25)
- Develop notional House vote count (Brophy) ([insert date])
- McLarty to lead co-del to Chile (McLarty) (August)
- Ways & Means hearing (USTR) (Being planned)
- Develop action plan for fall campaign (Brophy/USTR) (end of July)

Communications

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

Outreach

- Business
    - Meeting with senior Administration officials and Business Roundtable CEO's (Sperling/Other Cabinet officials) (Week of July 14)
    - Other Cabinet calls to CEO's, as appropriate (NEC/USTR) (by late July)
    - Encourage desired business activity (USTR/WH Public Liaison) (late July):
        - Raise sufficient funds
        - Retain outside advisors (Wexler already retained)
        - Organize grassroots efforts

- Start advertising campaign
- Share information on Congressional effort
- Develop small business participation (McLarty office/WH Public Liason) (end of July)
- Attend weekly meetings of business fast track coalition (USTR/NEC)
- Counter August/Labor Day labor advertising campaign (USTR/WH Communications/NEC) (Plan by July 25)
- Secure industry support for sectoral initiatives (USTR) (July 30)

- Agriculture
  - Gain full support of all groups (USTR/Agriculture) (late July)
  - Encourage organizational efforts (USTR/Agriculture) (Ongoing)

- Think Tanks (USTR) (Ongoing)
  - Heritage Foundation
  - PPI
  - Citizens for a Sound Economy
  - AEI
  - Brookings
  - Others

- State/Local Officials (WH Intergovernmental/USTR) (Ongoing)
  - Develop expressions of support (governors, mayors, etc.)
  - Develop broader plan for their assistance in this effort
  - Manage various policy issues affected state/local governments (e.g., Massachusetts Burma sanctions legislation)

- Labor/Environmental Groups (USTR/Podesta/McGinty) (Ongoing)
  - Continue consultations, as appropriate
  - Consider other Administration initiatives responsive to labor/environmental concerns

July 9, 1997

MEMORANDUM FOR: Erskine Bowles

FROM: Susan Brophy

RE: Fast Track

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

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

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

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

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

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

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

<u>Large Groups</u>
Senate Finance Committee
Senate Freshmen
House Freshmen
House Democratic Whip Group (particularly on the NAFTA report)
House Ways and Means Democrats
Other Committees' Democrats where appropriate, such as, House Small Business and Banking Committee Democrats (who offered)
Black Caucus
Hispanic Caucus
New Democrats
Blue Dogs
Democratic Study Group
State Delegations

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

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

<u>II. Possible Bill Progression Schedule</u>

Generally, when we made the decision to postpone transmission of the bill until September we received indications from Leadership that they expect to be able to move the bill expeditiously once the bill is transmitted. The House is scheduled to return from the August recess on Wednesday, September 3rd and the Senate returns on Tuesday the 2nd. The schedule will obviously be determined by the relevant Committees and Leadership, but we can assume the following:

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

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

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

III. Bill Preparation

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

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

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

IV. Public Agenda: Public Affairs Planning

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

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

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

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

In August, to solidify support among Members and offset the massive television campaign planned by the AFL-CIO, several cabinet officials should travel to key areas of the country, provide satellite feeds and do talk radio in targeted congressional districts as well. Outreach would focus on Democratic and Republican vote-rich areas that benefit from trade; these targets may change over time as we see where Members are lining up. Several cabinet members would be involved in the trips and many will be responsive to Member interest and requests. The trips should highlight at least a couple of different sectors including agriculture, manufacturing, high-technology and services. The following is a list of potential media markets (this list will undoubtedly expand once targets are finalized):

Northeast -- New York City, Albany, Hartford, Baltimore, Boston
Midwest -- Detroit, Lansing, Akron, Indianapolis, Milwaukee, LaCrosse, Green Bay, Bismarck, Des Moines
Southeast -- Nashville, Little Rock, Memphis, Raleigh, New Orleans, Tampa, Tallahassee, Atlanta, Dallas, El Paso
West -- Los Angeles, Santa Ana, Sacramento, Seattle, Portland, Phoenix, Denver

September: Bill Introduction

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

CODELs

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

WEEK-TO-WEEK PLAN

Week of July 7th

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

Week of July 14th

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

[end of week target for completion of tax and spending bill conferences]

Week of July 21st

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

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

Week of July 28th

- Preliminary base-touching with key Members on substance of the bill
- Cabinet Member meetings continue
- Second POTUS meeting with House and Senate Dems
- Follow-up meetings with House and Senate key staff re. bill language

[end of week target for completion of action on tax and spending bills]

August Outreach

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