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Fast Track - File Created 8/12/97: White House Memos

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WH Memos

Steve

FAST TRACK OPTIONS

Option 1: Current Bill (Movement Unlikely).

- Avoids divisive fight
- Preserves pro-FTAA position
- Preserves most robust fast track position for future effort
- Continues to define trade debate; fills trade vacuum.
- Forfeits immediate progress in WTO/APEC.
- Is fast track lost for three years or can effort be renewed in 1999?

Option 2: Current Bill (2005) Minus FTAs (WTO Only/No Bilaterals)

- Swing Democrats may favor; Republicans/business currently oppose
- FTAA not singled out for exclusion
- More difficult for next President to get stand-alone bilateral authority; could set back FTAA/Chile until 2005

Option 3: Clinton Term Only (WTO Only/No Bilaterals).

- FTAA excluded gracefully (FTAA agreement never expected before 2001)
- Could exclude bilaterals orally (versus through omission from bill)
- Chile FTA lost for Clinton term
- Swing Democrats may heavily favor (pro-Clinton vote)
- Republicans may oppose (but no authority to possible post-2000 Democratic President)
- Option: Permit some FTA's (EU, S. Africa), but creates Latin problems

Option 4: Signal Willingness to Negotiate Without Fast Track (While Seeking Legislation)

- Moves trade agenda forward; good signal to Latin America/world
- Shows Presidential leadership in face of recalcitrant Congress
- May doom fast track legislation
- Countries may not be willing to complete negotiations
- First FTA candidate, Chile, unwilling to negotiate without fast track

Option 5: No Effort Now (Renew in 1999)

- Avoids divisive fight, but more clearly seen as a loss
- Requires commitment to renew effort in 1999
- Changed circumstances may permit seeking full authority.
- Leave 1998 trade vacuum others may fill

Charlie, Holly, Stein, Gene, Lyle, Sylvia

(1)

<u>Business</u> <u>Meeting</u> Jan. 22/98

<u>Gene</u> <u>Option</u>

2 Bill approach

Put forward everything But FM's
Separate Bill

Some shot of getting done → good Exit Strategy

Take away principal attack → Tactical Strategy
Props for everything But
(Principles)

Dems get a pass
Repl. ~~[illegible]~~ harder to oppose

If nothing happens, and it all Blows up
Then we've tried

<u>Sylvia</u>
Madeline view, Mel's view
Damage re: Lane is greater than the possibility
of the gain on the Secular Side

Go forward leaving position alternative

Stay w current Bill But don't push it

2

Hillary

Sandy play after Africa → Soon Bill come from Congress later (Emerges)

Sylvia

SOU - problem

Less we do harder we've have to Be

POTUS NOT happy

Geno disagrees No strategy → Sends poor commitment signal → really flat footed. → Not fighting it

Sandy.

Very strong for LAme imp → Dumping LAme otherwise → trade surplus in LAme while Asia tanks & Europe dwindling

Geno

Strongest weapon → re Sandy LAme will Be negative.

Sylvia

Sequence strategy

NATO

Bosnia

IMF

China June MFN

Charlene

IMF, China WTO, Fast Track → NOT going to happen

③

Charlene

Not going to have authority to do same even.
Whole agenda dumped on Lane.

Paper goes to Sandy. aggressively → They Launch.

Freedom / Hums & Meals Bill —

Follow New Dems ✗ No New Bill introduced per Charlene

Rangel → safety net / I can go now much.

? Ellen Tower Dem Coalition retreat
① Why we weren't together on Fast Track
Wed ① New Dems Next Week

The another decision → timing of decision

✗ Commission on Hemisphere Integration
Lash see → political process →
Launch → Negotiators → Commission → Miami.
Comm. report Bad ??

Conclusion

Perfectly credible approach

✗ Commission → everyone in Washington knows

(4)

Geno
NO
Need clear track for p/w → we've dropped it off the face of the earth.

Fast Track for June–Aug Before Election Year

"Whole Bill" → kill us Newt → divide us

Geno If we say we're for it.

Charlene
NATO
Bosnia

IMF
China
Fast Track
Africa
GSP
CBI

} International Economics Issues

Charlene
Potus – No Fast Track anymore.

Geno
CBI
Africa } Building approval
Has real merit

5

Charlie

Rangel

Africa — Potus' trip

Budget

ATM S Africa

{ Africa / Fast Track }

Textile provisions

Rangel not genuine per Hilley / Labor will oppose

Hilley

Can't split Dem caucus !!!

Dailey

SOU message only

Sperling

"Does Potus' get vote ??"

Gene responded w some emotion about cutting Sperling out of the Bill

Stein

Lott favorable for 2 Bill o.k.

Hillary

Friends Firm "Wind @ Greenpoint"

Charlene

IF we ~~do~~ Rope a dope we lose →

Too late

Charlene

problem — Natl. Sectors is the problem

Bus. Commnty. will support

Wessel comment → I made a mistake

He helped in 1992

Charlene

XX Every Body hates L Arme → everything else is o.k.

I don't agree.

EB met w Lott yesterday

"I don't know how we win"

Gingrich List → No votes

Ved

X ROW — WDW Approval → Dems / Repl

Two Bob Comes out 1 Ind meeting

OPPT

7

Ranger

Africa + Fast Track

Gene doesn't agree

Sweeney

+ up

Gene
Stein
Holley

can't divide Dems!!!!

Gene visit w Sweeney after meeting
Need to ch it out

THE WHITE HOUSE

WASHINGTON

Nelson
Erica
Steve
Rsl

December 23, 1997

MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES
MACK MCLARTY

FROM: SIDNEY BLUMENTHAL SB

SUBJECT: Reviving Fast Track

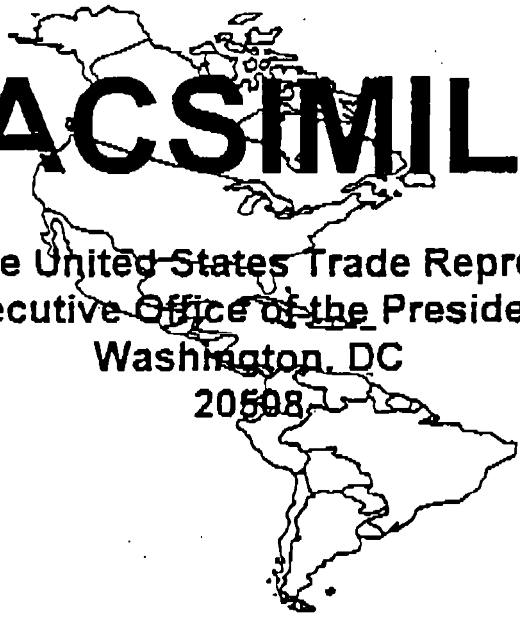
The debate over Fast Track occurred in a vacuum, disconnected from any trade agreement or pressing events. As a result, the Fast Track vote over an isolated procedural mechanism was turned by its opponents into a vote on the unfair distribution of burdens imposed by the global economy. The situation, however, has now changed dramatically, and, with it, a context for reviving Fast Track has suddenly emerged, though it has not been recognized.

In brief: I would suggest that Fast Track may be revived successfully by making it one of the solutions to the Asian economic crisis and, therefore, one of the long-range stabilizers of our continued economic prosperity. Charlene Barshevsky and Bill Daley should be sent to Asia to negotiate a whole series of new trade agreements that include lowering tariffs. The domestic industries that would be affected, among others, should be located in politically strategic states, perhaps even Missouri. Then, these agreements, which would be more than simple sectoral agreements, should be bound together with Fast Track and, as a unitary package, presented to the Congress.

The case for the new Fast Track would be that it is an essential policy in stabilizing the global economy, ensuring growth at home, and opening markets abroad, providing new opportunities for the expansion of US goods and jobs. Lowering tariffs should be a main point, presented as cutting foreign taxes on American producers. At the same time, the conditions on labor and environmental standards that the Administration announced toward the end of the 1997 Fast Track debate should be prominently featured. The existence of these conditions was largely unknown, though reported perfunctorily. Gephardt himself, as the President observed, wasn't aware of them. These conditions would likely be considered as a new addition to Fast Track. Taken as a whole, the new Fast Track would be difficult to oppose. Those who were against it would have to argue against stability, against threats to our growth, against lowering tariffs, and would have to rebuff the "new" conditions on labor and the environment.

I mentioned this idea to Mickey Kantor, who is enthusiastic. His only caveat is that somehow APEC must be involved. He believes that such a package can't be ready for about a year, partly because of APEC. The imperative, however, is to do it much quicker. There's no real reason why such a move has to be tied to the formal calendar of APEC meetings, etc. It can be argued, in any case, that the economic crisis demands immediate action.

① Eric
② Nelson
③ Steve
④ Rest



FACSIMILE

Office of the United States Trade Representative
Executive Office of the President
Washington, DC
20508

Peter needs to discuss w Summers

Date: 12-22
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Dist to: Erskine
Podesta
Rahm
Sperling
Jim Steinberg
Dobbins
Jeff
Gene
DW
Lael

Office of the Western Hemisphere

To:

Name	Organization	Telephone	Fax
Mack McLarty		61699	62215

FROM: Peter F. Allgeier, (202) 395-6135, FAX (202) 395-9675
(Incomplete or problem faxes, call Charlotte Brown at (202) 395-6135)

SUBJECT: FTAA + Fast Track

Copy of non-paper

WHY KEEP THE FTAA IN FAST TRACK?

- **Clinton Legacy.** President Clinton's signature achievement in the Hemisphere has been the Miami Summit commitment to the FTAA. More than that, the FTAA has held out the promise of moving beyond (in a sense, redeeming the unfulfilled promises of) the Alliance for Progress and the Good Neighbor Policy. If the President jettisons the FTAA from his fast track proposal, his legacy in Latin America will be that of a promise breaker, and the United States will not be taken seriously as a hemispheric partner by the current generation of Latin leaders. It will be at least a decade before United States leadership would be welcomed again in Latin America.

- **Democracy, Human Rights and Civil Justice.** The FTAA has stimulated economic optimism and real opening of Latin American economic systems to new participants within their own societies. These developments, in turn, support parallel movement toward democracy, increased respect for human rights, greater reliance on the rule of law, and civil peace. Political reform and economic reform go hand-in-hand (e.g., in Mexico, El Salvador, Guatemala, Chile). The FTAA provides both the North Star for economic reform and a comprehensive involvement by the U.S. in the economic reform of the region, which facilitates our involvement in the region's political and social reforms.

- **Economic Leadership.** Since Miami, the U.S. has provided the intellectual and political leadership for the trade and investment policies in the region by defining a comprehensive, ambitious, WTO-consistent opening of economies as the objective of the FTAA. Even countries involved in deepening or expanding their sub-regional arrangements (e.g., Central American Common Market, Mexico's various bilateral agreements, Chile's bilateral agreements) have paid attention to the elements in the NAFTA and the orientation of the FTAA as they move forward in their negotiations. Clearly, the emerging blueprint for the FTAA is primarily a U.S. design. If the U.S. pursues a fast track that excludes the FTAA, we lose our standing as the political leader, and we very likely would lose the FTAA as an active mechanism for influencing countries' policies. This also is likely to reduce Latin American countries' willingness to work closely with us on multilateral issues in the WTO.

- **Keeping Economic Reform on Track.** Even before the recent financial turmoil in Asia, public support for the economic reforms in Latin America has been fragile. The reforms and economic openings are not irreversible. Mexico's experience during its financial crisis in 1995-96 demonstarted that having legal obligations to maintain and even increase the economy's openness (at least to its NAFTA partners) was an immensely important element in maintaining the course of economic reform. Right now Brasil and Argentina are subject to strong domestic political pressure to alter the course of openness, currency stability, fiscal and regulatory reform, and privatization upon which Presidents Cardoso and Menem have embarked. Being seriously engaged with the U.S. in the FTAA bolsters those in both countries (and other countries) who argue for continuing the course of economic reform. If the U.S. drops the FTAA from fast track, those leaders look foolish domestically, and international financial markets are likely to discount their ability to keep their economic policies on course. The result easily could be greater pressure on their currencies, leading to either a politically fatal major devaluation or to a bone-crushing belt-tightening that undermines reform by pitching the economies into severe recession.

- **Losing Commercial Advantage.** We already are experiencing commercial disadvantages as a result of having no fast track while literally everyone else in the hemisphere is negotiating preferential trade agreements with each other. Even in the early stages of implementation of these agreements, we are seeing businesses change their sourcing patterns in ways that are unfavorable to U.S. interests. Among the examples: Southwestern Bell's decision to source equipment from Northern Telecom in Canada for its project in Chile; Ford's decision to supply Escorts to the Chilean market from Mexico, rather than to continue to export from the U.S.; Caterpillar's decision to supply certain earth-moving equipment for Chile's mining sector from Brasil rather than from the U.S.; and complaints by U.S. fruit growers that they are losing market share to Chile in the Andean countries' markets. If we don't get moving quickly in the FTAA, we will face even greater margins of preference against us.

- **Missing Economic Opportunities.** Tariff barriers in Latin America on average are still four times higher than the U.S. average. So there still is much work to be done to "level the playing field". On the other hand, we are better positioned than anyone else to benefit from the dynamism of the region. And the region has been contributing importantly to our export growth. Our exports to Latin America and the Caribbean have grown twice as fast for the past several years as our exports to the rest of the world. Thus far this year (before we've experienced the impact of Asia's financial turmoil), our exports to Latin America (even without Mexico, where our exports are up approximately 25% again) have been growing at five times the rate of our exports to East Asia. We've exported more to Brasil this year than to China; more to Central America than to the former Soviet Union. And Latin America and the Caribbean (excluding Mexico) is the only major region with which the U.S. currently is recording a significant merchandise trade surplus. Now is not the time to dis-engage from such a promising market.

- **Labor and the Environment.** If the U.S. had not been so involved in the FTAA to date, there would have been absolutely no consideration given to the issues of labor and the environment. If we sideline ourself in the FTAA by deleting FTAA from fast track, the issues of labor and the environment in the context of economic integration and trade liberalization will have no champion in the trade negotiations of this hemisphere; and that will make it more difficult to achieve our labor and environment objectives multilaterally.

- **European, Canadian and Asian Influence.** If we are not at the center of an FTAA that is clearly moving forward, our competitors from Europe, Asia and Canada will find it easier to exercise influence over trade policies in the region (e.g., witness the unholy alliance between Canada and Chile on the issue of anti-dumping). Thinking across the range of issues on which we disagree with Europe (culture, biotechnology, certain product standards and regulatory issues), our best instrument for countering the export of those ideas to Latin America is to have the Latins engaged in genuine trade negotiations with us. Even if the EU's agricultural protectionism prevents them from concluding an FTA with MERCOSUR, for example, they will enjoy a much more robust involvement with South America if we drop the ball on the FTAA. Not only will this be reflected in policy orientations, but it also could affect actual commercial outcomes (e.g., in major procurements). For example, U.S. and EU exports to MERCOSUR were roughly equal in 1992; since then EU exports to MERCOSUR have doubled while U.S. exports have grown only 75%.

- **Sectoral Agreements Won't Fly.** It is unrealistic to think that sectoral agreements will serve as an adequate substitute for the FTAA. We've already seen the refusal of most Latin American countries to join the ITA. Mexico, Chile, and Brasil have pronounced themselves opposed in principle to such arrangements. Brasil and Argentina, in particular, suspect that sectoral agreements are simply the U.S. tactic for opening markets for our favored goods and services while continuing to protect our markets from products in which Latin America is competitive.