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Steven J. Ronnel
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FOLDER TITLE:

Fast Track - File Created 8/12/97: Success Stories

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RESTRICTION CODES

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

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

SUCCESS STORIES

FAST TRACK AND AGRICULTURE

WHY US AGRICULTURE NEEDS NEW MARKETS

For farmers and the agricultural industry, more trade means more jobs and higher incomes. US farmers today face a simple dilemma: Each year, the combination of hard work and technological innovation make American farmers more productive. At the same time, domestic demand for this output is relatively static. That means the US must open new markets for American agriculture to maintain jobs and income levels.

Already today -- commodities produced on one out of every three acres in America is exported. That includes 67% of our wheat acres, 42% of our rice acres, 34% of our soybeans acres, 21% of our corn acres and 38% of our cotton acres. These percentages proportionally must grow as US productivity increases. Otherwise prices will plummet and US agricultural jobs will be lost. Fast track is essential to ensure this doesn't happen.

WHY U. S. AGRICULTURE WILL PROFIT FROM FURTHER TRADE LIBERALIZATION

The United States has on average the lowest agricultural tariffs in the world (around 3%, fact check) where other countries have much higher tariffs, e.g. Korea (over 60%), Norway (149%), Pakistan (100%), India 114%, Japan (11%), Argentina (17%), world average (56.2%). Further tariff reductions will benefit US producers. Because U.S. tariffs are so low compared with those of other countries, across the board tariff reductions would benefit U.S. exporters greatly. For example, if each country is required in the next WTO round to reduce its agricultural barriers by 50%, then US tariffs would drop only 1.5 percentage points while other countries would drop far more precipitously. e.g., 50 percentage points in Pakistan, 30 percentage points in Korea, 54 percentage points in India, etc.. This would greatly reduce current inequities and would greatly improved access to these markets.

WHY WE NEED FAST TRACK TO OPEN NEW AG MARKETS/OPPORTUNITIES

<u>WTO NEGOTIATIONS</u>: Other countries understand that the US cannot conclude another multilateral round of negotiations until we have fasttrack authority from Congress. It was at US insistence that reforms in agricultural trade begun in the Uruguay Round be continued through new negotiations in 1999. We must have fast track authority to enter into these negotiations or other countries, many with interests contrary to our own, will shape the outcome of these negotiations that we initiated.

<u>REGIONAL TRADING BLOCKS</u>: While the US stands on the sidelines without fast track, our agriculture competitors are busy building webs of agreements that put their agricultural and other industries in better competitive positions vis a vis the United States, e.g. MERCOSUR, Andean Trade Pact, Mexico-Chile FTA, and Canada-Chile FTA. Indeed, the EU has begun consultations with countries in the region on possible free trade possibilities. These pacts threaten US agricultural export interests. Already today, the US is losing agriculture business in our own hemisphere. Canada already has an advantage over the US in exporting farm products to Chile. In turn, Chile has an advantage over us in trade with Mercosur countries. Here area a few examples:

Chilean apples and pears enter Columbia, Venezuela and Peru duty free, whereas US growers face 10-25% tariffs.

Chilean wine enters Ecuador duty free, US wine faces a 25% tariff.

Canada has obtained duty free access under TRQs on oilseeds, vegetable oil, barley, durum wheat, pork and beef to Chile, while US exports face much higher duties (11%).

The Andean Community (90 million people) is a significant market for vegetable oils and protein meals. The US is one of the world's most efficient producers of these products. However, the US faces stiff competition from Bolivia because as an Andean member it has duty free access to this market, while the US products face duties of 15-20 percent on a CIF basis.

WHAT WE WOULD DO WITH FAST TRACK TO HELP US AGRICULTURE

There are 5 key areas that the USG would immediately use Fast Track authority to advance the interests of US agriculture. We would press for global tariff-reduction on agricultural products; improve the implementation of the WTO SPS agreement; negotiate improved rules in the area of genetically modified organisms (GMOs); seek elimination of export subsidies and other trade-distorting export practices; improve methods of administering tariff-rate quotas so that our exporters gain true market access; and eliminate trade distorting measures employed by state trading enterprises and transparency into their operations.

DRAFT

STATE

THE PRICE OF INACTION

- America's failure to participate in shaping the global trading system will allow our competitors to negotiate preferential trade arrangements and form strategic relationships excluding the United States. The United States should not abdicate either its economic or foreign policy leadership position by standing on the sidelines without fast track.

- Since 1992 in Latin America and Asia alone, our competitors have negotiated 20 free trade pacts excluding the United States. [Eleven] have been signed since fast track expired in 1993.

- The United States has strong strategic and economic interests in leading and not standing idly by.

- The European Union has already completed seventeen preferential trade arrangements with Eastern European and North African countries, and is in negotiations with South Africa and Mercosur. The agreement with South Africa would cover over 90 percent of two way trade between the European Union and South Africa. Conclusion of this agreement would put at risk some $500 million of U.S. exports to South Africa, a $30 billion import market in 1996. Total 1996 U. S. exports amounted to $3 billion.

- The U.S. is the largest exporter and holds the largest market share in MERCOSUR, a growing market of 200 million people and over $1 trillion in GDP. But the Europeans are trying to whittle away at our export market share through aggressive trade negotiations and trade promotion. Earlier this year, President Chirac declared "Latin America's essential interests... lie not with the United States but with Europe."

- Canada and Mexico -- our NAFTA partners -- have already formed free trade arrangements with Chile... and U.S. workers are losing out.

- Chrysler recently decided to supply the Chilean market with Dodge mini-vans from Canada and Neon sedans from Mexico. Dodge minivans and Neons are assembled at Chrysler's St. Louis, Missouri and Belvedere, Illinois plants. But these U.S. exports to Chile face a 11 % higher tariff than do exports from Mexico and Canada. A free trade agreement with Chile would level the playing field.

- Similarly, U.S. wheat and rice farmers face an uphill battle exporting to Brazil, an $850 million market for wheat in 1996. Of that total, U.S. exports amounted to $174 million. Tariffs on U.S. wheat and rice to Brazil are 10% to 20%, respectively. By contrast, most Argentine and Mercosur exports to Brazil now enter duty-free. Argentina is one of the world's most prolific agricultural exporters; it always ranks in the top five country exporters of grains and beef to the world.

- In Asia, the fastest growing region of the world and the fastest growing U.S. export market, the ASEAN countries of Singapore, Malaysia, Indonesia, Brunei, the

Philippines, Vietnam and Thailand are already phasing in a free trade area which will cover 80% of their goods by 2003.

- ASEAN is a market where we must compete. It has a combined population of some 500 million people and a GDP of $763 billion. The seven largest ASEAN nations imported $372 billion of goods last year and are expected to import $655 billion by the year 2001.

- Already, we're seeing the effects of this trade liberalization within ASEAN countries. For eleven of the twelve years between 1984-1995, the U.S. exported more to the ASEAN countries than they exported to each other. Since 1995, however, the opposite [has been] true. In order to maintain our market share, it is critical that these markets become more open to U.S. exporters.

- Increased market access to ASEAN is critical for another reason -- to compete with Japan. Through 1995, Japan has invested at three and one-half times the rate as the U.S. in ASEAN and already controls large market share in key sectors. In autos, for example, Japan holds a 90% market share in ASEAN countries. Unless the U.S. gains increased access to these markets, the ASEAN Free Trade Area will only help Japan lock in its market share at the expense of the U.S.

DRAFT
(THESE STILL NEED TO BE CLEARED AND VETTED)

Examples of U.S. Companies Disadvantaged by Trade Arrangements that Exclude the United States

- Canada and Mexico -- our NAFTA partners -- have already formed free trade arrangements with Chile...and U.S. workers are losing out. **Chrysler** recently decided to supply the Chilean market with Dodge Minivans from Canada and Neon Sedans from Mexico. Dodge Minivans and Neons are also assembled at Chrysler's St. Louis, Missouri and Belvedere, Illinois plants and could be exported from these plants. But these U.S. exports to Chile face an 11% higher tariff than do exports from Mexico and Canada. A free trade agreement with Chile would level the playing field.

- The free trade agreement between Mexico and Chile, which eliminates tariffs on virtually all their exports to each other, has in effect made U.S.-sourced products more costly. **IBM** in Chile now imports about $35 million worth of personal computers annually from Mexico to avoid the 11% Chilean import duty on U.S.-made computers. **McDonald's** in Chile is sourcing its food processing and handling equipment from Mexico instead of the United States.

- The free trade agreement between the Mercosur countries (Argentina, Brazil, Uruguay, Paraguay) and Chile has lowered the price tag of products in Chile made by U.S. competitors. Because of Chile's 11% import duty on U.S. goods, **Caterpillar** plans to produce some of its lines of earth moving equipment (used heavily in Chile's mining industry) in Brazil rather than in the United States.

- The European Union (EU) has negotiated preferential trade agreements with Eastern Europe. These agreements provide low tariffs for products from Western Europe. In autos, for example, U.S. exporters will face a 35% higher tariff in Poland, 19% in the Czech Republic, 42% in Hungary, and 27% in Slovenia. **Chrysler** estimates that if they could benefit from lower tariffs, they would export $600 million more in vehicles to these countries over the next five years.

- An association agreement between Poland and the EU has made EU-origin exports more attractive in Poland and disadvantaged U.S. firms. For example, mining equipment from the **Atlas Copco Wagner** company, which is headquartered in Oregon, cannot overcome the tariff advantage that European equipment receives. In 1996 its $340,000 scoops faced a 20% duty, while EU products face no duty.

- A Romania-EU association agreement has had the effect of making U.S. computer products less competitive compared to similar European equipment. IBM, **Blue Ridge International** among others face a Romanian 15-20% tariff on U.S. computer hardware and peripherals. EU-sourced products pay 0-5% duty. U.S. companies claim they have lost bids because of the higher tariffs on their goods.

FAST TRACK AND AGRICULTURE

USTR

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Fast Track Examples: Costs of Inaction for Agriculture

Wheat

Even if the TCK issue with Brazil is resolved, U.S. wheat farmers in (North Dakota, Kansas, Montana, Oklahoma, South Dakota or any other wheat producing state) will continue to lose sales in Brazil, one of the largest wheat markets in South America. One major reason: trade preferences granted under the MERCOSUR trade pact, also known as the Southern Cone Common Market. Wheat from Argentina, another MERCOSUR member, moves into Brazil duty free. By contrast, U.S. wheat faces a 10% markup at the border because of Brazil's import duty.

U.S. soybeans and products

U.S. soybean growers in (Iowa, Illinois, Indiana, Minnesota, Ohio, Missouri, or any other soybean producing state) are being undercut in markets such as Venezuela, Colombia, and other Andean Community countries because of trade preferences. Together, these countries import around a half-billion dollars worth of vegetable oils and protein meals, but Andean member, Bolivia--also a supplier--profits from a big advantage. Even though the United States is one of the world's most efficient producers and largest exporters of vegetable oils and protein meals, these U.S. products are handicapped by a 15-20% duty going into Andean markets, while competitor, Bolivia, enjoys duty-free access to this market.

Soybeans, fruit, wine, baked goods

Like most countries in South America, Venezuela already has a number of preferential trade agreements with its neighbors -- agreements that place U.S. farmers and food processors at a serious disadvantage. The U.S. agricultural officer in Venezuela recently estimated that if U.S. producers received the same preferences as their competitors in the region, the U.S. market share would be significantly higher for a number of products. For example,

- -- the market share for U.S. soybeans in Venezuela could easily grow from around 76% to 90%
- -- the market share for U.S. soybean meal could grow from 35% to 75%
- -- the market share for U.S. fresh fruit could increase from 39% to 67%
- -- the market share for U.S. wine could increase from 5% to 33%
- -- and the market share for U.S. bread, pastry, cakes, and biscuit products, which currently face a 20% tariff, could grow from 14% to 33%.

Washington state apples

Today, Washington state apple growers are losing sales in the largest export markets in South America -- countries such as Brazil, Colombia, Venezuela, Ecuador, and Peru. The industry's persistent efforts to expand exports to these countries are being frustrated by the competitive advantage currently enjoyed by Chilean apples, which enter these countries with little or no import duty because of bilateral and multilateral trade agreements in the region. U.S. apples, by contrast, face duties ranging from 10% to 25%. When this tariff differential is combined with Chile's lower transportation costs, Washington's apple producers are faced with a nearly insurmountable disadvantage.

Wine
California wine producers are losing sales in Ecuador, and the reason isn't quality or U.S. pricing. It's the extra toll on U.S. wines entering that market. Chilean wines now have duty-free access to the Ecuadorian market under a bilateral trade agreement between the two countries, while U.S. wines are assessed a stiff 25% duty.

Rice
U.S. rice producers in (Arkansas, Louisiana, Mississippi, or Texas) are all but shut out of one of the world's largest import markets because of MERCOSUR tariff preferences. Brazil imports up to $500 million dollars worth of rice annually, with imports coming almost exclusively from fellow MERCOSUR members, Argentina and Uruguay. Imports from these countries enter free of duty, while U.S. exporters are faced with a 20% tariff, making them effectively uncompetitive. In Peru, tariff preferences for fellow Andean Pact members Argentina and Uruguay also limit the ability of U.S. rice to compete in South America's second largest import market.

Q: What are the consequences if we don't get Fast Track authority?

A: As long as the United States lacks Fast Track authority, we won't be able to make any progress in reducing the most important trade barriers our exporters currently face. For example, without the authority to conclude WTO negotiations on agriculture, we have no other way to improve upon the final WTO agreed upon tariff levels, such as (illustrative):

- *Japan* on beef (38.5% with snap-back to 50%), pork (gate price of 524 yen/kg, with safeguard), citrus (in season: 32%), apples (17%), grapes (in season: 17%), cherries (17%), wheat (out-of-quota duty of 55 of yen/kg), corn (out-of-quota duty of 50%), and barley (out-of-quota duty 39 yen/kg).

- *Korea* on beef (40%), beef offal (20%), frozen pork (25%), frozen chicken (20%), cheese and dairy preparations (36%), lettuce (45%), apples and grapes (45%), almonds and raisins (21%), oranges (50%), lemons and grapefruits (30%), malting barley (out-of-quota duty 514%), corn (out-of-quota duty 328%), and soybeans (out-of-quota duty 487%).

- *European Union* on all products (too many to name!!)

- *Indonesia* on beef (50%), pork (50%), almonds (40%), pistachios (40%), oranges (50%), grapes (40%), rice (out-of-quota duty 160%), corn (40%), soybeans (27%), peanuts (40%), soybean meal (30%), and alcoholic beverages (150%).

- *Malaysia* on pork (out-of-quota duty of 138%), poultry (out-of-quota duty of 57% - 85%), oranges (20%), and plums (20%).

- *Philippines* on beef (35%), grapes and pears (35%), raisins and apples (45%), canned peaches and fruit mixtures (35%), and canned sweet corn (45%).

- *Thailand* on beef (50%), frozen pork (30%), poultry (30%), cheese (30%), oranges (30%), grapefruits (40%), wheat (27%), corn (out-of-quota duty of 73%), soybeans (40%), peanuts (30%), and soybean oil (out-of-quota duty of 146%).

- The vast majority of *India's* tariff schedule is comprised of ceiling bindings that are fixed at 100 percent or higher. These ceiling bindings even exceed 200 percent for a few product categories. For example, dairy, livestock, and poultry, certain fruits and vegetables, coffee and tea, seeds, grain and feed, flour, soybeans and a host of intermediate and high-value products all carry tariff bindings that are fixed at 150 percent. Moreover, animal fats, lards, and oils all carry tariff bindings of 300 percent!

- *Brazil* bound its tariffs for most products at 35% or 55%, only lowering the applied tariff when it is convenient and always able to increase the tariff if domestic considerations require it.

- And don't forget about TRQ quantities, state trading and export subsidies.

LATIN AMERICA

CHILE

Non-Success Stories: Costs of Inaction

- **Southwestern Bell** recently chose to source from Northern Telecom in Canada $180 million in telecommunications equipment for a project in Chile rather than from U.S. suppliers. Thanks to the Chile-Canada free trade agreement, it can save over $20 million in duties by purchasing from Canada rather than the United States.

- Chile and Mexico also have a free trade arrangement. As a result, Washington state apple growers are losing their share of the Mexican market to Chilean growers. There is increasing concern that as Chile expands the number of preferential arrangements it enters into, U.S. growers will have a greater disadvantage in other major markets such as Brazil where duties range from 10-30 percent. U.S. growers claim that if not for Chile's advantage, the United States could export year round, instead of just seasonally.

- In the Chilean automotive sector **Ford** is importing Escorts from Mexico -- formerly they came from the United States. Also, this competition is likely to intensify as even more European and Japanese models [Opel, VW, Nissan] are now imported from Brazil. We also understand that Chrysler hopes to increase its sales in Chile by 28 percent this year -- to $60 million. The company intends to supply the Chilean market from offshore facilities in Argentina, Brazil, Mexico and Venezuela, to take advantage of the new commercial agreements which eliminate duties on automotive imports.

- **Goodyear**, a major supplier of tires to heavy mining equipment, now obtains its raw materials and intermediate products from Mexico, instead of the United States.

- **Caterpillar** will supply some of its lines of earth moving equipment for the mining industry from Brazil, rather than the United States.

- Larry Liebenow of **Quaker Fabric** (Fall River, Mass) just lost a sale to supply a Chilean company to his Canadian competitor. Quaker is a rapidly growing mid-sized manufacturer of upholstery fabrics that has added over 150 jobs due to increased exports over the past three years. Mr. Liebenow says the irony is that he lost this sale to a company he beats every day in the United States and Canada. In Chile, however, Quaker has to pay 11% more than his Canadian competitor to get his upholstery fabrics into Chile.

Non-Success Stories:Trade Barriers

- **IBM** exports $35 million in personal computers, duty-free, from Mexico to Chile each year. It could source these exports from the United States, but has chosen not to as a result of Chile's 11 percent duty on U.S. made goods.

- **John Deere** representatives contend that a free trade agreement between the United States and Chile would allow the company to expand its sales of products like tractors in the Chilean market share significantly. Over 90% of its products come from the United States (with a 11% tariff) whereas its competitors bring products from Mexico at no tariff cost.

- **Esso Chile**, a division of Exxon Corporation, imports approximately $12 million per year annually in stocks and additives to its factory in Chile. It would prefer to source from U.S. suppliers, but instead brings them in from neighboring Latin countries enjoying preferential tariff status in the Chilean market. Similarly, Esso spends $20 - $30 million annually for convenience store equipment used in its local service stations. The bulk of these purchases are sourced from Argentina, Brazil and Venezuela. Chile's 11 percent rate of duty prevents the company from consolidating these purchases from a U.S. source.

- **Clorox de Chile** imports millions annually of polyethylene products and replacement parts from several sources (constituting 25 percent of Clorox Chile's production costs). The company would prefer to buy all such products from the U.S., but currently buys from Argentina and Brazil (due to the 11 percent duty) because the products come with a certain degree of contamination.

- **Coca Cola Chile** said it would switch almost all purchases to the United States, for bottling, canning and refrigeration equipment, if the United States negotiated a free trade agreement with Chile. Currently much of these imports are sourced from Italy and Germany.

DOC/ITA/MAC/WH
Source: U.S. Chamber of Commerce, AmCham Chile

LATIN AMERICA

MERCOSUR: ARGENTINA

NonSuccess Stories: Trade Barriers

- **IBM Argentina** is contemplating importing equipment from IBM Brazil rather than the United States to avoid paying the 16 percent Mercosur common external tariff on informatics.

DOC/ITA/<MAC/WH
Source: U.S. Department of State/Trade Policy and Programs

EASTERN EUROPE

- **Chrysler** has noted that its access to CEE markets is constrained due to increasing tariff preferences EU exporters receive under the EU association agreements. Chrysler claims that it will lose almost all of its export opportunities through 2002 if the differential between the MFN rates it must pay and those applicable to EU products is not kept to a maximum of 10 percent --the level of the EU's common external tariff. (Chrysler estimates this loss would amount to approximately $600 million.) Current phase-out schedules under the association agreements would ensure that the differentials maintained by most CEE countries would exceed 10 percent --in some cases significantly. Chrysler is most concerned with Poland, Czech Republic, Slovenia and Hungary.

CZECH REPUBLIC

Failure Stories: Trade Barriers

- **Thermo King,** a U.S. company, has been forced to cut back its use of U.S. components used in manufacturing industrial refrigeration units because of the elimination of duty drawbacks for non-European Union (EU) goods.

- **Westvaco** pays duties of 7.6 percent on a bleached paperboard input necessary for the manufacture of a final product in its facility in the Czech Republic. The only competing product comes into the Czech Republic duty-free from Sweden and Finland under the EU association agreement. Westvaco's final product cannot be competitive with its West European manufacturers with the current tariff differential.

HUNGARY

Non-Success Stories: Costs of Inaction

- **Edwards,** a U.S. manufacturer of smoke detectors has lost sales as a result of having pay duties that its European competitors are exempt from as a result tariff preferences negotiated as part of the EU-Hungary Association Agreement.

Non-Success Stories: Trade Barriers

- **Mars** candy has reoriented its sourcing from the its operations in the United States to its European Union companies as a consequence of reverse tariff preferences in favor of EU products.

- GE representatives have complained that eliminating duty drawbacks on U.S. goods has affected its imports of capital equipment from the United States.

POLAND

Non-Success Stories: Costs of Inaction

- **Atlas CopCo Wagner,** an Oregon-based manufacturer, has lost sales to European competitors as a consequence of having to pay Poland's duty on its U.S.-made (mining) underground loaders. As a result of Poland's Association Agreement with the European Union (EU), the custom tariff for Wagner's equipment is currently 9 percent, while the tariff for the same equipment brought from the EU is 3.6 percent. The problem will continue to increase as the tariff for EU product will be gradually lowered to zero by 1999. As Wagner's main customer is the large copper combine KGHM, it may be relatively easy for Wagner to convince its Polish customers to lobby the Polish government to lower the MFN tariff rate for Wagner's products. (This was a successful strategy for a similar complaint regarding printing ink where Polish industry benefited from the lower cost of the superior U.S. input.)

- **Vanguard Supreme,** operating out of North Carolina, has complained that the tariff advantage enjoyed by European producers of textile knitting machines make Vanguard's product uncompetitive in the Polish market.

- **Westinghouse** has found itself at a distinct competitive disadvantage relative to European rivals as a result of tariff preferences negotiated between the European Union and Poland. As a consequence, a current Westinghouse turbine refurbishment bid of $40 million is facing an uncertain future, as tariff preferences provide a significant price advantage to EU firms. In addition, on at least two occasions, Westinghouse has resorted to subcontracting a European firm to benefit from the EU tariff advantage, despite Westinghouse's preference for U.S. made goods.

ROMANIA

Non-Success Stories: **Costs of Inaction**

- A number of U.S. technology companies, including **IBM, Blue Ridge International, Romsys-Sun Microsystems, Total Technologies-Packard Bell and Lucent Technology,** among others, are losing bids to European firms as a result of high tariffs on their products (15 to 20 percent) relative to similar European goods (0 to 5 percent).

- **Wente Brothers,** a California wine exporter, faces duties of 144 percent on its U.S. products. In contrast, European wines pay only a 108 percent rate.

SLOVENIA

Non-Success Stories: Costs of Inaction

- Sales of **Chrysler** minivans are down as a result of facing a 27 percent import duty on motor vehicles containing less than 60 percent EU content.

DOC/ITA/MAC/WH
Source:State/EB/Trade Policy
DOC/EUR/CEEBIC

August 25, 1997

FAST TRACK "SUCCESS" STORIES

<u>The Rewards of Engagement</u>:

The rewards of engagement in overseas markets, particularly for small businesses, are illustrative of the potential that exists in the global economy. Here are two examples of successful small business exporters:

- Royce Instruments Corporation, a small New Orleans based manufacturer of computerized water quality monitoring systems for the past 10 years, currently operating with 33 employees, earned $2.5 million in exports sales (about 45%) of the companies revenues in 1996.

- B.G. Imaging Specialties of Bronx, New York is a diagnostic imaging equipment with markets in Latin America, Asia, Eastern Europe, and South Africa. In business since 1986 and currently operating with 25 employees, B.G. produced approximately $3 million in export sales in 1996.

- A family owned business in Kenner, Louisiana formed in 1992, entered the export market in 1995. Deep South Bowling Pro Shop, Inc., increased its international sales of bowling balls from$75,000 in 1995 to about $850,000 in 1996 primarily to Asia and South America . Seven months into 1997, it is on the brink of surpassing its 1996 export sales figures while entering five new international markets.

The trend line does not deviate much when it comes to the U.S. agriculture industry:

- Farmland Industries, Inc., headquartered in Kansas City Missouri the largest farmer-owned cooperative in the North America with over 1,500 local cooperative members serving 500,000 farmer-rancher families in 22 Midwestern States, Mexico and Canada. Also, more than 13,000 livestock producers are direct members of Farmland, marketing their hogs and cattle. U.S. producers now depend on exports for over 25 percent of gross receipts, which are anticipated to increase to 35 percent by 2003. In the past six years, these cooperatives have seen their international sales grow from less than $200 million to over $4.1 billion. In Mexico alone, since the passage of NAFTA, their sales have increased from less than $50 million in 1992 to $450 million in 1996.

- International Cryogenics of Indianapolis, Indiana, a small business employing 25 people, is currently shipping its products to South America much more than ever anticipated (revenue percentage derived from exports). It cryobiological tanks used for the freezing of agricultural products are selling like "gang busters" overseas, which has been key to its growth given that the U.S. market is completely saturated.

Medium-to-Large Exporters:

what mkts?

- Ingersoll-Rand, a major diversified industrial equipment and components manufacturer out of Woodcliff Lake, New Jersey supplies its products to a wide range of industrial and commercial markets world-wide. The company has 45,000 employees, with global sales approaching $7 billion -- approximately 40 percent of Ingersoll-Rand's total sales. By the end of the first decade in the new millennium, it expects its revenue derived from exports sales to increase to 50 percent. Products exported to Mexico alone came from Ingersoll-Rand's plants located in California, Georgia, Indiana, Kentucky, North Carolina, North Dakota, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Vermont and Virginia.

- Valley Drive Systems of Rockford, Illinois, which produces front wheel drive components and assemblies, decided to enter the global market not too long ago, and in its first six months saw its exports skyrocket from $0 to $500,000. While its products are shipped throughout the world, their ability to increase market share would be even more significant if they experienced the reforms in trade tariffs and non-tariffs that they experienced in Canada under NAFTA in other countries. It was the NAFTA certificate of origin (rule of origin) that made it possible for Valley Drive Systems to reduce the price of their goods by 8 percent and win their export order to Canada.

The Risk of Inaction:

The risk of inaction is evident in view of the free trade agreement reached between Canada and Chile in November 1996 that will eliminate Chile's 11% across-the-board tariff starting this year.
Hi-Tech:

Nortel?

- Northern Telecom, a Canadian firm, won a nearly $200 million telecommunications equipment contract over U.S. companies in part because U.S. producers faced $20 million in higher costs due to higher tariffs than did Canadian firms.

Specialty Textile:

- Similarly, Quaker Fabric Corporation experienced a business opportunity loss in Chile,

-Story?

Agriculture:

- Although U.S. agricultural exports to South America have increased over the last decade, the U.S. share of the region's total agricultural imports has fallen by more than half since 1985 -- from 42% to 22%. This decline is equivalent to an annual export loss of $2.6 billion and a related employment loss of more than 40,000 U.S. farm and non-farm jobs in 1996. More than 30 trade agreements are in place throughout Latin America, most of which the U.S. is not signatory to and which grant trade preferences to the countries that have signed the agreements. The granting of preferential trade benefits to some countries often comes at a costly price to U.S. producers and suppliers who are shut out of these markets due to higher tariffs and other barriers.

- The same could be said for the Asian market, where, for example, South Korea has emerged as the fifth largest market in the world for U.S. agricultural exports. It took in a record $3.8 billion worth of U.S. farm and food products in 1996. But Korean tariffs on agricultural products, over 60 percent on average, are still among the highest in the world, and American farmers could be doing a lot more business there if these tariffs were reduced or eliminated. If Korea's tariffs on dairy products (which range from 40 percent to 211 percent were cut, the U.S. dairy industry exports would increase by about $100 million in 2 years. Were the 20 percent tariff on frozen french fries eliminated, U.S. exports could double from the current level of 25,000 metric tons. Similarly, tariff changes on raisins could result in an increase of 25 to 30 percent, and on oranges to the equivalent of half of current Korean production.

WHAT NAFTA HAS MEANT TO U.S. CHAMBER MEMBER COMPANIES

Preiser Scientific, Inc.
St. Albans, WV

Preiser Scientific, a growing, small manufacturer and distributor of laboratory equipment, has witnessed export growth to both Canada and Mexico since the implementation of NAFTA. To the north, Preiser's exports to Canada more than doubled, growing from $25,000 in the year prior to NAFTA's implementation to $55,000 in 1996. To the south, NAFTA's reduction of tariffs against U.S. goods has opened the door to the Mexican market where the company began exporting since NAFTA began and already posted $125,000 worth of exports in 1996.

Cassco International
Belton, MO

As a small company that manufactures and re-conditions used industrial plastics equipment, Cassco International, based in Belton, Missouri, has watched NAFTA's reduction of tariffs open both the Canadian and Mexican markets. Exports to our northern neighbor increased four fold, from $10,000 in 1993 to $40,000 in 1996. Cassco's export growth to Mexico, where NAFTA dropped the tariff rate from 50% to 6% upon its implementation, is even more impressive. Prior to NAFTA, Cassco's exports to Mexico valued $20,000. In the three years since NAFTA's implementation, the company's exports increased by 5 times to reach $100,000 in 1996.

Fairchild Industries
Arlington Heights, IL

Fairchild Industries, a rubber distributor based in Arlington Heights, Illinois, has begun to export to the Mexican and Canadian markets since the implementation of NAFTA. Fairchild did not export to these countries before NAFTA. In the third year of NAFTA, Fairchild posted sales of $10,000 to Canada and $100,000 to Mexico where NAFTA eliminated the 10% tariff against rubber upon its implementation. Fairchild is a prime example of how NAFTA has opened doors for small-sized companies to expand their business through exportation.

Brown-Forman Beverages Worldwide
Louisville, KY

A Louisville, Kentucky based company, Brown-Forman Beverages Worldwide, makers of Jack Daniels and Southern Comfort Whiskey, has watched its exports rapidly expand to both Canada and Mexico. Since NAFTA's implementation eliminated all duties, formally as high as 20% on U.S.-made distilled spirits entering Mexico, the company's revenue from exports to Mexico has increased 200% from $4 million in 1993 to $12 million in 1996. Brown-Forman has also increased its exports to Canada by $1.7 million since 1993, a 340% increase.

Panel Specialists, Inc.
Temple, TX

Panel Specialists, Inc., a growing company in Temple, Texas that produces various types of laminated panels, has experienced wonderful growth in exports to Mexico in the past three years. Although not solely due to NAFTA, NAFTA has helped in reducing duties and other costs associated with products entering Mexico. NAFTA has been an integral part of the growth of America's small and medium-sized export companies.

Nature's Life
Garden Grove, CA

As a company dedicated to providing quality dietary supplements and foods, Nature's Life has benefited from NAFTA's reduction of tariffs to Mexico. While facing a 10% tariff prior to NAFTA, Nature's Life did not export to Mexico. In the third year of NAFTA, the company exported $100,000 worth of dietary products to Mexico under a reduced 7% tariff. As these tariffs are phased out and eventually eliminated under NAFTA, Nature's Life will be able to further expand its business, although recent restrictive regulations in Mexico remain difficult obstacles.

Quin-T Corporation
Tilton, NH

The Quin-T Corporation, a manufacturer of electrical insulation materials, has NAFTA to thank, in part, for the exponential growth of its business in the Mexican and Canadian markets. Before NAFTA's implementation, Quin-T exported only $15,000 worth of insulation materials to Mexico. Since NAFTA, their exports to Mexico have increased 3,900% to reach $600,000 in 1996. In addition, a more open Canadian market allowed them to increase their exports in Canada from $190,000 in 1993 to $700,000 in 1996, a 268% increase.

ITT Corporation

According to the ITT Corporation, NAFTA has had a direct impact on the hotel and tourism industry for the three countries. For instance, the reduction of tariff barriers has made a series of higher quality products available in the market and has eased the process of directly importing from the U.S. and Canada. This is especially the case for furniture, fabrics, equipment, carpets, lamps, china, glassware, and linen. Furthermore, local companies have improved their product quality in order to be more competitive with the opening of the markets. Also, foreign investment has been liberalized authorizing foreign companies to own 100% without local partnership of previously 51%. These changes resulting from NAFTA have allowed American companies like ITT to increase their business in tourist-drawing Mexico.

Caterpillar, Inc.

For American manufacturer of mining and construction equipment Caterpillar, NAFTA has been a "clear success". In the three years since NAFTA, Caterpillar's exports to Canada and Mexico have increased by $807 million over the three-year period before NAFTA. At the same time, Cat's imports from Canada and Mexico increased by $117 million. In addition to increasing exports to our neighbors, Caterpillar has been able to increase efficiencies at U.S. factories and thus become more competitive globally. Caterpillar claims that the big winners of NAFTA are both its Mexican customers who no longer have to pay a high tax for the privilege of buying U.S. made products and its U.S. employees and suppliers who can now fairly compete against indigenous companies that previously were allowed to hid behind high tariff and non-tariff barriers.

Greater Rochester Metro Chamber of Commerce, Inc.
Rochester, NY

With Canada as the greater Rochester area's largest market and Mexico as the area's 7th largest, NAFTA has helped to create local jobs for U.S. companies. According to the Greater Rochester Metro Chamber of Commerce, job gains in the area amounted to approximately 600 manufacturing jobs which came back to the region after NAFTA's implementation, due, in part, to the treaty's relaxation of domestic content requirements. NAFTA's stabilizing role in the Mexican peso crisis helped allow the area's exports to Mexico grow by approximately 12% over 1995. In addition, the Chamber has witnessed that by stabilizing the Mexican peso, the U.S. generated considerable goodwill throughout Latin America, which has helped regional exporters increase their sales throughout all of South and Central America. Regarding our northern neighbor, the Rochester area's 1996 exports to Canada increased by approximately 6%, compared to 3% in 1995. This growth is critical for the over 4,000 regional exporters which accounted for $14 billion in manufactured goods and services that were exported from the Chamber's 9 country region in 1996.

Eastman Kodak Corporation*
Rochester, NY

In the three years of NAFTA's existence, Eastman Kodak reports savings of over $100 million in tariffs on trade with Mexico and Canada, enabling the camera and film company to make decisions based on rational, economic grounds, rather than on tariff considerations. For example, the reduction in tariffs that U.S. goods face when entering Mexico allowed Kodak to transfer a high-cost sensitizing operation *from* Mexico *to* Rochester, increasing efficiency, lowering costs and improving quality. Furthermore, the increased demand worldwide for Kodak's one-time use cameras has increased demand for 35mm color film which is produced in Rochester. As clear proof that NAFTA is a win-win situation for Kodak, the company's exports to Mexico have increased 114% since NAFTA has been in place while its exports from Mexico to the U.S. have increased a similar amount, 115%. To the north, Kodak's exports to Canada have increased 12.5%. As Kodak's President and CEO concludes, "NAFTA has already been good for the United States, for Kodak and for Rochester—and it will only get better."

*Eastman Kodak is not a member of the U.S. Chamber of Commerce

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LARSON, AL	(b)(6)	647-7971
• LEAMOND, NANCY		482-5485
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• NOVICK, ROBERT		395-9494
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SAMET, ANDREW		219-6043
SAMUEL, BRYAN		647-6754
STOKES, KENNETH		482-2056
VARGO, REGINA		482-5324
WHITE, BETSY		219-6043
WHITE, ROBIN		647-2532

IN-HOUSE:

SUSAN BROPHY	WH LEGIS.	x66230
BILL DANVERS/WILL DAVIS	NSC	x69171
JIM DOBBINS/PAT DeSOUZA	NSC	x69131
SANDY KRISTOFF	NSC	x69251
JOHN NORRIS	OVP	x69518
DAVID SANDALOW	CEQ	x66543

August 27, 1997
1:00 p.m.

FAST TRACK "SUCCESS" STORIES

The Risk of Inaction:

The risk of inaction is quite great given the pace at which countries continue to sign trade agreements further liberalizing their markets, tearing down tariffs and non-tariff barriers, and increasing market access with their trading partners.

- The Stupp Corporation in Baton Rouge, Louisiana, a leading producer in the Western Hemisphere of API line pipe, is confronted with a price hurdle when doing business in South America. Its competitors from countries in the southern cone common market (MERCOSUR), comprised of Brazil, Argentina, Uruguay and Paraguay, do not face this price hurdle, as they have signed a trade agreement between themselves and with Chile significantly reducing duties and taxes on products exported between them. In bidding to supply $100 million of pipe to an Argentina-Chile gas pipeline project, Stupp faces duties and taxes of 27 percent on the Argentine portion of the pipeline, costs that a major competitor from Chile does not have to pay. For corporations like Stupp and its workers, including the steelworkers, dock workers, railroad employees, stevedores and truck drivers, the stakes are quite high in winning these major infrastructure projects. Stupp estimates a successful bid would

  -- require the equivalent to two days of U.S. Steel's total shipments or twice that at a company the size of LTV;
  -- employ over 1,600 rail cars to ship the steel to their plant; or alternatively, 67 barges and 1,904 trucks;
  -- provide more than two months of work for a U.S. facility to coat the bare pipe.

  (Source: Department of Commerce) (Contact: Donald Bohach, Director of Marketing and Business Affairs, 2-(800) 535-9999).

The risk of inaction is evident in view of the free trade agreement reached between Canada and Chile in November 1996 that will eliminate Chile's 11% across-the-board tariff starting this year.

Specialty Textile:

- Quaker Fabric Corporation in ( ),Massachusetts, a $200 million publicly trade textile company is a major manufacturer of upholstery fabric employing about 1,750 people marketing its products in the U.S. and 42 other countries. Last year, about 20% of the company's sales were made outside the U.S. and some 350 of the company's employees owe their jobs to Quaker's growing export operations. In the past three, it has added 150 jobs due to increased exports. Last year, Quaker exported over $35 million worth of fabric, of which 40 percent was derived from our NAFTA partners. The rest of the hemisphere, where Quaker believes its greatest opportunities for growth lay, should

provide it with additional sales opportunities of some $25 million (the equivalent of 200 more jobs in Massachusetts. However, Chile is a case in point of the risk of inaction and business opportunity loss for companies like Quaker. Recently, Quaker was informed by its sales representative in Chile that it had lost a bid for a $1.8 million a year account to a competitor from Mexico, solely as a result of the 11 percent tariff that Quaker must pay and not its competitor. This happened because Chile already has trade agreements in place with Mexico, Canada, the MERCOSUR countries and the European Union. Last year, Quaker sold approximately $300,000 of product into Chile. However, to do that it had to convince its Chilean customers that its product was of such higher quality that it was worth an additional 11 percent of cost due to the duties levied by Chile on U.S. exports.
(Source: Quaker Fabric Company) (Contact at Quaker: Larry A.Liebenow, President,

Agriculture:

- Although U.S. agricultural exports to South America have increased over the last decade, the U.S. share of the region's total agricultural imports has fallen by more than half since 1985 -- from 42% to 22%. This decline is equivalent to an annual export loss of $2.6 billion and a related employment loss of more than 40,000 U.S. farm and non-farm jobs in 1996. More than 30 trade agreements are in place throughout Latin America, most of which the U.S. is not signatory to and which grant trade preferences to the countries that have signed the agreements. The granting of preferential trade benefits to some countries often comes at a costly price to U.S. producers and suppliers who are shut out of these markets due to higher tariffs and other barriers. For example, U.S. wheat farmers face an uphill battle exporting to Brazil, an $850 million market for wheat in 1996. Of that total, U.S. wheat exports amounted to $174 million. Tariffs on U.S. wheat and rice to Brazil are 10 percent and 20 percent, respectively. By contrast, most Argentine and MERCOSUR exports to Brazil now enter duty free. Argentina is one of the world's most prolific agricultural exporters; it always ranks in the top five country exporters of grains and beef to the world. The harmful effects of tariffs in South America and other parts of the world also are being felt by Washington state Apple producers, California wine producers, mid-western state soybean producers, and beef and pork producers.
(Source: USDA)

- Korea has emerged as the fifth largest market in the world for U.S. agricultural exports. It took in a record $3.8 billion worth of U.S. farm and food products in 1996. But Korean tariffs on agricultural products, over 60 percent on average, are still among the highest in the world. American farmers and companies like Pierce Foods of Moorefield, West Virginia, a lead manufacturer in the poultry and frozen foods industry, could be doing a lot more business there if these tariffs were reduced or eliminated. Korea's market has been recently liberalized for U.S. chicken, but the 28 percent tariffs and regulations, adding up to another 30 percent, place high-quality U.S. product at a severe price disadvantage. Without the added tariff and clearance costs, Pierce estimates that this market could produce sales of $5 to $10 million annually long-term. By contrast, the status quo limits Pierce penetration to annual sales about $1 million.
(Source: USDA) (Contact at Pierce Foods: Jeff Hester, President).

The Rewards of Engagement:

The rewards of engagement in overseas markets, particularly for agriculture, are illustrative of the potential that exists in the global economy. An example of the success that can be obtained through agricultural exports and which is having an impact on the livelihoods of several hundred thousand farmers is that of Farmland Industries.

- Farmland Industries, Inc., headquartered in Kansas City, Missouri, is the largest farmer-owned cooperative in the North America serving 500,000 farmer-rancher families through over 1,500 local cooperative members in 22 Midwestern States, Mexico and Canada. Also, more than 13,000 livestock producers are direct members of Farmland, marketing their hogs and cattle. U.S. producers now depend on exports for over 25 percent of gross receipts, which are anticipated to increase to 35 percent by 2003. In the past six years, these cooperatives have seen their international sales grow from less than $200 million to over $4.1 billion. In Mexico alone, since the passage of NAFTA, their sales have increased from less than $50 million in 1992 to $450 million in 1996. (Source: USDA) (Contact at Farmland: Scott Schearer, Director of National Relations, (Harry Cleberg is the Chairman and leading the Fast Track advocacy efforts with the agriculture. community) 783-5330.

The trend line does not deviate much for small businesses, which account for over 90 percent of U.S. firms involved in international trade.

- A husband and wife owned and operated business in Kenner, Louisiana, formed in 1992, entered the export market in 1995. Deep South Bowling Pro Shop, Inc., has experienced a dramatic increase in its international sales of bowling balls, going from $75,000 in 1995 to about $850,000 in 1996, in its primarily Asian and South American markets. Seven months into 1997, it is on the brink of surpassing its 1996 export sales figures, which make up 30 percent of their total revenue, while entering five new international markets. It is export sales which allows Deep South to order bowling balls at the most competitive price from manufacturers. At the start of the business, the couples dinning room was their warehouse for the bowling balls. Today they have a 12,000 square feet warehouse, and are about to expand to a bigger warehouse.
  (Source: Department of Commerce) (Contact at Deep South: Owner David Scheuermann, Jr., (504) 467-0248).

- Aster International Company in Cambridge, Massachusetts, is a minority-owned, women-owned small business marketing American-made crafts and giftware. Using a direct mail strategy, Aster commenced operations in November of 1995 earning $70,000 in export sales. In 1996, its sales to Korea, Singapore, Taiwan and Japan amounted to over $500,000. However, export sales could have been much higher had Aster been more established, as demand for its product included orders worth $1.2 million. This year, it expects to surpass $2.0 million in exports sales. Aster employs five full-time workers, as many as seven part-time workers during peak demand, and at times out-sources to meet

demand. It also uses strict guidelines for U.S. content and assembly of the product it sells, as consumers overseas associate high quality with American-made products and expect them to be genuinely American-made.
(Source: Department of Commerce) (Contact at Aster: Leah Zveglich (617) 354-7773).

- B.G. Imaging Specialties of Bronx, New York, is an exporter of used diagnostic imaging equipment to under-developed countries throughout the world that do not have the technology to produce such equipment and whose medical institutions do not have the capital to purchase new models of such equipment. In business since 1986 and currently operating with 25 employees, B.G. has doubled its revenue from exports and the number of employees in the last 4 years. In 1993, it undertook a major effort to expand its marketing activities, primarily in China up to that point, to other emerging economies, including: Russia, other newly independent states (former Soviet Union), India, Ireland and Latin America. Its revenue from exports has grown to about 90 percent of total sales and amounted to over $3 million in export sales in 1996.
(Source: SBA) (Contact at B.G.: Co-owners Bernard Glas and Stan Popeil, (718) 378-3100).

Medium-to-Large Exporters:

- Ingersoll-Rand, a major diversified industrial equipment and components manufacturer out of Woodcliff Lake, New Jersey supplies its products to a wide range of industrial and commercial markets world-wide. The company has 45,000 employees, with global sales approaching $7 billion -- approximately 40 percent of Ingersoll-Rand's total sales. By the end of the first decade in the new millennium, it expects its revenue derived from exports sales to increase to 50 percent. Products exported to Mexico alone came from Ingersoll-Rand's plants located in California, Georgia, Indiana, Kentucky (1,100 employees), North Carolina (3,500 employees), North Dakota, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Vermont and Virginia.
(Source: Ingersoll-Rand) (Contact at Ingersoll-Rand: Gordon Stables, Director of Government Affairs (Jim Perella (spell?) is Chairman of B.R. National Foreign Trade Council), (201) 573-3157).

- Diamond Chain Company manufactures, develops and markets high quality precision roller chain which is used to transmit power and convey product throughout industry. Based in Indianapolis, Indiana, Diamond has experienced a steady growth in export sales since 1990, growing from 3 percent to 13 percent estimated for this year. The increase in sales has led Diamond Chain to hire 90 more people, raising its employment rolls to 700 people, and created a new and more diverse range of opportunities for its employees.
(Source: Diamond Chain Company) (Contact at Diamond: Byron D. Speice, President, (317) 638-6431).

Andrew

FAST TRACK AUTHORITY
COMMUNICATIONS CALENDAR
As of 8/1/97

DATE	EVENT	STATUS/FOLLOW UP
AUGUST	**AUGUST**	**AUGUST**
Wk. 8/4	Berman press outreach to WH reporters.	
8/10	Chamber of Commerce – Briefing by Berman and Radd.	
8/23	**Radio Address (T).** Make pivot from budget to Fast Track.	• Radd to work with Rahm, Lewis etc…
Tbd.	WH Briefing for Manufacturing Companies. Bowles–Rubin–Barshefsky–McLarty–Berman	
Tbd.	WH Briefing for High Technology Companies. VPOTUS-Barshefsky-McLarty-Gipps-Berman	
~~**Tbd.**~~ Sept.	WH Briefing for AgriBusiness Companies. Glickman-Barshefsky-McLarty-Berman	
SEPTEMBER	**SEPTEMBER**	**SEPTEMBER**
~~9/8~~ 9/9	**Fall Agenda Speech.** Strong mention of Fast Track.	
9/9	American Electronic Asc. Annual Mtg. (San Jose)	• speaker/ltr/materials?
9/10	**Kick-Off Event at White House.** POTUS submits legislation.	• Shape event • Event media plan (NSC;NEC;USTR)
9/10	VPOTUS speaks to Business Roundtable.	
9/12	Albright speech in Miami	
9/12-14	National Sales Network (Chicago)	• speaker/ltr/materials?

DATE	EVENT	STATUS/FOLLOW UP
9/13	**CBC Dinner.** Emphasize in remarks?	
9/15	Albright – Economic speech.	
9/16	**Congressional Hispanic Caucus Dinner**. Emphasize in remarks?	
9/16	American Business Conference (T)	• speaker/ltr/materials?
9/17	Ntl. Asc. Broadcasters Radio Show (New Orleans)	• speaker/ltr/materials?
9/20	**Los Angeles Message Event (T)**	
9/22	**UNGA Speech**. Section on open trading system?	
9/24	**AFL-CIO Convention**. Address FT?	
OCTOBER	**OCTOBER**	**OCTOBER**
10/1-4	US Hispanic Chamber of Commerce Dinner (Houston). POTUS regretted.	• speaker/ltr/materials?
10/2	**Meeting with Automobile Executives.** Emphasize in talking points?	
10/4	**Radio Address (T).**	
10/7	**Message Event with Leading Validators**. Former POTI; Sectys of State… if vote 10/9.	• SP (NSC)
10/9	American Business Cncl. Conf. (Williamsburgh)	• speaker/ltr/materials?
10/9	**POSSIBLE HOUSE VOTE**	
10/12-20	Dow Jones Global Leadership Conference	• speaker/ltr/materials?
10/12-20	**Latin America Trip**	• speaker/ltr/materials?
10/17	Black Professionals in Intnt. Affairs (Arlington)	• speaker/ltr/materials?
10/17	Ntl. Assoc. Black Women Entrepreneurs (Detroit)	• speaker/ltr/materials?

NOVEMBER	**NOVEMBER**	**NOVEMBER**
11/7-8	National Small Business United 60th Anniv. (D.C.)	Speaker?
11/14	**Zedillo Visit.**	
11/22-26	**APEC Meeting (Vancouver)**	

ACTION ITEMS

ISSUE/IDEA/EVENT	STATUS/FOLLOW-UP
1. Kick Off Event	• Shape lead-up; event; post-event follow up
2. Schedule of all relevant speeches by principals, sub-principals; meetings/briefings with Congress by POTUS, others; with interest groups; all relevant interviews.	• All agencies to feed to Cabinet Secretary; OPL; WH Leg affairs and to NSC Planning • All agency communications directors to send memo to principals, sub-principals reminding to plug FT whenever approp.
3. Create weekly blast fax & data base.	• USTR lead • All agencies to feed in names, numbers
4. Set up home page/web site	• WH Comunications lead
5. Create fact book.	• Radd lead
6. Create surrogate speaker tracking/scheduling system	• Cabinet affairs/Scheduling
7. Editorial Board call list	• Media Affairs/Leg Affairs
8. Create list of desired endorsements	
9. Organize SBA Regional Admin. Events	• Siewart/NEC
10. Organize Commerce District Export Council Events	• Radd

ISSUE/IDEA/EVENT	STATUS/FOLLOW-UP
11. Organize Leadership Days – WH briefings for community influentials recommended by MOCs.	• O'Keefe/OPL
12. Assign MOCs to Cabinet for personal calls	• LegAffairs/Cabinet Affairs
13. Organize events for Agriculture Department Regional Administrators	
14. Op/Eds	• Dole-Bentsen • Bowles Columbia Business Journal

Andrew Friendly
08/15/97 03:22:47 PM

Record Type: Record

To: Steven J. Ronnel/WHO/EOP, Daniel Lesmez/WHO/EOP, Peter O'Keefe/WHO/EOP
cc:
Subject: Diamond Chain

I spoke with Garland Stovall, the head of the Steelworkers at Diamond Chain today about supporting fast track. He had read the talking points and talked to his national. He is inclined to help us, he thinks trade is important, and would not mind being in front of the press. At the same time, he said the national is inclined to support FT if the legislation included labor and environment language. I told him that it was too early to determine what the bill would have in it.

-613-2286

I told him that Steve would call him next week at Daimond Chain [(317) 633- 2286] to discuss it further and see if there was a way to work something out. I am not sure that he will be willing to be that forward leaning if the national says no when they see the final bill, but at least we should keep talking.

At a minimun, Byron Speice, Daimond Chain's President is very willing to work with us and tell his story. Steve, you should touch base with him next week as well.

Good luck with this, I think it is a good story to tell and maybe to have these folks here for the roll out.

Andrew

1 Dan (703) 812-9371 - share stories w/ Vicki

8:30 - O'Keefe

2

August 25, 1997

FAST TRACK "SUCCESS" STORIES

The Risk of Inaction:

The risk of inaction is quite great given the pace at which countries continue to sign trade agreements further liberalizing their markets, tearing down tariffs and non-tarriff barriers, and increasing market access with their trading partners.

- The Stupp Corporation in Baton Rouge, Louisiana, a leading producer in the western hemisphere of API line pipe, is confronted with artificial price hurdle challenge when doing business in South America, as the countries in the southern cone common market (MERCOSUR) have signed a trade agreement with Chile significantly reducing duties and taxes on products exported between them. In bidding to supply $100 million of pipe to an Argentina-Chile gas pipeline project, Stupp faces duties and taxes of 27 percent on the Argentine portion of the pipeline, costs that a major competitor from Chile does not have to pay. For corporations like Stupp and its workers that stakes are quite high in winning these major infrastructure projects. Stupp estimates a successful bid would

  -- require the equivalent to two days of U.S. Steel's total shipments or twice that at a company the size of LTV;
  -- employ over 1,600 rail cars to ship the steel to their plant; or alternatively, 67 barges and 1,904 trucks;
  -- provide more than two months of work for a U.S. facility to coat the bare pipe.

  (Source: Department of Commerce)

The risk of inaction is evident in view of the free trade agreement reached between Canada and Chile in November 1996 that will eliminate Chile's 11% across-the-board tariff starting this year.

Hi-Tech:

- Northern Telecom, a Canadian firm, won a nearly $200 million telecommunications equipment contract over U.S. companies in part because U.S. producers faced $20 million in higher costs due to higher tariffs than did Canadian firms.
  (Source: Department of Commerce)

Specialty Textile:

- Similarly, Quaker Fabric Corporation, a $200 million publicly trade textile company is a major manufacturer of upholstery fabric employing about 1,750 people marketing its products in the U.S. and 42 other countries. Last year, about 20% of the company's sales were made outside the U.S. and some 350 of the company's employees owe their jobs to Quaker's growing export operations. Last year, Quaker exported over $35 million worth of fabric, of which 40 percent was derived from our NAFTA partners. The rest of the hemisphere, where Quaker believes its greatest opportunities for growth lie, should

provide it with additional sales opportunities of some $25 million (the equivalent of 200 more jobs in Massachusetts. However, Chile is a case in point of the risk of inaction and business opportunity loss for companies like Quaker. Recently, Quaker was informed by its sales representative in Chile that it had lost a bid for a $1.8 million a year account to a competitor from Mexico, solely as a result of the 11 percent tariff that Quaker must pay and not its Mexican competitor. This happened because Chile already has trade agreements in place with Mexico, Canada, the MERCOSUR countries and the European Union. Last year, Quaker sold approximately $300,000 of product into Chile. However, to do that it had to convince its Chilean customers that its product was of such higher quality that it was worth an additional 11 percent of cost due to the duties levied by Chile on U.S. exports.
(Source: Quaker Fabric Company)

Agriculture:

- Although U.S. agricultural exports to South America have increased over the last decade, the U.S. share of the region's total agricultural imports has fallen by more than half since 1985 -- from 42% to 22%. This decline is equivalent to an annual export loss of $2.6 billion and a related employment loss of more than 40,000 U.S. farm and non-farm jobs in 1996. More than 30 trade agreements are in place throughout Latin America, most of which the U.S. is not signatory to and which grant trade preferences to the countries that have signed the agreements. The granting of preferential trade benefits to some countries often comes at a costly price to U.S. producers and suppliers who are shut out of these markets due to higher tariffs and other barriers.
(Source: USDA)

- The same could be said for the Asian market, where, for example, South Korea has emerged as the fifth largest market in the world for U.S. agricultural exports. It took in a record $3.8 billion worth of U.S. farm and food products in 1996. But Korean tariffs on agricultural products, over 60 percent on average, are still among the highest in the world, and American farmers could be doing a lot more business there if these tariffs were reduced or eliminated. If Korea's tariffs on dairy products (which range from 40 percent to 211 percent were cut, the U.S. dairy industry exports would increase by about $100 million in 2 years. Were the 20 percent tariff on frozen french fries eliminated, U.S. exports could double from the current level of 25,000 metric tons. Similarly, tariff changes on raisins could result in an increase of 25 to 30 percent, and on oranges to the equivalent of half of current Korean production.
(Source: USDA)

The Rewards of Engagement:

The rewards of engagement in overseas markets, particularly for agriculture, are illustrative of the potential that exists in the global economy. An example of the success that can be obtained through agriculture exports and which is having an impact on the livelihoods of several hundred thousand farmers is that of Farmland Industries.

- Farmland Industries, Inc., headquartered in Kansas City, Missouri, the largest farmer-owned cooperative in the North America serving 500,000 farmer-rancher families through over 1,500 local cooperative members in 22 Midwestern States, Mexico and Canada. Also, more than 13,000 livestock producers are direct members of Farmland, marketing their hogs and cattle. U.S. producers now depend on exports for over 25 percent of gross receipts, which are anticipated to increase to 35 percent by 2003. In the past six years, these cooperatives have seen their international sales grow from less than $200 million to over $4.1 billion. In Mexico alone, since the passage of NAFTA, their sales have increased from less than $50 million in 1992 to $450 million in 1996.
  (Source: USDA)

The trend line does not deviate much for small businesses, which account for over 90 percent of U.S. firms involved in international trade.

- A family owned business in Kenner, Louisiana, formed in 1992, entered the export market in 1995. Deep South Bowling Pro Shop, Inc., increased its international sales of bowling balls from $75,000 in 1995 to about $850,000 in 1996 primarily to Asia and South America . Seven months into 1997, it is on the brink of surpassing its 1996 export sales figures while entering five new international markets.
  (Source: Department of Commerce)

- Royce Instruments Corporation, a small New Orleans based manufacturer of computerized water quality monitoring systems for the past 10 years, currently operating with 33 employees, earned $2.5 million in exports sales (about 45%) of the companies revenues in 1996.
  (Source: SBA)

Only one of the three will be selected based on additional inform'ion to be requested -- i.e. "trends".

- [B.G. Imaging Specialties of Bronx, New York is a diagnostic imaging equipment with markets in Latin America, Asia, Eastern Europe, and South Africa. In business since 1986 and currently operating with 25 employees, B.G. produced approximately $3 million in export sales in 1996.]
  (Source: SBA)

- [International Cryogenics of Indianapolis, Indiana, a small business employing 25 people, is currently shipping its products to South America much more than ever anticipated (revenue percentage derived from exports). It cryobiological tanks used for the freezing of agricultural products are selling like "gang busters" overseas, which has been key to its

growth given that the U.S. market is completely saturated.]
Source: Department of Commerce)

Medium-to-Large Exporters:

- Ingersoll-Rand, a major diversified industrial equipment and components manufacturer out of Woodcliff Lake, New Jersey supplies its products to a wide range of industrial and commercial markets world-wide. The company has 45,000 employees, with global sales approaching $7 billion -- approximately 40 percent of Ingersoll-Rand's total sales. By the end of the first decade in the new millennium, it expects its revenue derived from exports sales to increase to 50 percent. Products exported to Mexico alone came from Ingersoll-Rand's plants located in California, Georgia, Indiana, Kentucky, North Carolina, North Dakota, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Vermont and Virginia.
(Ingersoll-Rand)

- Diamond Chain Company manufactures, develops and markets high quality precision roller chain which is used to transmit power and convey product throughout industry. Based in Indianapolis, Indiana, Diamond has experienced a steady growth in export sales since 1990, growing from 3 percent to 13 percent estimated for this year. The increase in sales has led Diamond Chain to hire 90 more people, raising its employment rolls to 700 people, and created a new and more diverse range of opportunities for its employees.

DRAFT

Stupp Corp.
Baton Rouge, LA

Potential Cost of Inaction Story: MERCOSUR-Chile
[Rep. Baker, LA-6; Sen. Breaux and Landrieu]
manufacturer of custom steel line pipe for the oil and gas industry,

"Our combination of excellence for quality and value is unchallenged, but MERCOSUR has put us at a disadvantage in bidding on major projects in the region. The impact goes beyond Stupp Corp, to our suppliers and affects the very heart of a healthy American economy -- our steelworkers, dock workers, railroad employees, stevedores and truck drivers all stand to lose out. Our country simply cannot afford to ignore the impact these major overseas projects have on the vitality of our economy and every taxpayer."

Stupp Corp., the top producer in the western hemisphere of API line pipe, says MERCOSUR's free-trade deal with Chile has introduced an artificial price hurdle to their efforts to supply pipe to the major gas projects taking place in the region. In bidding to supply $100 million of pipe to an Argentina-Chile gas pipeline, for example, Stupp faces total duties and taxes of 27% on the Argentinean portion of the pipeline, while a major competitor, the Chilean pipe company Sat, does not.

Stupp says the national stakes are high in winning these major infrastructure projects. Stupp estimates a successful bid would:

-- require the equivalent to two days of U.S. Steel's total shipments or twice that at a company the size of LTV;
-- employ 1,666 rail cars to ship the steel to their plant; or alternatively, 67 barges and 1,904 trucks;
-- provide more than two months of work for a U.S. facility to coat the bare pipe.

Above is based on a company letter of 5/97; liberally edited quote. Company has indicated its willingness "to be a source of information as you represent the interests of our country." Contact Donald Bohach, Director of Marketing and Business Affairs, 504-775-8800.

DOC/ITA

Local President Could Speak

Workers -> Steelworkers

Dan O'Leary - President + COO

Quaker Fabric Corporation is a $200.0 million publicly traded textile company with five manufacturing plants in southeastern Massachusetts. Quaker has been in the upholstery fabric business for over fifty years — currently employs about 1750 people — and markets its products in the U.S. and in 42 other countries. Last year, about 20% of the company's sales were made outside the U.S. and some 350 of the company's employees owe their jobs to Quaker's growing export operations.

Quaker is determined to be an outstanding performer and a key component of the company's strategy is to be a leader in the worldwide upholstery fabric market. Our export business has done very well — particularly since the passage of NAFTA — and, last year, Quaker exported over $35.0 million worth of fabric. Quaker is a strong and growing company today — in large part because of the effort the company has made to compete successfully in today's global economy.

We believe the Western Hemisphere represents one of our best growth opportunities. But, U.S. trade policy to date has not made it possible for us to fully tap the potential of this market — other than in Mexico and Canada. We are leaving money — and jobs — on the table. To achieve our growth objectives, we need NAFTA-like trade agreements in place throughout the Hemisphere

Quaker already has an established position with its NAFTA trading partners and in the balance of the Hemisphere. Last year, about 40% of the company's export sales went into the Canadian and Mexican markets, including some $6.0 million into Mexico. Another $1.0 million went into Latin American countries other than Mexico. There is clearly a large and growing market in Latin America for our fabrics and, in Mexico alone, our sales grew at a rate of 53% in 1996 and are growing at about 40% so far this year. The rest of the Hemisphere, exclusive of Mexico and Canada, should provide us additional sales opportunities of some $25.0 million. The realization of this potential would create another 200 jobs in Massachusetts.

Chile is a case in point. As recently as last week, I was informed by our sales representative in Chile that we had lost an opportunity for a $1.8 million a year account to a competitor of ours in Mexico solely as a result of the 11% duty differential involved. This happened because Chile already has trade agreements in place with Mexico, Canada and the Mercosur countries. It is possible that a similar deal with the European Union will be next. There are fabric manufacturers in Mexico, Canada, the Mercosur countries and the European Union. They are Quaker's competitors. Quaker has customers in Chile. So do they. Last year, Quaker sold approximately $300,000 of product into Chile. But to do that, Quaker's customers in Chile had to be convinced that our products were so good that they were worth the extra 11% duty required to bring them into Chile — 11% that is not a factor for our Mexican, Canadian or Mercosur competitors. Our products are so good that we can do that in some cases — but it is an uphill battle — and hardly the level playing field we have been counting on our government to create.

In the balance of Latin America, the situation is no different. For example, there is an active and important fabric and furniture manufacturing industry in the Mercosur countries. On its own, Quaker can compete successfully on the basis of design, quality and service with any of its Mercosur counterparts. What Quaker can't do on its own — is get its products into Argentina, Brazil, Paraguay, Uruguay, Bolivia or Chile duty-free. Even without the kind of level playing field a trade agreement with the Mercosur countries would give Quaker, Quaker still sold over $600,000 into those markets last year without help --- but we need to smooth the way for Quaker and other U.S. companies like Quaker to do their very best. We must let the competitiveness of our products and our people --- not our country's trade barriers --- be the sole factor which determines whether American businesses win or lose.

Quaker has already demonstrated that it is possible to prosper as a textile manufacturer in New England. Quaker is not afraid to play to win on a level playing field in Latin America. Passage of the Fast Track legislation needed to bring Chile into NAFTA would help make that possible. Continuing until the Free Trade Area of the Americas is a reality would virtually guarantee it.

QUAKER FABRIC CORPORATION
LARRY A. LIEBENOW, PRESIDENT
AUGUST, 1997

FARMLAND SUPPORTS THE RENEWAL OF FAST TRACK AUTHORITY

Farmland Industries, Inc. is the largest farmer-owned cooperative in North America with over 1,500 local cooperative members, serving 500,000 farmer-rancher families in 22 Midwestern states, Mexico and Canada. Also, more than 13,000 livestock producers are direct members of Farmland, marketing their hogs and cattle. It is this network of farmer, farmer-cooperatives and Farmland, and the many people who work for them, that make up the Farmland Cooperative System.

Headquartered in Kansas City, Missouri, Farmland manufactures and distributes to its farm cooperative members agricultural inputs, including petroleum, crop production and feed. Domestic and international marketing opportunities are provided for our member-owners' agricultural outputs, including the slaughtering, processing and marketing of pork and beef, and grain processing and marketing. The Farmland System conducts business in all 50 states and more than 70 countries.

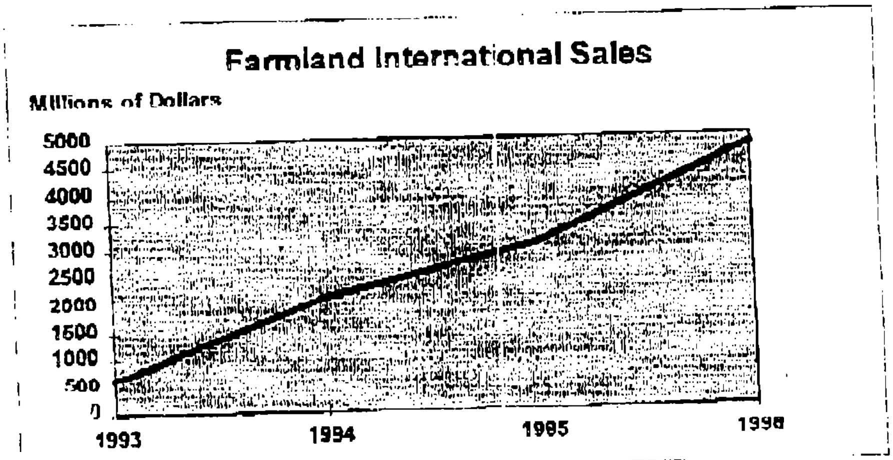
The future economic well being of American agriculture is closely tied to our competitiveness in an expanding global market. The importance of trade to the future of American agriculture has been emphasized under the 1996 Farm Bill, with the reduction in support to producers from domestic farm programs. US producers now depend on exports for over 25 percent of gross receipts. This is anticipated to be 35 percent by 2003.

In response to this globalization, Farmland Industries has developed business strategies that reflect a strong commitment to expanding world markets. The farmers and ranchers who own the Farmland System are very much involved in expanding international markets. In the past six years, our international sales have grown from less than $200 million to over $4.1 billion. In Mexico alone we have seen our trade, since the passage of the NAFTA, grow from less than $50 million in 1992 to $450 million in 1996. We believe US policy must also be dedicated to the expansion of global markets.

Farmland finds that sanitary and phyto-sanitary non-tariff trade barriers, for meat and grain, are among the most important and prevalent of our concerns with respect to international marketing of System products. Incidence and cost of problems related to these barriers, in addition to lost business, is increasing at an alarming rate. These barriers expose Farmland specifically and US agriculture in general to millions of dollars of risk and lost trade.

The next round of global agricultural trade negotiations is scheduled to commence in 1999. The continued removal of tariff and non-tariff barriers to trade, so that new markets are opened and access is increased to existing markets, is of particular importance to Farmland and its member owners. In order to adequately prepare for and participate in these negotiations, US trade officials need fast track authority now.

The farmers and ranchers who own Farmland support the passage of Fast Track authority as a vital tool in the pursuit of trade liberalization. They clearly understand the importance of world trade to US Agriculture's continued growth.



INGERSOLL-RAND

World Headquarters
Ingersoll-Rand Company
Woodcliff Lake, New Jersey 07675-8738

July 2, 1997

Mr. Thomas F. (Mack) McLarty III
Counselor to the President
Special Envoy for the Americas
White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. McLarty:

Enclosed for your information is a document highlighting the positive impact of the North American Free Trade Agreement (NAFTA) on Ingersoll-Rand Company. As you may know, Ingersoll-Rand is a major diversified industrial equipment and components manufacturer. Its product lines serve a wide range of industrial and commercial markets worldwide. The company has approximately 45,000 employees.

Since NAFTA, Ingersoll-Rand's exports to both Canada and Mexico have significantly increased. As the enclosed document illustrates, most Ingersoll-Rand business units reported positive NAFTA experiences.

I hope that our story is helpful in compiling a comprehensive and accurate picture of the favorable impact of NAFTA on American exports. Ingersoll-Rand fully supports free and fair trade with the emerging markets of the Western Hemisphere and looks forward to working with you to build broad-based support for the expansion of NAFTA to Chile and the creation of the Free Trade Agreement of the Americas (FTAA).

If you have any questions regarding Ingersoll-Rand's NAFTA experience, please contact me by phone at 202-573-3157 or by fax at 202-573-3172.

Sincerely,

Gordon Stables
Director, Government Affairs

INGERSOLL-RAND

World Headquarters
Ingersoll-Rand Company
Woodcliff Lake, New Jersey 07675-8738

INGERSOLL-RAND AND THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

The North American Free Trade Agreement (NAFTA) has resulted in increased exports of U.S.-manufactured products by Ingersoll-Rand during the first three years of the treaty. Ingersoll-Rand's total sales to Canada increased from $16.6 million in 1993, to $26.9 million in 1996, an increase of 62%. Our sales to Mexico increased from $32.5 million in 1993 to $39.7 million in 1996, an increase of 22%. The company estimates that sales to Mexico could have been larger over the three-year period if the Mexican economy had not experienced a substantial downturn in the wake of the 1995 peso crisis.

Ingersoll-Rand's increased exports to the Canadian and Mexican markets covered a broad range of the company's products. From air tools and compressors, to construction machinery, to automotive and industrial equipment, most business units reported positive NAFTA experiences.

The following chart outlines examples of increased product sales to the Mexican market since NAFTA approval:

PERCENTAGE INCREASE OF EXPORTS TO MEXICO OF SELECTED INGERSOLL-RAND PRODUCTS (1993 TO 1996)

Ingersoll-Rand Product	Harmonized Tariff System	Percentage Change 1993 to 1996
Turbo Gas Compressors	8414.80	+ 900%
Portable Compressors	8414.00	+ 500%
Bearings, Automotive & Industrial	8485.00	+ 200%
Door Exit Devices	8302.41	+ 100%
Blasthole Drills	8430.41	+ 100%
Stationary Air Compressors	8414.80	+ 70%
Rock Drills	8430.41	+ 25%
Hand Held Tools	8457.19	+ 25%
Down-Hole Drills	8702.01	+ 25%

INGERSOLL-RAND

World Headquarters

Ingersoll-Rand Company
Woodcliff Lake, New Jersey 07675-8738

Ingersoll-Rand is a major diversified industrial equipment and components manufacturer. Our product lines serve a wide range of industrial and commercial markets worldwide. The company's products are utilized in major infrastructure projects and manufacturing and industrial facilities. The company has 45,000 employees, with global sales approaching $7 billion. Approximately 40% of Ingersoll-Rand's sales are to international customers, a figure that is projected to increase to 50% by the end of the decade. As a result, Ingersoll-Rand is increasingly dependent on access to external markets, particularly in developing economies, and policies and trade agreements that result in reductions in tariffs and nontariff barriers.

The Mexican market, in particular, presents real opportunities for increased sales. As Mexico develops its economic infrastructure and modernizes its manufacturing capability, Ingersoll-Rand's sales to the Mexican market will help achieve sustained economic growth and build a large middle class population, paving the way for other U.S. companies' products. Ingersoll-Rand exports U.S.-made products to Mexico from plants located in California, Georgia, Indiana, Kentucky, North Carolina, North Dakota, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Vermont and Virginia.

The NAFTA treaty has been favorable to Ingersoll-Rand's business and that of its customers and suppliers. Ingersoll-Rand looks forward to and fully supports Congressional passage of fast-track negotiating authority that will permit negotiations for the accession of Chile to NAFTA, and to continued progress toward the Free Trade Agreement of the Americas (FTAA).

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DIAMOND CHAIN COMPANY

Transmitting the Power of American Industry Since 1890

August 22, 1997

Mr. Peter O'Keefe
The White House
Washington, D.C. 20500

Dear Peter:

As we discussed yesterday Diamond Chain is very positive about the opportunities presented by the international markets and support the government's actions that further and promote international trade. We feel that the "fast track" negotiating authority is very much needed by the President to develop international agreements that will be beneficial to the United States.

Diamond Chain manufactures, develops and markets high quality precision roller chain which is used to transmit power and convey product throughout industry It can be found on construction equipment, farm machinery, motorcycles, oil and gas equipment, processing machinery and many other applications. What we have found is that not just the US market but the international market will and does pay for high quality product that improves the dependability and uptime of operating equipment. We do not sell on price but quality and service. This is recognized and is successful in the international market and our time and investment in that market has lead to international sales increasing from 3% in 1990 to 13% this year. These increased sales mean approximately 90 more jobs at Diamond and increased opportunities for the employees. Diamond has approximately 700 employees, so this is significant to our company and employee development.

In addition to providing jobs and opportunities it involves us in the activities and dynamics of the international market which is key for the future. It is becoming more and more a global economy and to be successful in the future we have to compete with companies throughout the world.

The "fast track" authority has been successful in the past and is required for the future. It is necessary to negotiate and develop international trade agreements that will benefit the US economy and the majority of its citizens. I extend my full support to the program.

Sincerely,

DIAMOND CHAIN COMPANY

Byron D. Speice

Byron D. Speice
President

September 4, 1997

ACTION MEMORANDUM

To: Ann Lewis
Jay Berman
Vicky Raad

From: Dan Lesmez
Peter O'Keefe O'Keefe
Dave Levy

Re: Fast Track Roll-out Event Success Stories

We may need to convene a short meeting to narrow the selection for the two "Success Stories" to be included in the President's Fast Track roll-out event on September 10th. There are two candidates to choose from to represent a small high technology export company. For the agriculture/bio-tech story, the selection is quite simple as we only have one farmer.

Hi-Tech Companies:

1) Contact: Susan Corrales-Diaz, President and CEO
Systems Integrated
Orange, California
(714) 634-0600

- Systems Integrated, a $50 million company, provides intelligent data acquisition systems and products to improve the efficiency and control of hydroelectric power generation, distribution automation, substation automation, and automated meter monitoring in its predominant East-Asian market. It also provides water management and distribution systems, and waste water facility-systems. Ten years ago, Systems Integrated entered the international marketplace as it began phasing down its U.S. military contract business, a move that proved critical to avert layoffs. Its export market has allowed it to maintain its highly technical staff of almost 100 people in place while steadily growing its international business sales to its current level of 30 percent of total revenues. In view of the two-year average lead time for implementing its large-size contracts overseas, Systems Integrated anticipates sales from exports rising to 50 percent within the next two years.
(Source: White House)

[ ] Approve [ ] Disapprove

2) Contact: Tom Ory, President
Daedulus Enterprises, Inc.
Ann Arbor, Michigan
(313) 769-5649

- Daedulus Enterprises, Inc. is a manufacturer of highly specialized remote sensing systems worldwide. In business for 30 years, it has tapped a global demand for its product in uses as varied as waterborne pollution sensing to drug interdiction efforts. Its exports sales range at about 70 percent of total sales annually and directly support five-to-ten employees (out of a total of 17 employees). Daedulus earned over $1.2 million in revenue from exports in 1996 and $1.4 million this year. It depends on 2 or 3 large contracts per year, often involving foreign governments, and is facing increased pressure from foreign competitors who are already benefiting from government subsidies to lower financing costs. Daedulus stands to lose business opportunities in Asia and other parts of the world, if the U.S. is unable to negotiate trade agreements while its European competitors benefit from their countries negotiated trade agreements with other nations. (Note: Mr. Ory was uninformed about the implications of Fast Track for his business, although he is well aware of unfair competition as Daedulus encounters it frequently with its foreign competitors who receive subsidies from their governments to lower their bids. Once I walked him through it, he understood the increased risk that his company faces if the President is not provided Fast Track authority).
(Source: Department of Commerce)

[ ] Approve [ ] Disapprove

Agriculture/Bio-Tech.:

Contact: Eugene (Gene) Lang, Farmer (also sons Ron and Curt for background)
Grinell, Iowa
(515) 236-8466

- Mr. Lang and his sons operate a 1,300 acre farm (medium-size) that helps support them and their families. They grow corn and soybean using hybrid seeds that increase yields, hence increase the amount of product available for export. Based on national averages, Mr. Lang estimates that 20 percent of his corn sales and 30 to 35 percent of his soybean sales are derived from exports. As with most farmers, Mr. Lang sells his product to the operators of the grain elevators, who process the commodities and sell them domestically and internationally. Mr. Lang is a skilled public speaker who has been recommended by Pioneer Hi-Bred international, a leading biotechnology company that supplies him with bio-tech seeds. Mr. Lang also benefits from Pioneer's research and expertise, which is consolidated from its operations in about a hundred countries. (Note: USDA likes the idea of having farmer sitting next to the President, and will provide additional background to that individual so that the presentation more fully gauges the impact of exports and bio-technology on agriculture.
(Source: Pioneer Hi-Bred International)

September 2, 1997
1:00 p.m.

DRAFT

FAST TRACK "SUCCESS" STORIES

There is greater utility is using small business to showcase the impact that international trade is having on the U.S. economy during the President's Fast Track roll out event, rather than using blue chip corporations, as the American public is aware that multi-national firms are benefiting from international trade. By contrast, Americans are not knowledgeable about either the extent of small business involvement in exports (over 90 percent of U.S. firms exporting overseas are small businesses), or about Fast Track and what it means (could mean) for their firms directly (reduced tariffs) or indirectly (improved legal and regulatory environment). Included in the success stories are examples of small business exporters that would help broaden the stakeholders involved in the Fast Track debate, by reminding small business owners that they could compete in overseas markets just like those found in the success stories and that Fast Track will enhance their opportunities to enter into/expand in foreign markets by leveling the playing field vis-a-vis foreign competitors. Their exports overseas will help grow the U.S. economy.

<u>The Rewards of Engagement</u>:

Agriculture:

Contact: Scott Schearer, Director of National Relations
Farmland Industries, Inc.
Kansas City, Missouri
(202) 783-5330

- Farmland Industries, Inc., headquartered in Kansas City, Missouri, is the largest farmer-owned cooperative in North America serving 500,000 farmer-rancher families through over 1,500 local cooperative members in 22 Midwestern States, Mexico and Canada. Also, more than 13,000 livestock producers are direct members of Farmland, marketing their hogs and cattle. U.S. producers now depend on exports for over 25 percent of gross receipts, which are anticipated to increase to 35 percent by 2003. In the past six years, these cooperatives have seen their international sales grow from less than $200 million to over $4.1 billion. In Mexico alone, since the passage of NAFTA, their sales have increased from less than $50 million in 1992 to $450 million in 1996.
  (Source: USDA)

Small Businesses:

Contact: David Scheuermann, Jr., Owner
Deep South Bowling Pro Shop, Inc.
Kenner, Louisiana
(504) 467-0248

- A husband and wife owned and operated business created in 1992, has experienced a dramatic increase in its sales of bowling balls since entering the export market in 1995. Overseas shipments grew from $75,000 in 1995 to about $850,000 in 1996 to its primarily Asian and South American markets. Seven months into 1997, it is on the brink of surpassing its 1996 exports (comprising 30 percent of total revenues) while entering five new international markets. Export sales allows Deep South to order bowling balls at the most competitive prices from manufacturers. At the start of the business, the couples dining room substituted as the warehouse for the bowling balls. Today, Deep South has a 12,000 square feet warehouse and is about to expand to a larger warehouse.
(Source: Department of Commerce)

Contact: Bernard Glas and Stan Popeil, Co-owners
B.G. Imaging Specialities
Bronx, New York
(718) 378-3100

- B.G. Imaging Specialties is an exporter of used diagnostic imaging equipment to under-developed countries throughout the world that do not have the technology to produce such equipment and whose medical institutions do not have the capital to purchase new models of such equipment. In business since 1986 and operating with 25 employees, B.G. has doubled its revenue from exports and the number of employees in the last 4 years. In 1993, it undertook a major effort to expand its marketing activities (primarily in China up to that point) to other emerging economies, including: Russia, other newly independent states (former Soviet Union), India, Ireland and Latin America. Its revenue from exports has grown to about 90 percent of total sales and amounted to over $3 million in export sales in 1996.
(Source: SBA)

Hi-Tech:

Contact: Tom Ory, President
Daedulus Enterprises, Inc.
Ann Arbor, Michigan
(313) 769-5649

- Daedulus Enterprises, Inc. is a manufacturer of highly specialized remote sensing systems worldwide. In business for 30 years, it has tapped a global demand for its product in uses as varied as waterborne pollution sensing to drug interdiction efforts. Its exports sales range between 50 percent and 66 percent of total sales annually and directly support five-to-ten employees (out of a total of 17 employees). Daedulus earned over $1.2 million in revenue from exports in 1996 and $1.4 million this year.
(Source: Department of Commerce)

The Risk of Inaction:
The risk of inaction is quite great given the pace at which countries continue to sign trade agreements further liberalizing their markets by tearing down tariffs and non-tariff barriers, thereby increasing market access with trading partners.

Manufacturing:

Contact: Donald Bohach, Director of Marketing and Business Affairs
Stupp Corporation
Baton Rouge, Louisiana
504) 778-2203 or 2-(800) 535-9999)

- The Stupp Corporation, a leading producer in the Western Hemisphere of API line pipe, is confronted with a price hurdle when doing business in South America that its competitors from countries in the southern cone common market (MERCOSUR: Brazil, Argentina, Uruguay and Paraguay) do not face having signed trade agreements between themselves and with Chile. These trade agreements significantly reduce duties and taxes on products exported between them. For example, in bidding to supply $100 million of pipe to an Argentina-Chile gas pipeline project, Stupp faces duties and taxes of 27 percent on the Argentine portion of the pipeline. These are costs that a major competitor from Chile does not have to pay. For corporations like Stupp and its workers, including the steelworkers, dock workers, railroad employees, stevedores and truck drivers, the stakes are quite high in winning these major infrastructure projects. Stupp estimates a successful bid would:
  -- require the equivalent to two days of U.S. Steel's total shipments or twice that at a company the size of LTV;
  -- employ over 1,600 rail cars to ship the steel to their plant; or alternatively, 67 barges and 1,904 trucks;
  -- provide more than two months of work for a U.S. facility to coat the bare pipe.
(Source: Department of Commerce).