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A BILL

To establish procedures for notice, consultations, and implementation with regard to certain trade agreements, and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled,

1 **SEC. 1. SHORT TITLE.**

2 This act may be cited as the "Export Expansion and
3 Reciprocal Trade Agreements Act of 1997".

4 **SEC. 2. TRADE NEGOTIATING OBJECTIVES.**

5 (a) OVERALL TRADE NEGOTIATING OBJECTIVES. - The
6 overall trade negotiating objectives of the United States for
7 agreements subject to the provisions of section 3 are -

8 (1) to obtain more open, equitable, and reciprocal
9 market access;

10 (2) to obtain the reduction or elimination of barriers
11 and other trade-distorting policies and practices;

12 (3) to further strengthen the system of international

1 trading disciplines and procedures;

2 (4) to foster economic growth, raise living
3 standards, and promote full employment in the United
4 States and to enhance the global economy; and

5 (5) to address those aspects of foreign government
6 policies and practices regarding labor, the environment,
7 and other matters which are directly related to trade and
8 decrease market opportunities for United States exports or
9 distort United States trade.

10 (b) PRINCIPAL TRADE NEGOTIATING OBJECTIVES.-

11 (1) EXPORTS OF UNITED STATES PRODUCTS. - The
12 principal negotiating objective of the United States
13 regarding goods manufactured or produced in the United
14 States is to expand competitive market opportunities for
15 United States exports and to obtain fairer and more open
16 conditions of trade by reducing or eliminating tariff and
17 nontariff barriers and trade-related policies and practices
18 of foreign governments directly related to trade which
19 decrease market opportunities for United States exports or
20 distort United States trade.

21 (2) TRADE IN SERVICES. - The principal negotiating

1 objective of the United States regarding trade in services
2 is to reduce or eliminate barriers to international trade in
3 services, including regulatory and other barriers that deny
4 national treatment and restrict the establishment and
5 operations of service suppliers.

6 (3) FOREIGN INVESTMENT. - The principal
7 negotiating objective of the United States regarding foreign
8 investment is to reduce or eliminate artificial or trade-distorting
9 barriers to United States foreign investment by -

10 (A) reducing or eliminating exceptions to the
11 principle of national treatment;

12 (B) freeing the transfer of funds relating to
13 investments;

14 (C) reducing or eliminating performance
15 requirements and other unreasonable barriers to the
16 establishment and operation of investments;

17 (D) establishing standards for expropriation
18 and compensation for expropriation consistent with
19 United States legal principles and practice; and

20 (E) providing meaningful procedures for
21 resolving investment disputes.

1 (4) INTELLECTUAL PROPERTY. - The principal
2 negotiating objectives of the United States regarding
3 trade-related intellectual property are -

4 (A) to further promote adequate and effective
5 protection of intellectual property rights, including
6 through -

7 (i) ensuring full implementation of the
8 Agreement on Trade-Related Aspects of
9 Intellectual Property Rights referred to in
10 section 101(d)(15) of the Uruguay Round
11 Agreements Act (19 U.S.C. 3511(d)(15)), and
12 achieving improvements in the standards of
13 that Agreement;

14 (ii) providing strong protection for new
15 and emerging technologies and new methods
16 of transmitting and distributing products
17 embodying intellectual property;

18 (iii) preventing or eliminating
19 discrimination with respect to matters
20 affecting the availability, acquisition, scope,
21 maintenance, use, and enforcement of

1 intellectual property rights; and

2 (iv) providing strong enforcement of
3 intellectual property rights, including through
4 accessible, expeditious, and effective civil,
5 administrative, and criminal enforcement
6 mechanisms; and

7 (B) to secure fair, equitable, and
8 nondiscriminatory market access opportunities for
9 United States persons that rely upon intellectual
10 property protection.

11 (5) TRANSPARENCY. - The principal negotiating
12 objective of the United States with respect to transparency
13 is to obtain broader application of the principle of
14 transparency through -

15 (A) increased public access to information
16 regarding trade issues; and

17 (B) the observance of open and equitable
18 procedures in trade policy matters by parties to
19 international trade agreements.

20 (6) AGRICULTURE. - The principal negotiating
21 objective of the United States with respect to agriculture

1 is to achieve, on an expedited basis, fairer and more open
2 conditions of trade in agricultural commodities by -

3 (A) reducing or eliminating tariffs or other
4 charges which decrease market opportunities for
5 United States exports;

6 (B) reducing or eliminating subsidies which
7 decrease market opportunities for United States
8 exports or distort agricultural markets to the
9 detriment of United States agriculture;

10 (C) developing, strengthening, and clarifying
11 rules which address practices that unfairly decrease
12 United States market access opportunities or distort
13 agricultural markets to the detriment of United
14 States agriculture, including -

15 (i) unfair or trade-distorting activities of
16 state trading enterprises and other
17 administrative mechanisms;

18 (ii) unjustified restrictions or
19 commercial requirements affecting new
20 technologies;

21 (iii) unjustified sanitary or phytosanitary

1 restrictions;
2 (iv) other unjustified technical barriers;
3 and
4 (v) restrictive rules in the administration
5 of tariff rate quotas.

6 (7) WORKER RIGHTS AND ENVIRONMENTAL
7 PROTECTION. - The principal negotiating objectives of the
8 United States regarding worker rights and protection of
9 the environment are, through the World Trade
10 Organization, -

11 (A) to promote respect for worker rights,
12 including with regard to child labor;

13 (B) to secure a review of the relationship of
14 worker rights to GATT articles, objectives, and
15 related instruments with a view to ensuring that the
16 benefits of the trading system are available to all
17 workers;

18 (C) to adopt, as a principle of the World Trade
19 Organization, that the denial of worker rights should
20 not be a means for a country or its industries to gain
21 competitive advantage in international trade;

1 (D) to promote sustainable development; and
2 (E) to clarify the relationship between trade
3 and environmental protection with a view to
4 ensuring that they are mutually supportive.

5 The United States will also seek to establish in the
6 International Labor Organization a mechanism for the
7 systematic examination of, and reporting on, the extent to
8 which member governments protect worker rights and
9 enforce core labor standards.

10 (c) GUIDANCE FOR NEGOTIATORS. -

11 (1) In pursuing the negotiating objectives described
12 in subsection (b), United States negotiators shall take into
13 account legitimate United States domestic objectives
14 including, but not limited to, the protection of legitimate
15 health or safety, essential security, environmental,
16 consumer or employment opportunity interests and the
17 law and regulations related thereto.

18 (2) In the course of negotiations conducted under
19 this act, the United States Trade Representative shall
20 consult closely and on a timely basis with, and make
21 every effort to keep fully apprised of the negotiations, the

1 congressional advisers on trade policy and negotiations
2 appointed under section 161 of the Trade Act of 1974.

3 (d) ADHERENCE TO OBLIGATIONS UNDER URUGUAY
4 ROUND AGREEMENTS. - In determining whether to enter into
5 negotiations with a particular country, the President shall take
6 into account the extent to which that country has implemented,
7 or has accelerated the implementation of, its obligations under
8 the Uruguay Round Agreements (as defined in section 2 of the
9 Uruguay Round Agreements Act).

10 **SEC. 3. TRADE AGREEMENTS PROCEDURES.**

11 (a) AGREEMENTS REGARDING TARIFF BARRIERS. -

12 (1) IN GENERAL. - Whenever the President
13 determines that one or more existing duties or other
14 import restrictions of any foreign country or the United
15 States are unduly burdening and restricting the foreign
16 trade of the United States and that the purposes and
17 policies of this act will be promoted thereby, the President

18 -

19 (A) before October 1, 2001 (or October 1,
20 2005, if fast track procedures are extended under
21 subsection (c)), may enter into trade agreements
22 with foreign countries; and

1 (B) may, subject to paragraphs (2) and (3),
2 proclaim -

3 (i) such modification or continuance of
4 any existing duty,

5 (ii) such continuance of existing duty-
6 free or excise treatment, or

7 (iii) such additional duties,
8 as the President determines to be required or
9 appropriate to carry out any such trade agreement.

10 (2) LIMITATIONS. - No proclamation may be made
11 under paragraph (1) that -

12 (A) reduces any rate of duty (other than a rate
13 of duty that does not exceed 5 percent ad valorem
14 on the date of the enactment of this Act) to a rate of
15 duty which is less than 50 percent of the rate of such
16 duty that applies on such date of enactment;

17 (B) provides for a reduction in duty on an
18 article to take effect on a date that is more than 10
19 years after the first reduction that is proclaimed to
20 carry out a trade agreement with respect to such
21 article; or

1 (C) increases any rate of duty above the rate
2 that applied on January 1, 1995.

3 (3) AGGREGATE REDUCTION; EXEMPTION FROM
4 STAGING. -

5 (A) AGGREGATE REDUCTION. - Except as
6 provided in subparagraph (B), the aggregate
7 reduction in the rate of duty on any article which is
8 in effect on any day pursuant to a trade agreement
9 entered into under paragraph (1) shall not exceed
10 the aggregate reduction which would have been in
11 effect on such day if a reduction of 3 percent ad
12 valorem or a reduction of one-tenth of the total
13 reduction, whichever is greater, had taken effect on
14 the effective date of the first reduction proclaimed
15 under paragraph (1) to carry out such agreement
16 with respect to such article.

17 (B) EXEMPTION FROM STAGING. - No
18 staging is required under subparagraph (A) with
19 respect to a duty reduction that is proclaimed under
20 paragraph (1) for an article of a kind that is not
21 produced in the United States. The United States

1 International Trade Commission shall advise the
2 President of the identity of articles that may be
3 exempted from staging under this subparagraph.

4 (4) ROUNDING. - If the President determines that
5 such action will simplify the computation of reductions
6 under paragraph (3), the President may round an annual
7 reduction by an amount equal to the lesser of -

8 (A) the difference between the reduction
9 without regard to this paragraph and the next lower
10 whole number; or

11 (B) one-half of 1 percent ad valorem.

12 (5) OTHER LIMITATIONS. - A rate of duty reduction
13 or increase that may not be proclaimed by reason of
14 paragraph (2) may take effect only if a provision
15 authorizing such reduction or increase is included within
16 an implementing bill provided for under section 5 and that
17 bill is enacted into law.

18 (6) OTHER TARIFF MODIFICATIONS. -

19 (A) Subject to the consultation and layover
20 requirements of section 115 of the Uruguay Round
21 Agreements Act, the President may proclaim the

1 modification of any duty or staged rate reduction of
2 any duty set forth in Schedule XX, as defined in
3 section 2(5) of that Act, if the United States agrees
4 to such modification or staged rate reduction in a
5 negotiation for the reciprocal elimination or
6 harmonization of duties under the auspices of the
7 World Trade Organization.

8 (B) Paragraphs 1-5 of this subsection shall not
9 limit the authority provided to the President in
10 subparagraph (A) or in section 111(b) of the
11 Uruguay Round Agreements Act.

12 (b) AGREEMENTS REGARDING TARIFF AND NON-TARIFF
13 BARRIERS. -

14 (1) IN GENERAL. - Whenever the President
15 determines that -

16 (A) any duty or other import restriction
17 imposed by any foreign country or the United States
18 or any other barrier to, or other distortion of,
19 international trade unduly burdens or restricts the
20 foreign trade of the United States or adversely
21 affects the United States economy; or

1 (B) the imposition of any such barrier or
2 distortion is likely to result in such a burden,
3 restriction, or effect;

4 and that the purposes and policies of this act will be
5 promoted thereby, the President may, before October 1,
6 2001 (or October 1, 2005, if fast track procedures are
7 extended under subsection (c)), enter into trade
8 agreements with foreign countries providing for -

9 (i) the reduction or elimination of such
10 duty, restriction, barrier, or other distortion, or

11 (ii) the prohibition of, or limitation on
12 the imposition of, such barrier or other
13 distortion.

14 (2) CONDITIONS. - A trade agreement may be
15 entered into under this subsection only if such agreement
16 makes progress in meeting the applicable objectives
17 described in section 2(b) .

18 (3) BILLS QUALIFYING FOR "FAST TRACK"
19 PROCEDURES. -

20 (A) The provisions of section 151 of the Trade
21 Act of 1974, as amended by subparagraph (B) of

1 this paragraph, (in this act referred to as “fast track
2 procedures”) apply to implementing bills (as
3 defined in subsection (b)(1) of such section)
4 submitted with respect to trade agreements entered
5 into under section (3)(b) of this act.

6 (B) Section 151(b)(1) of the Trade Act of
7 1974 is amended by striking subparagraph (C) and
8 inserting -

9 “(C)(i) if changes in existing laws or
10 new statutory authority is required to
11 implement such trade agreement or
12 agreements or such extension,
13 provisions which are necessary or
14 appropriate to implement such trade
15 agreement or agreements or extension
16 and which are trade-related, either
17 repealing or amending existing laws or
18 providing new statutory authority; and
19 (ii) provisions necessary for purposes of
20 complying with section 252 of the
21 Balanced Budget and Emergency Deficit

1 Control Act of 1985 in implementing
2 the applicable trade agreement.”

3 (c) APPLICATION AND EXTENSION OF “FAST TRACK”
4 PROCEDURES . -

5 (1) IN GENERAL. - Except as provided in section
6 5(b)-

7 (A) fast track procedures apply to
8 implementing bills submitted with respect to trade
9 agreements entered into under subsection (b) before
10 October 1, 2001; and

11 (B) fast track procedures shall be extended to
12 implementing bills submitted with respect to trade
13 agreements entered into under subsection (b) after
14 September 30, 2001, and before October 1, 2005, if
15 (and only if)-

16 (i) the President requests such extension
17 under paragraph (2); and

18 (ii) neither House of the Congress adopts
19 an extension disapproval resolution under
20 paragraph (5) before October 1, 2001.

21 (2) REPORT TO CONGRESS BY THE PRESIDENT. -

1 If the President is of the opinion that fast track procedures
2 should be extended to implementing bills described in
3 paragraph (1)(B), the President shall submit to the
4 Congress, not later than July 1, 2001, a written report that
5 contains a request for such extension, together with -

6 (A) a description of all trade agreements that
7 have been negotiated under subsection (b) and the
8 anticipated schedule for submitting such agreements
9 to the Congress for approval;

10 (B) a description of the progress that has been
11 made in negotiations to achieve the purposes and
12 policies of this act, and a statement that such
13 progress justifies the continuation of negotiations;
14 and

15 (C) a statement of the reasons why the
16 extension is needed to complete the negotiations.

17 (3) REPORT TO CONGRESS BY THE ADVISORY
18 COMMITTEE. - The President shall promptly inform the
19 Advisory Committee for Trade Policy and Negotiations
20 established under section 135 of the Trade Act of 1974
21 (19 U.S.C. 2155) of the President's decision to submit a

1 report to the Congress under paragraph (2). The Advisory
2 Committee shall submit to the Congress as soon as
3 practicable, but not later than August 1, 2001, a written
4 report that contains -

5 (A) its views regarding the progress that has
6 been made in negotiations to achieve the purposes
7 and policies of this act; and

8 (B) a statement of its views, and the reasons
9 therefor, regarding whether the extension requested
10 under paragraph (2) should be approved or
11 disapproved.

12 (4) REPORTS MAY BE CLASSIFIED. - The reports
13 submitted to the Congress under paragraphs (2) and (3),
14 or any portion of the reports, may be classified to the
15 extent the President determines appropriate.

16 (5) EXTENSION DISAPPROVAL RESOLUTIONS. -

17 (A) For purposes of this subsection, the term
18 "extension disapproval resolution" means a
19 resolution of either House of the Congress, the sole
20 matter after the resolving clause of which is as
21 follows: "That the ____ disapproves the request of

1 the President for the extension, under section
2 3(c)(1)(B)(i) of the Export Expansion and
3 Reciprocal Trade Agreements Act of 1997, of the
4 provisions of section 151 of the Trade Act of 1974
5 to any implementing bill submitted with respect to
6 any trade agreement entered into under section 3(b)
7 of the Export Expansion and Reciprocal Trade
8 Agreements Act of 1997 after September 30,
9 2001.”, with the blank space being filled with the
10 name of the resolving House of the Congress.

11 (B) Extension disapproval resolutions -

12 (i) may be introduced in either House of
13 the Congress by any member of such House;
14 and

15 (ii) shall be jointly referred, in the House
16 of Representatives, to the Committee on Ways
17 and Means and the Committee on Rules.

18 (C) The provisions of sections 152(d) and (e)
19 of the Trade Act of 1974 (19 U.S.C. 2192(d) and
20 (e)) (relating to the floor consideration of certain
21 resolutions in the House and Senate) apply to

1 extension disapproval resolutions.

2 (D) It is not in order for -

3 (i) the Senate to consider any extension
4 disapproval resolution not reported by the
5 Committee on Finance;

6 (ii) the House of Representatives to
7 consider any extension disapproval resolution
8 not reported by the Committee on Ways and
9 Means and the Committee on Rules; or

10 (iii) either House of the Congress to
11 consider an extension disapproval resolution
12 after September 30, 2001.

13 **SEC. 4. NOTICE AND CONSULTATIONS.**

14 (a) NOTICE AND CONSULTATION BEFORE
15 NEGOTIATION. - The President, at least 90 calendar days before
16 initiating negotiations on any agreement that is subject to the
17 provisions of section 3(b), shall -

18 (1) provide written notice to the Congress of the
19 President's intent to enter into the negotiations and set
20 forth therein the date the President intends to initiate such
21 negotiations, the principal United States objectives for the

1 negotiations, and whether the President intends to seek an
2 agreement or changes to an existing agreement; and

3 (2) before and after submission of the notice, consult
4 regarding the negotiations with the Committee on Finance
5 of the Senate and the Committee on Ways and Means of
6 the House of Representatives and such other committees
7 of the House and Senate as the President deems
8 appropriate.

9 (b) CONSULTATION WITH CONGRESS BEFORE
10 AGREEMENTS ENTERED INTO. -

11 (1) CONSULTATION. - Before entering into any
12 trade agreement under section 3(b), the President shall
13 consult with -

14 (A) the Committee on Ways and Means of the
15 House of Representatives and the Committee on
16 Finance of the Senate; and

17 (B) each other committee of the House and the
18 Senate, and each joint committee of the Congress,
19 which has jurisdiction over legislation involving
20 subject matters which would be affected by the
21 trade agreement.

1 (2) SCOPE. - The consultation described in
2 paragraph (1) shall include consultation with respect to -

3 (A) the nature of the agreement;

4 (B) how and to what extent the agreement will
5 achieve the applicable purposes and policies of this
6 act; and

7 (C) plans regarding the implementation of the
8 agreement under section 5, including whether-

9 (i) the agreement includes subject matter
10 for which supplemental implementing
11 legislation may be required which is not
12 subject to fast track procedures; and

13 (ii) the President has entered into or
14 intends to enter into any other agreement in
15 conjunction with the trade agreement.

16 (c) ADVISORY COMMITTEE REPORTS. - The report
17 required under section 135(e)(1) of the Trade Act of 1974
18 regarding any trade agreement entered into under section 3(b)
19 of this act shall be provided to the President, the Congress, and
20 the United States Trade Representative not later than 30
21 calendar days after the date on which the President notifies the

1 Congress under section 5(a)(1)(A) of the President's intention
2 to enter into the agreement.

3 **SEC. 5. IMPLEMENTATION OF TRADE AGREEMENTS.**

4 (a) IN GENERAL. -

5 (1) NOTIFICATION AND SUBMISSION. - Any
6 agreement entered into under section 3(b) shall enter into
7 force with respect to the United States if (and only if) -

8 (A) the President, at least 90 calendar days
9 before the day on which the President enters into the
10 trade agreement, notifies the House of
11 Representatives and the Senate of the President's
12 intention to enter into the agreement, and promptly
13 thereafter publishes notice of such intention in the
14 Federal Register;

15 (B) within 60 calendar days after entering into
16 the agreement, the President submits to the
17 Congress a description of those changes to existing
18 laws that the President considers would be required
19 in order to bring the United States into compliance
20 with the agreement;

21 (C) after entering into the agreement, the

1 President submits a copy of the final legal text of
2 the agreement, together with -

3 (i) a draft of an implementing bill;

4 (ii) a statement of any administrative
5 action proposed to implement the trade
6 agreement; and

7 (iii) the supporting information
8 described in paragraph (2); and

9 (D) the implementing bill is enacted into law.

10 (2) SUPPORTING INFORMATION. - The
11 supporting information required under paragraph
12 (1)(C)(iii) consists of -

13 (A) an explanation as to how the
14 implementing bill and proposed administrative
15 action will change or affect existing law; and

16 (B) a statement -

17 (i) asserting that the agreement makes
18 progress in achieving the applicable purposes
19 and policies of this act; and

20 (ii) setting forth the reasons of the
21 President regarding -

1 (I) how and to what extent the
2 agreement makes progress in achieving
3 the applicable purposes and policies
4 referred to in clause (i), and why and to
5 what extent the agreement does not
6 achieve other applicable purposes and
7 policies;

8 (II) whether and how the agreement
9 changes provisions of an agreement
10 previously negotiated;

11 (III) how the agreement serves the
12 interests of United States commerce;
13 and

14 (IV) why the implementing bill
15 and proposed administrative action are
16 required or appropriate to carry out the
17 agreement.

18 (3) RECIPROCAL BENEFITS. - To ensure that a
19 foreign country which receives benefits under a trade
20 agreement entered into under section 3(b) is subject to the
21 obligations imposed by such agreement, the President

1 shall recommend to Congress in the implementing bill
2 and statement of administrative action submitted with
3 respect to such agreement that the benefits and obligations
4 of such agreement apply solely to the parties to such
5 agreement, if such application is consistent with the terms
6 of such agreement. The President may also recommend
7 with respect to any such agreement that the benefits and
8 obligations of such agreement not apply uniformly to all
9 parties to such agreement, if such application is consistent
10 with the terms of such agreement.

11 (b) LIMITATIONS ON FAST TRACK PROCEDURES. -

12 (1) FOR LACK OF CONSULTATIONS. -

13 (A) Fast track procedures shall not apply to
14 any implementing bill submitted with respect to a
15 trade agreement entered into under section 3(b) if
16 both Houses of Congress separately agree to a
17 procedural disapproval resolution within any 60
18 calendar-day period.

19 (B) For purposes of this paragraph, the term
20 "procedural disapproval resolution" means a
21 resolution of either House of the Congress, the sole

1 matter after the resolving clause of which is as
2 follows: "That the President has failed or refused to
3 consult with the Congress on trade negotiations and
4 trade agreements in accordance with section 4(b) of
5 the Export Expansion and Reciprocal Trade
6 Agreements Act of 1997 and, therefore, the
7 provisions of section 151 of the Trade Act of 1974
8 shall not apply to any implementing bill submitted
9 with respect to any trade agreement entered into
10 under section 3(b) of the Export Expansion and
11 Reciprocal Trade Agreements Act 1997."

12 (2) PROCEDURES FOR CONSIDERING RESOLUTIONS. -

13 (A) PROCEDURAL DISAPPROVAL
14 RESOLUTIONS -

15 (i) in the House of Representatives -

16 (I) shall be introduced by the
17 chairman or ranking minority member
18 of the Committee on Ways and Means
19 or the chairman or ranking minority
20 member of the Committee on Rules;

21 (II) shall be jointly referred to the

1 Committee on Ways and Means and the
2 Committee on Rules; and

3 (III) may not be amended by either
4 Committee; and

5 (ii) in the Senate shall be original
6 resolutions of the Committee on Finance.

7 (B) The provisions of section 152(d) and (e) of
8 the Trade Act of 1974 (19 U.S.C. 2192(d) and (e))
9 (relating to the floor consideration of certain
10 resolutions in the House and Senate) apply to
11 procedural disapproval resolutions.

12 (C) It is not in order for the House of
13 Representatives to consider any procedural
14 disapproval resolution not reported by the
15 Committee on Ways and Means and the Committee
16 on Rules.

17 (c) RULES OF HOUSE REPRESENTATIVES AND SENATE. -
18 Subsection (b) of this section and section 3(c) are enacted by
19 the Congress -

20 (1) as an exercise of the rulemaking power of the
21 House of Representatives and the Senate, respectively,

1 and such are deemed a part of the rules of each House,
2 respectively, and such procedures supersede other rules
3 only to the extent that they are inconsistent with such
4 other rules; and

5 (2) with the full recognition of the constitutional
6 right of either House to change the rules (so far as relating
7 to the procedures of that House) at any time, in the same
8 manner, and to the same extent as any other rule of that
9 House.

10 **SEC. 6. TREATMENT OF CERTAIN TRADE AGREEMENTS.**

11 (a) NEGOTIATIONS UNDER THE WORLD TRADE
12 ORGANIZATION. - The provisions of section 4(a) shall not
13 apply to an agreement which results from the extended
14 negotiations on financial services identified in section 135 of
15 the Uruguay Round Implementation Act (19 U.S.C. 3555), or
16 from the work program identified in section 132 of that Act (19
17 U.S.C. 3552), that were commenced before the date of the
18 enactment of this Act, and the applicability of fast track
19 procedures to such agreement shall be determined without
20 regard to the requirements of section 4(a).

21 (b) AGREEMENT WITH CHILE. - If an agreement to which

1 section 3(b) applies is entered into with Chile after the date of
2 the enactment of this Act and results from negotiations that
3 were commenced before such date of enactment the provisions
4 of section 4(a) shall not apply to such agreement and the
5 applicability of fast track procedures to such agreement shall
6 be determined without regard to the requirements of section
7 4(a).

8 **SEC. 7. DEFINITIONS AND CONFORMING AMENDMENTS.**

9 (a) DEFINITIONS. - For purposes of this act:

10 (1) The term "core labor standards" means -

11 (A) the right of association;

12 (B) the right to organize and bargain
13 collectively;

14 (C) a prohibition on forced labor;

15 (D) a prohibition on the exploitation of
16 children; and

17 (E) non-discrimination in employment.

18 (2) The term "distortion" includes, but is not limited
19 to, a subsidy.

20 (3) The term "foreign country" includes any foreign
21 instrumentality. Any territory or possession of a foreign

1 country that is administered separately for customs
2 purposes, shall be treated as a separate foreign country.

3 (4) The term "internationally recognized worker
4 rights" has the meaning ascribed to that term in section
5 507(4) of the Trade Act of 1974, as amended.

6 (5) The term "trade" includes, but is not limited to -

7 (A) trade in both goods and services, and

8 (B) foreign investment by United States
9 persons, especially if such investment has
10 implications for trade in goods and services.

11 (b) IN GENERAL. - Title I of the Trade Act of 1974
12 (19 U.S.C. 211 and following) is amended as follows -

13 (1) Section 151(b)(1) (19 U.S.C. 2191(b)(1)) is
14 amended by striking "or section 282 of the Uruguay
15 Round Agreements Act" and inserting "section 282 of the
16 Uruguay Round Agreements Act, or section 5 of the
17 Export Expansion and Reciprocal Trade Agreements Act
18 of 1997".

19 (2) Section 131 (19 U.S.C. 2151) is amended -

20 (A) in subsection (a) -

21 (i) in paragraph (1), by striking "section

1 123 of this Act or section 1102 (a) or (c) of
2 the Omnibus Trade and Competitiveness Act
3 of 1988," and inserting "section 123 of this
4 Act, section 1102 (a) or (c) of the Omnibus
5 Trade and Competitiveness Act of 1988, or
6 section 3 (a) or (b) of the Export Expansion
7 and Reciprocal Trade Agreements Act of
8 1997,"; and

9 (ii) in paragraph (2), by inserting "or
10 section 3 (a) or (b) of the Export Expansion
11 and Reciprocal Trade Agreements Act of
12 1997" after "1988"; and

13 (B) in subsection (b), by inserting "of the
14 Omnibus Trade and Competitiveness Act of 1988 or
15 section 3(a)(3)(A) of the Export Expansion and
16 Reciprocal Trade Agreements Act of 1997" before
17 the end period; and

18 (C) in subsection (c), by striking "of this Act
19 or section 1102 of the Omnibus Trade and
20 Competitiveness Act of 1988," and inserting "of this
21 Act, section 1102 of the Omnibus Trade and

1 Competitiveness Act of 1988, or section 3 of the
2 Export Expansion and Reciprocal Trade
3 Agreements Act of 1997,".

4 (3) Sections 132, 133(a), and 134(a) (19 U.S.C.
5 2152, 2153(a), and 2154(a)) are each amended by striking
6 "or section 1102 of the Omnibus Trade and
7 Competitiveness Act of 1988," each place it appears and
8 inserting ", section 1102 of the Omnibus Trade and
9 Competitiveness Act of 1988, or section 3 of the Export
10 Expansion and Reciprocal Trade Agreements Act of
11 1997,".

12 (4) Section 134(b) (19 U.S.C. 2154(b)) is amended
13 by inserting "or section 3 of the Export Expansion and
14 Reciprocal Trade Agreements Act of 1997" after "1988".

15 (5) Section 135(a)(1)(A) (19 U.S.C. 2155(a)(1)(A))
16 is amended by inserting "or section 3 of the Export
17 Expansion and Reciprocal Trade Agreements Act of
18 1997" after "1988".

19 (6) Section 135(e) (19 U.S.C. 2155(e)) is
20 amended -

21 (A) in paragraph (1), by inserting "or section

1 3 of the Export Expansion and Reciprocal Trade
2 Agreements Act of 1997" after "1988" the first two
3 places it appears, and by inserting "or section
4 5(a)(1)(A) of the Export Expansion and Reciprocal
5 Trade Agreements Act of 1997" after "1988" the
6 third place it appears; and

7 (B) in paragraph (2), by inserting "or section
8 3 of the Export Expansion and Reciprocal Trade
9 Agreements Act of 1997" after "1988".

10 (c) APPLICATION OF SECTIONS 125, 126, AND 127
11 OF THE TRADE ACT OF 1974. - For purposes of applying
12 sections 125, 126, and 127 of the Trade Act of 1974 (19 U.S.C.
13 2135, 2136(a), and 2137) -

14 (1) any trade agreement entered into under section
15 3 shall be treated as an agreement entered into under
16 section 101 or 102, as appropriate, of the Trade Act of
17 1974 (19 U.S.C. 2111 or 2112); and

18 (2) any proclamation or Executive order issued
19 pursuant to a trade agreement entered into under section
20 3 shall be treated as a proclamation or Executive order
21 issued pursuant to a trade agreement entered into under

1

section 102 of the Trade Act of 1974.

Fast Track Pre-Meeting
9/2/97

→ like to do it up larger but not get it

→ Chile and said will sign on to labor + env

→ Negoty objectives must be set
broad-enough encompassed

→ Chile will do side-agents

Trade-related
→ why?

Referring trade-related:
White ←

① 180 members → both to have trade-encl
+ improve environment it
work-out

① Gov P
② Gov
③ Gov → all 3 go with
approx

Little flexibility - get away

② Our view maxim flexibility

env process has led
→ clear diff perspectives - we think
both to accommodate their people

Side agents - two sorts > fairly new has
strong side agents

Critical point

③

Best formalist: positive enough

trade-related
past forward

new to you

reasonable,
not excessive

interest authority

4 corners of NAFTA

With - NAFTA

There are certain proven
reliable to ensure
Labour only is provable

Body: ensure

① security standards

② Form cannot not lower
env. to attract work > subject to
consolidation

some form of
trade-related

Chile is the only bilateral
not extending NAFTA

Why?
Directly +
specific

Not agree a bad aspect / or Bad country

internal fundamentally not
disrupt as in trade-related

Fast Track

7/2/97

Roosevelt Room

Hilary: present

Nadell/Bern

Chadler:

U70: only 4 mg on
a few
- think up
2000

Ulfy: Issue of worker firing + Sub District
Alex:

GAS: Show record + take response

Gladman: Food safety — need initial

Brown: Restrict

are there any
FDA border inspectors

want spent w/ Chile

not exactly NAPTA

Chile has agreed to side-agree

w/ Canada as we did in NAPTA

SB: Only ~~one~~ one

Murch, Santiago land negotiations
1 F7AA

don't know for
not be too late — and say
only things in Agreement "Chile"
not sell "Chile only"

Q+A: — What do we know
What are we doing

Alexis H:

① Can we trade effectively
w/ low wage countries

(M) not true
that large
scale export to
NAFTA

better definition of trade-related issues

② Chile →

9/2/97

First 1/10/98

Gen's office

First sheet

① Trade-Related

Side-agents

② Low-wage Country

③ Other Countries

① Trade-Related

② Open line

(1) POTUS has goal
- trade-related
- env.
nt' labor shd cont and
(2) Approves one provides him
person all of his
eval, but bill here

@ pull-labor: nt' labor shd

@

Discrete set /
items: not re-used
→ broadly

① Constraints

② discrete

③ Soft Norm: like to regulate
process: not let go
(pol. up)

Pragmatist

④ Sanctions Teeth

cannot admit of possibility
of sanction or fines

Fast Track

EBB

6:00 pm

9/2/77

① Order/Order Meeting: underly down
of trust

have to agree on trust
need agreed on specifics

② need then not to press trade-related
prefer no deficits

③ Necessary or appropriate

Not an in majority - need flexibility

④ Consultation issue: like more
we come in with more modest proposals

⑤ Duration

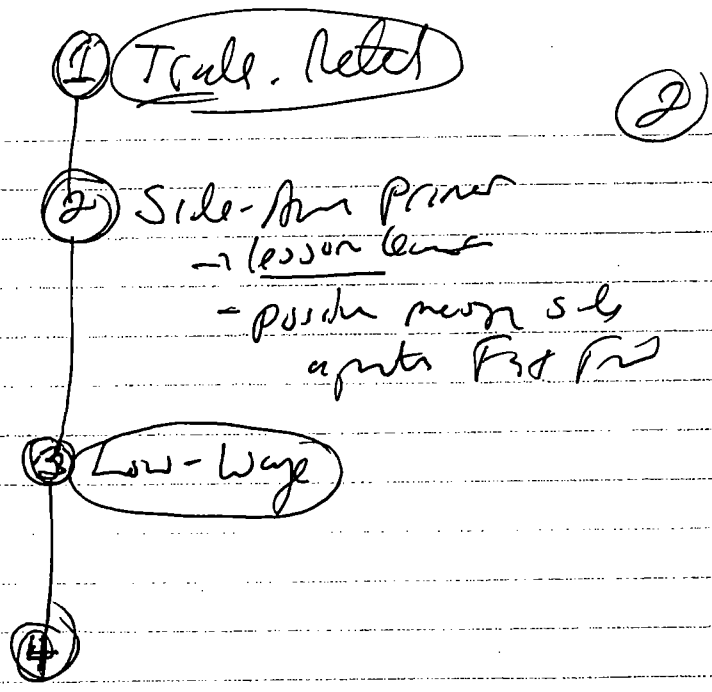
① trade-related - evolve around NAFTA
parallel - ~~we~~ we need
to be sure to have found
on all 3 accounts

② necessary or appropriate not yet appropriate

③ Duration: 2005 after 2000
what is triggering event to get
disapproval

Rubin: vision / 2005

No border



Alexis De-la-Rosa AFL-CIO
9/2/97 (Sherry: UP)

(EBB's office)

→ 24th
now we

→ how

JP: opposite sides: he honest: + sit
about how we fight
be driven by legislation

Came: NAFTA Spt 11 hearing

Sat down stuff. Archer, Drier,
Roth stuff

+ get into down for each bill

talk to Archer: 2 weeks
At Spt 25th

Oct 10

~~to~~ info deficit

Revision

2001 - no way

2001 w/ Disapproval
till 2001

① Best leg of NAFTA

② Bilateral w/ Chile

③ Side agreement similar: what we have learned:

④ work labor/enviro

⑤ Food Spt

legislative
precedent

① Chile
② ident. full
pre

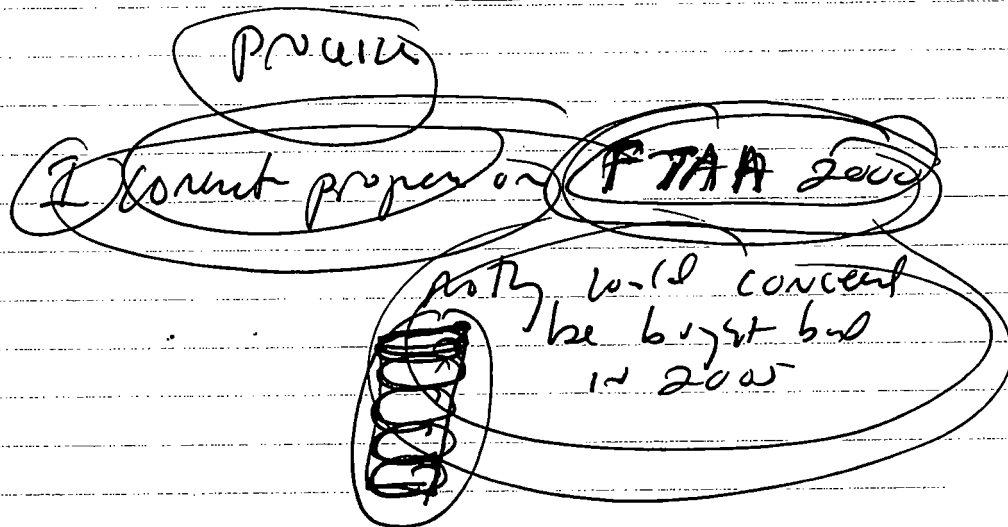
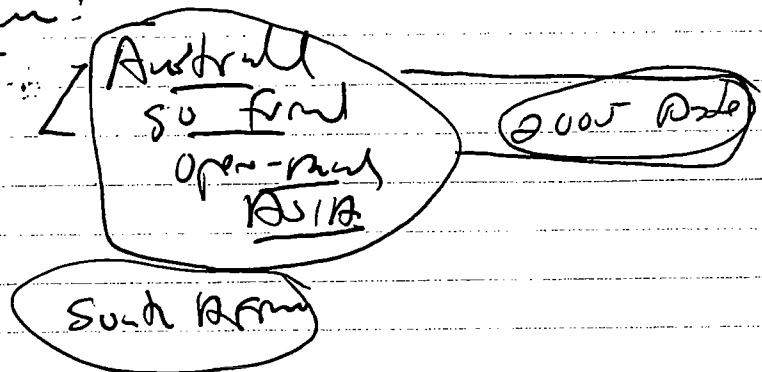
Where is Chile in relation
to the US Border

~~present~~

- | | |
|----------------------|-----|
| 1) Fully on Border | 11% |
| 2) kind of on Border | 42% |
| 3) not on Border | 47% |



- ① Choke only pre-approvals
- ② FTA not export agent:
essential to credibility
→ show
- ③ May be few
other countries:



→ New News Thurs
→ CBC Thurs

First 7/24
8/28/97

Maureen Walsh:

Political side → 10th - how much < level

Collect - 1 ides

→ to her informant



Dorothy & BIP →

Forrest Smith

Reorganization 7AA make control
back of bureau authority
- availability
control 7AA
add. 4 acts

Triggered Determinant

@ York approx
Area

→ \$25 m. ll. - 6 cities

Disbury Mirex

PTT \$250 m. ll.

Home \$100 Ad. up
\$25

Sets \$25

→ 250 Ad. up

Rangel

(1) Season Workers

are not covered by TAA

(2)

^{TAA}
under NAPTA serve under ~~JPA~~
side agent eligible assigned
and Title II JTPA
functions

(2) Adds to Block populace w

August 10, 1997

MEMORANDUM FOR: GENE SPERLING
FROM: PETER ORSZAG
SUBJECT: Brief background on part-time workers

The UPS strike has created much interest in the status of part-time workers. This memorandum briefly summarizes some facts about part-time employment in the United States.

- In July 1997, 22 million workers were employed part-time. In the Current Population Survey, part-time workers are those who usually work less than 35 hours per week (at all jobs).
- Out of the 22 million total part-time workers, 4 million were working part-time for economic reasons (or "involuntarily") and 18 million were working part-time for non-economic reasons (or "voluntarily").
 - Economic reasons include slack work or unfavorable business conditions, inability to find full-time work, and seasonal declines in demand.
 - Non-economic reasons include, for example, illness or other medical limitations, child-care problems or other family obligations, retirement or Social Security limits on earnings, and school or training.
- As the table on the next page shows, *the share of part-time workers in total employment has stayed roughly constant since the mid-1970s, with cyclical fluctuations around a share of about 17 to 18 percent of total employment.* (Note that the change in the CPS in 1994 introduces some complications in making simple time series comparisons.)
- The share of workers working part-time "involuntarily" has fallen from 5.5 percent in 1992 to 3.1 percent in July 1997. Not surprisingly, this "involuntary" part-time employment (for economic reasons) normally rises during recessions -- for example, from 4.8 percent in 1981 to 6.2 percent in 1983 and from 4.2 percent in 1989 to 5.4 percent in 1993. It then falls during recoveries.
- The share of workers working part-time "voluntarily" has risen, from 12.6 percent in 1992 to 13.9 percent in July 1997. But note the jump in 1994, which is likely to be a result of the change in the CPS.
- Total part-time employment has fallen from 18.1 percent in 1992 to 17.0 percent in July 1997.

Part-time employment as percent of total employment

Year	Total part-time	<i>For economic reasons</i>	<i>For non-economic reasons</i>
1973	15.9	3.0	12.9
1974	16.3	3.5	12.9
1975	17.5	4.4	13.1
1976	17.2	4.1	13.1
1977	17.1	3.9	13.2
1978	16.8	3.7	13.1
1979	16.7	3.6	13.1
1980	17.5	4.3	13.2
1981	17.8	4.8	13.0
1982	19.2	6.2	13.0
1983	19.0	6.2	12.8
1984	18.0	5.5	12.5
1985	17.8	5.2	12.6
1986	17.8	5.1	12.7
1987	17.6	4.8	12.8
1988	17.5	4.5	13.0
1989	17.3	4.2	13.1
1990	17.3	4.4	12.9
1991	18.1	5.2	12.9
1992	18.1	5.5	12.6
1993	18.1	5.4	12.7
1994*	18.1	3.8	14.3
1995	17.8	3.6	14.2
1996	17.5	3.4	14.0
July 97	17.0	3.1	13.9

* Change in survey. Source: BLS.

- According to OECD data, part-time employment varies significantly across countries. Many have higher part-time shares than the United States (the 1994 figure from the OECD differs slightly from the one given by BLS above):

Part-time employment as share of total employment in selected OECD countries (1994)

<i>Country</i>	<i>Part-time share of total employment</i>
France	14.9
Germany	15.1
Italy	6.2
Japan	21.4
Netherlands	36.4
Sweden	24.9
Switzerland	28.9
United Kingdom	23.8
United States	18.9

Source: OECD, *OECD in Figures 1996*, pages 10-11

- According to *The State of Working America* (see attached table), only 12 percent of part-time workers were covered by an employer-sponsored pension plan in 1993, relative to 50 percent of full-time workers.

-- 37 percent of part-time workers and 63 percent of full-time workers worked for firms that sponsored pension plans, but only 12 percent and 50 percent respectively were actually covered.

Only 15 percent of part-time workers were covered by a health plan, relative to 67 percent of full-time workers. (Again, larger percentages worked for employers who sponsored such plans.)

- A more recent BLS survey of median and large private establishments suggests that 19 percent of part-time workers in such firms were covered by medical care insurance, relatively to 77 percent of full-time workers. 37 percent of part-time workers had some sort of pension plan with their employer, relative to 80 percent of full-time workers (see below).

BLS Employee Benefits Survey of Medium and Large Private Establishments (1995)

% covered by type of benefit	Part-time workers	Full-time workers
Medical care	19	77
Dental care	13	57
Life insurance	20	87
Retirement plan	37	80
Paid time-off (holidays)	44	89

- According to the *State of Working America* (see attached table), male part-time workers earned 39.5 percent less per hour than male full-time workers in 1995. Female part-time workers earned 23.1 percent less per hour than female full-time workers in 1995. Female part-time workers averaged \$8.82 per hour, and male part-time workers averaged \$8.71 per hour. The differences between part-time and full-time workers vary significantly by occupation (see table).

are paid significantly less in each occupation. The part-time wage differential, at 39.5%, is even greater for men than for women, and again the pay differences hold across all occupations.

The gap between part-time and full-time workers is even greater for benefits (Table 4.15). In 1993 (the most recent data available), only 37% of part-time workers worked for firms that sponsored pension plans for their part-time workers, compared to 63% for full-time workers. Even where employers made pension plans available to part-timers, fewer than one-third (12% of the 37% of part-time workers eligible) were actually covered by the plans. The coverage rate for full-timers was much higher (50% of the 63% eligible). These differences in coverage reflect many factors, including the demographic differences between full-time and part-time workers. Nevertheless, they undoubtedly also reflect the less-generous terms under which firms offer pension benefits to their part-time employees.

In the same year, fewer than half of part-time workers were in jobs with employer-sponsored health insurance, a benefit that was available to 80% of full-timers. Only 15% of part-time workers, compared to 67% of full-timers, were actually covered by employer plans. As with pension benefits, the lower coverage rates for part-timers reflect, in part, the higher employee costs of such

TABLE 4.15

**Differences in Fringe Benefits
for Full-Time and Part-Time Workers, 1993**

Type of Benefit	Share of All:	
	Full-Time	Part-Time
Pension Plan		
<i>Employer Sponsors</i>	63.0%	37.0%
<i>Employee Covered</i>	50.0	12.0
Men	48.0	15.0
Women	51.0	8.0
Health Plan		
Employer Sponsors	80.0%	47.0%
Employee Covered	67.0	15.0
Employee Not Covered by Any Plan	15.0	26.0

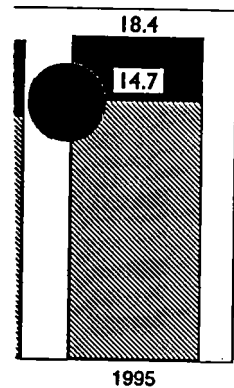
Source: Authors' analysis of Department of Labor (1994).

us, 1973-95

Percent Full-Time	Total
83.4	100.0
82.4	100.0
81.9	100.0
81.2	100.0
81.6	100.0

survey changes.

employment,



time work continued to grow during the downturn in the early 1990s, reaching 5.5% of total employment in 1993. But the overall rate of part-time employment has declined slightly since then, with the share of involuntary part-time employment falling, by 1995, to below its level in 1979. (Again, changes to the Current Population Survey suggest caution in drawing strong conclusions when comparing these kind of data before and after 1994. In identical economic circumstances, the new survey appears to yield a higher number of part-time workers than older versions of the survey.)

A major problem associated with part-time employment is lower hourly pay received by part-time workers compared to equivalent full-time workers (Table 4.14). Women who work part-time earn, on average, 23.1% less in wages per hour than those working full time. This wage differential is not due simply to the concentration of part-timers in low-wage occupations, since part-timers

TABLE 4.14

Wage Differences Between Part-Time and Full-Time Workers by Gender and Selected Occupations, 1995

	Percent of Part-Time Workers	Average Hourly Wage, 1995 (1995 Dollars)		Wage Difference	
		Part-time	Full-time	Dollars	Percent
Women					
<i>All Workers</i>	100.0%	\$8.82	\$11.48	-\$2.66	-23.1%
Prof., Tech.	23.0	14.51	15.21	-0.70	-4.6
Sales	17.4	6.54	10.09	-3.56	-35.2
Admin.	22.9	8.48	10.23	-1.76	-17.2
Service	29.5	6.38	7.21	-0.83	-11.5
Laborers	2.0	6.57	7.74	-1.17	-15.2
Other	5.2	7.57	8.70	-1.13	-12.9
Men					
<i>All Workers</i>	100.0%	\$8.71	\$14.39	-\$5.69	-39.5%
Prof., Tech.	16.4	16.04	20.39	-4.35	-21.4
Sales	12.0	7.15	15.22	-8.07	-53.0
Admn.	9.0	7.78	12.50	-4.73	-37.8
Service	25.4	6.35	9.98	-3.62	-36.3
Laborers	14.1	6.72	9.24	-2.53	-27.3
Other	23.1	8.48	11.85	-3.37	-28.4

Source: Authors' analysis.

	BUSH			CLINTON			
	Jan.89 INCREASE 1989-1993		Jan.93	Aug-97 TOTAL INCREASE	PERCENT INCREASE	SHARE OF T JOB GROWT	
Nonfarm Payrolls (SA, Thousands)	106993	2523	109516	122470	12954	11.83	100.00
Private Nonfarm Payrolls (SA, Thous)	89397	1385	90782	102671	11889	13.10	91.78
Construction (SA, Thous)	5182	-663	4519	5632	1113	24.63	8.59
Communications and Public Utilities (SA, Th	2214	-1	2213	2236	23	1.04	0.18
Durable Goods Manufacturing (SA, Thous)	11485	-1234	10251	10951	700	6.83	5.40
Federal Government (SA, Thous)	2982	-40	2942	2691	-251	-8.53	-1.94
Federal Gvt excl Postal Service (Thous)	2143	22	2165	1834	-331	-15.29	-2.56
Finance (SA, Thous)	3283	-94	3189	3411	222	6.96	1.71
Finance, Insurance and Real Estate (SA, Th	6649	9	6658	7065	407	6.11	3.14
Goods-Producing Industries (SA, Thousa)	25340	-2095	23245	24751	1506	6.48	11.63
Government (SA, Thous)	17596	1138	18734	19799	1065	5.68	8.22
Manufacturing (SA, Thous)	19466	-1363	18103	18548	445	2.46	3.44
Mining (SA, Thous)	692	-69	623	571	-52	-8.35	-0.40
Transportation and Public Utilities (SA, Thou	5578	188	5766	6293	527	9.14	4.07
Transportation (SA, Thous)	3364	189	3553	4057	504	14.19	3.89
Wholesale Trade (SA, Thous)	6160	-203	5957	6672	715	12.00	5.52
All Employees: Agricultural Services (SA, Th	455	42	497	677	180	36.22	1.39
All Employees: Metal Mining (SA, Thous)	53	-1	52	54	2	3.85	0.02
All Employees: Coal Mining (SA, Thous)	147	-26	121	91	-30	-24.79	-0.23
All Employees: Oil and Gas Extraction (SA,	381	-32	349	319	-30	-8.60	-0.23
All Employees: Nonmetallic Minerals, Except	111	-10	101	107	6	5.94	0.05
All Employees: General Building Contractors	1352	-267	1085	1307	222	20.46	1.71
All Employees: Heavy Construction, Except	758	-68	690	763	73	10.58	0.56
All Employees: Special Trade Contractors (S	3072	-328	2744	3562	818	29.81	6.31
All Employees: Food and Kindred Products (	1632	44	1676	1681	5	0.30	0.04
All Employees: Tobacco Products (SA, Thou	52	-7	45	39	-6	-13.33	-0.05
All Employees: Textile Mill Products (SA, Th	726	-49	677	604	-73	-10.78	-0.56
All Employees: Apparel and Other Textile Pr	1077	-75	1002	806	-196	-19.56	-1.51
All Employees: Lumber and Wood Products (	768	-72	696	798	102	14.66	0.79
All Employees: Furniture and Fixtures (SA, T	529	-48	481	505	24	4.99	0.19
All Employees: Paper and Allied Products (S	694	-2	692	675	-17	-2.46	-0.13
All Employees: Printing and Publishing (SA,	1552	-42	1510	1548	38	2.52	0.29
All Employees: Chemicals and Allied Product	1066	18	1084	1025	-59	-5.44	-0.46
All Employees: Petroleum and Coal Products	157	-3	154	138	-16	-10.39	-0.12

All Employees: Rubber & Miscellaneous Plas	886	8	894	991	97	10.85	0.7
All Employees: Leather and Leather Product	139	-21	118	90	-28	-23.73	-0.22
All Employees: Stone, Clay and Glass Produ	571	-58	513	540	27	5.26	0.21
All Employees: Primary Metal Industries (SA,	778	-92	686	717	31	4.52	0.24
All Employees: Fabricated Metal Products (S	1454	-121	1333	1470	137	10.28	1.06
All Employees: Industrial Machinery & Equip	2121	-194	1927	2165	238	12.35	1.84
All Employees: Computer & Office Equip	463	-87	376	385	9	2.39	0.07
All Employees: Electronic & Other Electrical	1774	-251	1523	1665	142	9.32	1.10
All Employees: Electronic Components & Ac	627	-99	528	639	111	21.02	0.86
All Employees: Transportation Equipment (S	2080	-272	1808	1849	41	2.27	0.32
All Employees: Motor Vehicles & Equipm	887	-45	842	978	136	16.15	1.05
All Employees: Aircraft and Parts (SA, Thous	698	-123	575	514	-61	-10.61	-0.47
All Employees: Instruments and Related Pro	1028	-116	912	855	-57	-6.25	-0.44
All Employees: Miscellaneous Manufacturing	382	-10	372	387	15	4.03	0.12
All Employees: Railroad Transportation (SA,	295	-41	254	226	-28	-11.02	-0.22
All Employees: Local and Interurban Passen	315	56	371	460	89	23.99	0.69
All Employees: Trucking and Warehousing (	1363	59	1422	1705	283	19.90	2.18
All Employees: Water Transportation (SA, Th	171	-2	169	181	12	7.10	0.09
All Employees: Transportation by Air (SA, Th	889	84	973	1032	59	6.06	0.46
All Employees: Pipelines, Except Natural Ga	19	0	19	14	-5	-26.32	-0.04
All Employees: Transportation Services (SA,	312	33	345	439	94	27.25	0.73
All Employees: Communications (SA, Thous)	1284	-17	1267	1371	104	8.21	0.80
All Employees: Electric, Gas and Sanitary S	930	16	946	865	-81	-8.56	-0.63
All Employees: Durable Goods Wholesale Tr	3641	-230	3411	3952	541	15.86	4.18
All Employees: Nondurable Goods Wholesal	2519	27	2546	2720	174	6.83	1.34
All Employees: Building Materials and Garde	793	-29	764	930	166	21.73	1.28
All Employees: General Merchandise Stores	2516	-45	2471	2820	349	14.12	2.69
All Employees: Department Stores (SA, Tho	2066	48	2114	2471	357	16.89	2.76
All Employees: Food Stores (SA, Thous)	3136	56	3192	3501	309	9.68	2.39
All Employees: Automotive Dealers and Serv	2102	-120	1982	2325	343	17.31	2.65
All Employees: New & Used Car Dealers (S	970	-80	890	1058	168	18.88	1.30
All Employees: Apparel and Accessory Store	1183	-43	1140	1098	-42	-3.68	-0.32
All Employees: Furniture and Home Furnishi	817	-8	809	1045	236	29.17	1.82
All Employees: Eating and Drinking Places (	6348	354	6702	7622	920	13.73	7.10
All Employees: Miscellaneous Retail Establis	2441	11	2452	2840	388	15.82	3.00
All Employees: Depository Institutions (SA, T	2266	-177	2089	2046	-43	-2.06	-0.33
All Employees: Commercial Banks (SA, Tho	1543	-52	1491	1490	-1	-0.07	-0.01
All Employees: Savings Institutions (SA, Tho	493	-159	334	252	-82	-24.55	-0.63

All Employees: Nondepository Institutions (S	361	67	428	548	120	28.04	0.3
All Employees: Mortgage Bankers & Brokers	151.6	49.4	201.0	246.7	45.7	22.74	0.35
All Employees: Security and Commodity Bro	437	16	453	596	143	31.57	1.10
All Employees: Insurance Carriers (SA, Thou	1436	70	1506	1511	5	0.33	0.04
All Employees: Insurance Agents, Brokers a	647	13	660	720	60	9.09	0.46
All Employees: Real Estate (SA, Thous)	1283	20	1303	1423	120	9.21	0.93
All Employees: Holding and Other Investmen	219	0	219	221	2	0.91	0.02
All Employees: Hotels and Other Lodging Pl	1578	2	1580	1748	168	10.63	1.30
All Employees: Personal Services (SA, Thou	1069	63	1132	1188	56	4.95	0.43
All Employees: Business Services (SA, Thou	4806	734	5540	7667	2127	38.39	16.42
All Employees: Services To Buildings (SA, T	786	29	815	893	78	9.57	0.60
All Employees: Personnel Supply Services (	1416	340	1756	2744	988	56.26	7.63
All Employees: Help Supply Services (SA, T	1183	349	1532	2404	872	56.92	6.73
All Employees: Computer & Data Process	711	158	869	1356	487	56.04	3.76
All Employees: Auto Repair, Services and P	863	42	905	1139	234	25.86	1.81
All Employees: Miscellaneous Repair Servic	366	-10	356	388	32	8.99	0.25
All Employees: Motion Pictures (SA, Thous)	355	58	413	546	133	32.20	1.03
All Employees: Amusement and Recreation	1015	209	1224	1556	332	27.12	2.56
All Employees: Health Services (SA, Thous)	7315	1318	8633	9715	1082	12.53	8.35
All Employees: Offices & Clinics of Medical	1238	251	1489	1742	253	16.99	1.95
All Employees: Nursing & Personal Care Fac	1334	217	1551	1765	214	13.80	1.65
All Employees: Hospitals (SA, Thous)	3385	395	3780	3887	107	2.83	0.83
All Employees: Home Health Care Services (	232	197	429	685	256	59.67	1.98
All Employees: Legal Services (SA, Thous)	864	54	918	960	42	4.58	0.32
All Employees: Educational Services (SA, Th	1632	36	1668	2074	406	24.34	3.13
All Employees: Social Services (SA, Thous)	1601	413	2014	2507	493	24.48	3.81
All Employees: Child Day Care Services (SA	370	92	462	597	135	29.22	1.04
All Employees: Residential Care Services (S	408	143	551	705	154	27.95	1.19
All Employees: Museums and Botanical and	60	14	74	88	14	18.92	0.11
All Employees: Membership Organizations (	1785	230	2015	2207	192	9.53	1.48
All Employees: Engineering and Managemen	2328	171	2499	3032	533	21.33	4.11
All Employees: Engineering & Architectural	758	-10	748	882	134	17.91	1.03
All Employees: Management & Public Relati	545	131	676	973	297	43.93	2.29

CLAIM ON MULTIPLE JOB HOLDING

CLAIM:

Since January 1994, 20 percent of the new jobs created have gone to people taking their second, third, or even fourth jobs.

THE FACTS:

THIS IS COMPLETELY FALSE. The 20 percent figure is based on a seriously flawed methodology that renders the results meaningless.

- **This calculation distorts the data by mixing apples with oranges.** You cannot compare the growth in the number of multiple jobholders, which is not seasonally adjusted, with the growth in the total number of jobholders, which is seasonally adjusted.
- **The percentage of new jobs that went to multiple jobholders CANNOT be found by comparing the change in the number of multiple jobholders with the change in the total number of jobholders.**
 - For example, if a firm hires one person who was unemployed and one person who already has a job, both the number of jobholders and the number of multiple jobholders increase by one. Plainly, you cannot conclude that 100 percent of the new jobs created went to multiple jobholders.

THE FACTS ON MULTIPLE JOBHOLDING ARE CLEAR. If so many of the new jobs created have gone to people taking their second or third jobs, we would expect the rate of multiple jobholding to have increased dramatically. This has not happened.

- **The rate of multiple job holding has been essentially unchanged during the Clinton Administration.** It has fluctuated around 6 percent -- ranging from 5.6 percent to 6.6 percent -- for the last three and a half years (the only period under President Clinton for which data are available). The multiple jobholding rate is now 5.8 percent in August 1997. [Source: Bureau of Labor Statistics]
- **The rate of multiple jobholding today is LOWER than when President Reagan left office and LOWER than during the Bush Administration** (6.0 percent in June 1996 vs. 6.2 percent in May 1989 and May 1991 -- the only available data points). [Source: Bureau of Labor Statistics]
- **Under President Reagan, the rate of multiple job holding increased substantially** -- from 4.9 percent in May 1980 to 6.2 percent in May 1989 (data are the closest to Reagan's tenure available). [Source: Bureau of Labor Statistics]

Multiple Jobholders: Percent of Total Employed

NSA, Percent

	Month			Quarter	Year
1994	5.6	5.8	5.9	5.8	5.9
	6.0	6.0	5.7	5.9	
	5.8	5.7	6.1	5.9	
	6.1	6.0	6.0	6.0	
1995	5.8	6.3	6.1	6.1	6.1
	6.2	6.4	6.2	6.3	
	6.1	6.0	6.1	6.1	
	6.3	6.1	6.2	6.2	
1996	5.8	6.3	6.3	6.1	6.2
	6.0	6.2	6.0	6.1	
	5.9	5.9	6.1	6.0	
	6.5	6.6	6.4	6.5	
1997	6.0	6.2	6.1	6.1	---
	6.1	6.3	6.3	6.2	
	6.1	5.8	---	---	
	---	---	---	---	

Multiple Jobholders, Total

NSA, Thous

	Month			Quarter	Year
1994	6756	7026	7176	6986	7260
	7300	7316	7110	7242	
	7172	7079	7525	7259	
	7648	7475	7539	7554	
1995	7156	7740	7610	7502	7693
	7710	7952	7853	7838	
	7779	7565	7666	7670	
	7970	7617	7700	7762	
1996	7127	7861	7905	7631	7832
	7500	7846	7692	7679	
	7642	7525	7808	7658	
	8369	8494	8219	8361	
1997	7572	7869	7862	7768	---
	7874	8197	8214	8095	
	8053	7583	---	---	
	---	---	---	---	

**Job Creation and Employment Opportunities:
The United States Labor Market, 1993-1996**

**A Report by the
Council of Economic Advisers
with the U.S. Department of Labor, Office of the Chief Economist**

April 23, 1996

INTRODUCTION

Employment growth in the United States has been robust since January 1993, with nonfarm payroll employment expanding by 8.5 million. Based on comparable data, U.S. employment growth has been stronger than in any of our G-7 partners. The first purpose of this study is to sift through the evidence to develop a more detailed picture of where the job growth is occurring and the nature of the jobs being created.

The news is encouraging: employment has grown disproportionately in the industry/occupation job categories paying above-median wages. Even in the traditionally lower-paying service industry, a majority of the net employment growth has been in managerial and professional specialty positions, which typically pay above-median wages. Contrary to conventional wisdom, the new jobs are not disproportionately part-time, low-skill positions.

The second purpose of the study is to examine job displacement. Although the economy is generating millions of net new jobs, it is clear that the speed of transformation in the U.S. labor market has left many American workers anxious about their economic futures. A dynamic and growing labor market can impose costs as well as offer opportunities, and policies to help workers deal with job transitions are critical to reducing these adjustment costs.

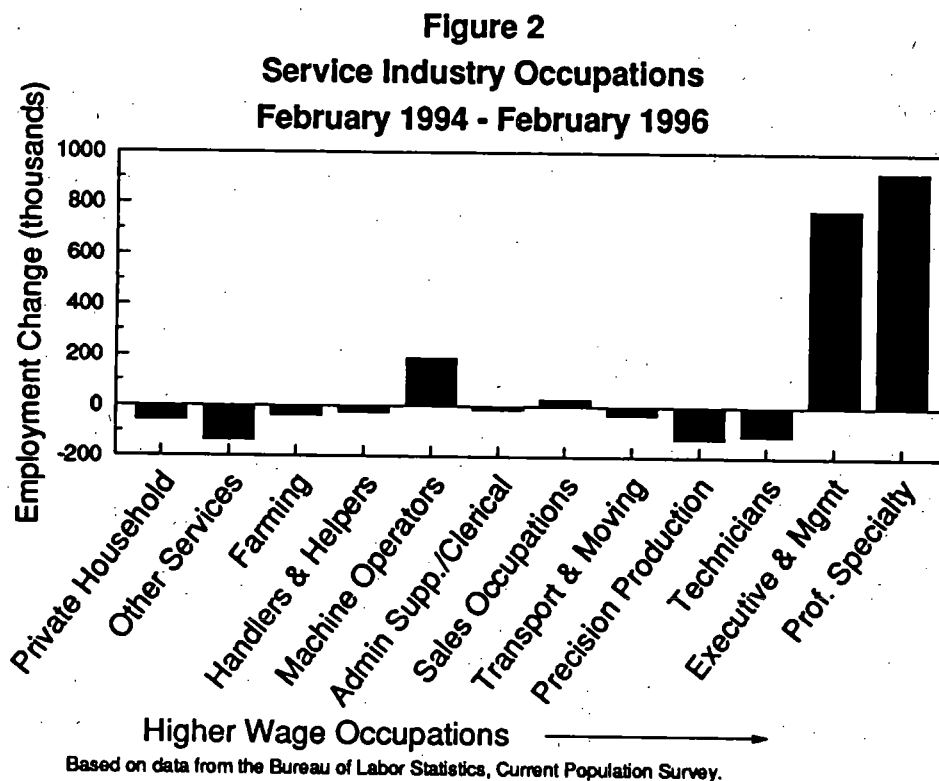
JOB CREATION

According to the Bureau of Labor Statistics establishment survey, nonfarm employment grew by 8.5 million (7.8 percent) between January 1993 and March 1996. Private-sector payrolls (up 8.7 percent) grew even faster, while federal payrolls (excluding the postal service) actually declined by 11.4 percent, and state and local government payrolls combined grew by only 5.0 percent (see Figure 1). The public sector's share of employment is therefore falling.

The unemployment rate has fallen from over 7 percent in January 1993 to 5.6 percent in March 1996, and has been below 6 percent for 19 consecutive months. Given current demographic trends, the Bureau of Labor Statistics projects the labor force to continue growing by approximately 1.1 percent annually between 1994 and 2005. Therefore, to keep unemployment low, the economy needs to average a net increase of about 120,000 new jobs per month. Employment is now expanding at a pace consistent with steady, *sustainable* growth and low unemployment.

Higher-paid Jobs in the Service Sector. The “service sector” is quite diverse. It includes many low-wage positions, but also many high-wage positions in financial services, hospitals, and computer and accounting services. For this reason, it is important to determine whether employment growth within services has occurred primarily in the high-skill managerial and professional specialty occupations or in low-paying occupations. The Current Population Survey provides evidence on employment growth by occupation.

- * The data show that *recent net job growth in services has been predominately in managerial or professional specialty positions* (Figure 2). These are relatively high-paid occupations.

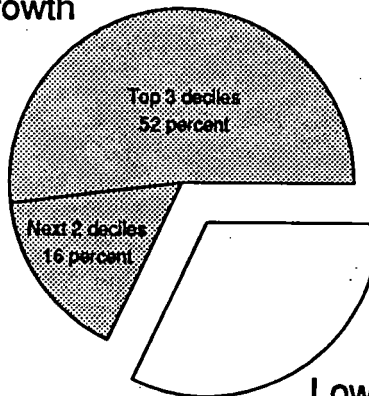


Thus, the conventional wisdom suggesting that the growth in service sector employment is disproportionately concentrated in low-wage job categories is wrong.

Growth of Higher-paid Jobs by Industry and Occupation. An even more detailed picture of the nature of the new jobs created emerges from an examination of industry/occupation categories. Using data from the February 1994 and February 1996 Current Population Surveys, we sorted full-time workers into 45 detailed occupations in 22 major industries. A quarter of the sample reported earnings in addition to the industries and occupations in which they worked.

Figure 3
Shares of Net Employment Growth
February 1994 - February 1996

Higher paying job categories
68 percent of growth

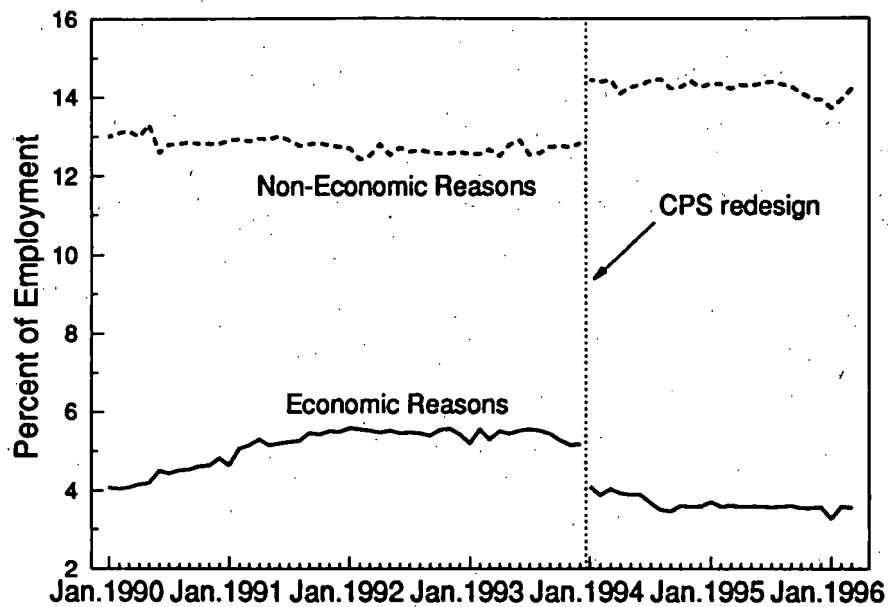


Lower paying job categories
32 percent of growth

Council of Economic Advisers analysis of Bureau of Labor Statistics data.

More Detailed Data on Occupations. The Bureau of Labor Statistics also publishes an annual series on wages and employment growth for an extremely detailed set of occupational categories, based on pooling a year's population survey responses. The survey included 488 categories with data for both 1994 and 1995 (the 1996 annual estimates will not be available until next year). The results from this data set give additional support to the results reported above. Some of the categories with the largest employment gains included "sales supervisors and proprietors," "electricians," "managers of marketing and advertising," and "electrical and electronic engineers." And consistent with the above calculations, the detailed occupations in the top half of the wage distribution accounted for 70 percent of the net employment growth, while the top 10 percent of the distribution produced *a third* of net employment growth.

Figure 4
Part-Time Workers



Based on data from the Bureau of Labor Statistics, Current Population Survey.

Employment and Hours Worked at Nonfarm Establishments

	January 1993	March 1996	Percent Change
Employment (<i>millions</i>)	109.5	118.0	7.8
Hours worked (<i>annual basis, billions</i>)	202.2	217.8	7.7

Based on data from the Bureau of Labor Statistics.

Little Change in Multiple Job Holding. Some Americans decide to hold more than one job, in order to save for a house or to meet unexpected expenses. Nonetheless, multiple job holding would raise concerns about the quality of jobs if an increasing number of Americans have to work two or three jobs to make ends meet. A frustrated worker is said to have reacted to the news that 8.5 million new jobs have been created by replying, "Yeah, and I have three of them." But the data simply do not indicate any significant movement in multiple job holding. The

Evidence from the Displaced Worker Survey. The BLS conducts a survey of displaced workers every two years, with the most recent published data from February 1994. The table below summarizes the displacement rates (defined as the number of workers displaced per 100 employed) for the 1981-82 and 1991-92 periods.

The overall number of workers displaced was roughly the same proportion of the workforce in 1991-2 as in 1981-2, although the recession in the early 1980s was more severe than the one in the early 1990s. However, it is difficult to determine precisely how to account for the business cycle in assessing displacement rates. A comparison of aggregate displacement rates also conceals a fundamental change in the *incidence* of job displacement. The table shows that older, white-collar workers were considerably more at risk of displacement in 1991-92 than during the previous recession. And further analysis shows that job displacement rates rose for more educated workers. These changes in the incidence of job displacement may be a reason for the reports of heightened anxiety regarding job loss. Although blue-collar and less educated workers remain more likely to be displaced than others, displacement rates have clearly risen among those workers who had previously been largely immune from the threat of job dislocation.

* *Displacement rates for older and more educated workers, who had largely been unaccustomed to facing such risk, rose between 1981-2 and 1991-2.*

Changing incidence of displacement		
	Displacement Rates*	
	1981-2	1991-2
Total	3.9	3.8
Occupations		
White-collar	2.6	3.6
Blue-collar	7.3	5.2
Age		
25-34 years of age	5.0	3.8
35-44 years of age	3.8	3.9
45-54 years of age	3.0	3.8
55+	3.6	4.3

* Expressed as a percent of workers with three or more years of tenure on their current job.

Based on data from the Bureau of Labor Statistics.

- * *Official data on job displacement are not yet available beyond 1993. But based on unemployment data for job losers, the job loss rate has declined since then.*

The Costs of Job Displacement. The Displaced Worker Survey provides information on the impact of job loss on workers. The results are sobering. According to analysis from the Bureau of Labor Statistics, roughly a quarter of those displaced during 1991 and 1992 had either stopped searching for work or had not yet found work by the time they were surveyed in February 1994. And while experiences varied widely, research conducted by Henry Farber of Princeton University suggests that the average real wage loss for workers displaced from a full-time job and re-employed into a full-time job was roughly 10 percent in the early 1980s as well as in the early 1990s. A study by Ann Huff Stevens of Rutgers University and the National Bureau of Economic Research also indicates that the wage loss due to displacement is persistent. Six or more years after displacement, a displaced worker's earnings remain roughly 10 percent below what they could have otherwise expected to earn.

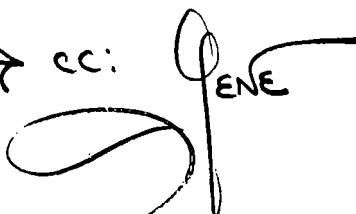
In a market economy facing competitive pressures both nationally and internationally, it is inevitable that some job displacement will take place. Technology is constantly changing. New companies start up and some old ones contract or close down. Since change can be costly for workers, it is vital that policies are in place to help workers deal with that change. Portability of pensions and health benefits, effective re-employment services, adequate unemployment insurance, and education and training policies can all help reduce the adjustment costs between jobs. Moreover, it is important that displacement not take place needlessly. A stable macroeconomic environment with full employment will help minimize the need for layoffs and will maximize the chances for speedy reemployment of those who do lose their jobs.

- * *Job loss is costly. When faced with job loss, American workers must be equipped with the tools to find new jobs quickly.*

CONCLUSION

The labor market is in the midst of a robust expansion in which 8.5 million jobs have been created since January 1993. Now that we have emerged from the last recession and are expanding in a steady, sustainable fashion, employment is growing most rapidly in those job categories offering the best-paid employment opportunities. Our analysis indicates that over two-thirds of recent employment growth has been in industry/occupation job categories with above-median wages; that the vast majority of new jobs being created are full-time; and that the proportion of workers holding multiple jobs has remained roughly constant since the late 1980s. But a dynamic labor market inevitably destroys some jobs while creating others, and the costs of job loss are both significant and persistent. In order to obtain the full benefits of a dynamic economy, we must reduce these adjustment costs.

Memorandum

→ cc:  ENE

To: Bob Kyle, NEC
From: Rick Samans, Sen. Daschle
Ref: Environmental and Labor Rights Trade Policy Options
Date: September 6, 1997

Per your request during our meeting in August, here are suggestions of meaningful labor and environmental trade initiatives the Administration could undertake irrespective of the scope of the negotiating objectives included in the fast-track bill. Although none would necessitate changes in US law, each would promote, in some cases quite significantly, the long-term policy objective of reconciling worker rights and environmental considerations with global trade rules, while helping to improve the political climate surrounding the fast-track bill for Democratic Senators. These are measured, incremental steps that would strengthen the effectiveness of existing trade institutions and/or lay the groundwork, in building-block fashion, for future efforts at building an international consensus on these contentious issues. As such, there is little here that is likely to give the business community legitimate cause for concern, but there is plenty to give the Administration what environmentalists and labor activists insist it now lacks: a concrete and coherent trade policy agenda on the environment and worker rights.

I. Environment

A. Secure Transparency and Public Participation in WTO Proceedings

Environmental groups are deeply frustrated by what they perceive as the closed nature of the WTO dispute settlement process. Numerous American trade policy experts agree that process reforms are warranted. One need not share the environmentalists' trade law agenda to take the view that they ought to have their day in court. Accordingly, taking up the banner of transparency, public participation, and due process in the WTO would seem to be an obvious marriage of good politics and policy for the Administration. While the USTR has advocated reform in the past, the Administration should consider making a commitment to increase the international (and domestic) profile of these efforts in the coming years by, for example, pledging to place process reforms formally on the WTO agenda at the 1998 ministerial. Among the reforms it could advocate as the agenda for such talks are:

- acceptance of *amicus* style briefs from non-governmental interested parties on panels dealing with environmental issues;
- opening nearly all panel meetings to NGOs and the public (e.g., hearings, presentations of legal arguments, etc.);
- publishing documents in a timely fashion so that NGOs have the opportunity to provide expertise and guidance in real time.

In general, the Administration would do well to preempt growing public concerns about the erosion of US sovereignty by announcing that it will work to bring into line with US practices the administrative procedures of the international bodies to which we are losing an increasing degree of regulatory autonomy. To this end, you might want to conduct your own analysis of how these procedures stack up against the requirements of the Administrative Procedures Act or support a

Congressional review (through the GAO?) of the same. Bottom line: pledging action on transparency and public participation in the WTO is a politically low-cost way for the Administration to make common cause with one of the highest priority but least controversial elements of the environmental community's trade policy agenda. It is also the right thing to do on trade policy grounds. The last thing free traders should want is a recreation of the EU's divisive subsidiarity debate in the US, fueled by isolationist claims that we are losing decision-making autonomy to an unaccountable, undemocratic "world governmental" body. The US ought to be moving assertively now, in the early stages of the construction of world trade institutions, to establish precedents for how these and future bodies will conduct the public's business. This is the best insurance that these institutions and the liberal economic principles they embody will stand the test of time in the court of public opinion.

B. Seek Appointment of Eminent Persons Group on GATT and the Environment

Over the years, environmentalists have argued that global trade rules do not sufficiently accommodate national environmental prerogatives when they conflict with commercial considerations. A prominent example is the Tuna-Dolphin case. In recent years, a number of scholars have analyzed these arguments and distilled them down to a few legitimate problem areas, notably aspects of GATT Articles III and XX. In addition, there have been a few private efforts to convene groups of experts in an attempt to bridge the gap, at least conceptually, between trade lawyers, environmentalists, commercial interests, and developing countries. These groups made some progress; however, it now seems appropriate to take this process to the next level.

On occasion, the international trade policy community has turned to Eminent Persons Groups to clarify issues, identify agenda items, and generally lay the groundwork for official diplomatic initiatives. A pledge by the Administration to press for the appointment of such a group to examine possible conflicts between GATT and environmental principles in preparation for the Millennial WTO Round would serve parallel policy and political purposes. The specific legal problems at issue seem ripe for serious, quasi-official consideration by experts. Such a group, limited in size and agenda and insulated to some extent from constituent politics, might be able to expand the scope of common ground on these issues where the larger, less focused WTO Committee on Trade and the Environment has thus far failed. And advocacy by the Administration of this kind of measured step would resonate with environmentalists without boxing in the USTR with respect to its future negotiating posture.

C. Improve Effectiveness of NAFTA Side Agreement Institutions

Treasury | It is my understanding that a number of environmental NGOs are likely to suggest a couple of specific reforms to the North American Development Bank and the Commission on Environmental Cooperation (CEC). These may provide another good opportunity for the Administration to respond to the environmental community's concerns. First, the groups are likely to recommend creation of a BECC-like window at the Inter-American Development Bank for the purpose of expanding the sources and eligible applications of financing available for border cleanup. They seem to like this idea particularly because of its potential to open up the process to more kinds of applicants and to generate grants available for purposes other than infrastructure projects. Second, the groups are likely to call for an expansion of the CEC's independent investigatory powers and resources, which they view as not up to the task of monitoring environmental conditions in North American in general and at the US-Mexico border in particular. The CEC Secretariat assembled a group of experts chaired by Maurice Strong that issued a similar recommendation in May (see May 5, 1997 Strong letter). A pledge to take up both of these causes would show that you're moving to reconcile trade and the environment here in our backyard.

D. Launch Initiative on Product Labeling

Given the political obstacles to harnessing international trade rules to promote environmental and labor rights objectives, private sector efforts to influence consumer behavior through labeling schemes are likely to proliferate. The Technical Barriers to Trade (TBT) Code of the Uruguay Round Agreements governs product-related eco-labeling practices; however, it leaves several important issues unresolved. Both the environmental and worker rights communities are concerned about potential conflicts between these schemes and GATT rules (as well as potentially the MAI), and the Administration could score points with them by proposing to give these issues high-level attention in the WTO in the coming years. There's a certain thematic consistency here with the Administration's very constructive "No Sweat" initiative launched last year in the wake of revelations about apparel factory conditions in Central America and footwear factory conditions in Asia.

II. Labor

A. Conduct Benchmark Review of Labor Rights Conditions in Future FTA Partners

As we discussed in our meeting, a modest but useful way to minimize the potential for weak or unenforced labor standards to distort trade and investment flows would be for the Administration to conduct and publicly release a survey of relevant labor laws and enforcement practices for each country slated to join an FTA with us. Public disclosure of such surveys before approval of the corresponding FTA by Congress would generate subtle but effective pressure on countries to improve their worker rights practices. It would be awkward for the business community and Republicans to oppose this, because they'd be forced to argue that Americans ought not to be fully informed about economic conditions prevailing in future FTA partners. In effect, they'd have to oppose the public's right to know. As Debbie mentioned, this is an idea Sen. Moynihan has been exploring.

B. Strengthen North American Agreement on Labor Cooperation (NAALC)

The Administration could do much to mute criticism of the NAFTA labor side agreement and reaffirm its appreciation of the linkage between trade and worker rights by pledging to rectify two problems that limit the NAALC's effectiveness: its relatively weak capacity to gather and disseminate information independently and relegation of the most important labor rights issues to the weakest category of disciplines. It might pledge to fix these problems either immediately or during FTAA negotiations to transform the NAALC into a hemispheric institution.

1) Independent Monitoring and Disclosure

For the foreseeable future, probably the most feasible way for the U.S. to promote progress on international labor rights would be to adopt a conscious strategy to raise the level of public disclosure of worker rights conditions and enforcement practices in countries that join FTAs with us. Such disclosure is often a surprisingly effective force for change, as is evidenced by the State Department's annual human rights reporting exercise.

Although the NAALC provides a starting point for such an effort, I'm under the impression that it has neither the capacity nor the mandate to perform this function. In addition to having limited staff resources, I'm told the Secretariat has to rely on information that is either publicly available or provided by member governments. Such information is often deliberately restricted. Moreover, the Secretariat has no real mandate to issue periodic (I'd suggest annual) reports on worker rights conditions and enforcement practices within member countries. As a result, while the NAALC establishes an *ad hoc* mechanism, and a cumbersome and time-consuming one at that, for

addressing specific complaints, it is not currently equipped to serve as a vehicle for bringing moral suasion consistently to bear through the light of regular public attention.

It is hardly unprecedented for an international institution to monitor and issue annual reports on member country policies; the IMF, ILO and other bodies have been doing so for years. The NAALC or its FTAA successor could be given adequate staff resources, authority to gather its own information to supplement that found in public and governmental sources, and a mandate to issue reports on member countries that, for the year in question: a) survey major labor rights developments, perhaps building on the benchmark survey of worker rights conditions conducted by US DOL per Proposal II A above; b) report on any NAALC-related proceedings regarding the country in question; and c) relate any relevant actions by national governments to implement or otherwise follow-up on NAALC cases.

The Administration has an opportunity to lead in the construction of an infrastructure to harness the force of international public attention in the cause of worker rights. The NAALC provided the foundation, and the FTAA presents you with an opportunity to finish the job (or at least make significant progress thereon). This strategy is wholly consistent with the Administration's decision in 1993 to focus the NAFTA labor side agreement on ensuring enforcement of national laws rather than forcing compliance with international standards. By emphasizing public accountability rather than international intervention, it simply follows through on that approach without any further infringement of member countries' policy autonomy.

While some countries and business interests will no doubt object to an effort to bring greater public scrutiny to bear on these matters, even they will be forced to concede that this strategy is a far cry from that demanded by organized labor: aggressive imposition of trade sanctions on countries that fail to measure up. The proposition that Americans should be kept in the dark when a competing country effectively subsidizes its exports by impeding the forces of supply and demand in its labor markets is just not sustainable, and I think the public debate would reflect that over time if the case were presented properly. On the other hand, while this strategy would hardly satisfy organized labor, it would be appreciated by labor rights activists judging from my conversations with them.

2) Upgrade Status of Freedom of Association in the NAALC

The NAALC divides its eleven labor principles, or rights, into three categories of treatment. The first, weakest tier includes freedom of association, the right to bargain collectively, and the right to strike. Although these are core standards, complaints about them are entitled only to review by the labor ministry to whom the complaint is brought, which has the option of requesting consultations with the labor ministry of the country in which the alleged violation has taken place. For these complaints relating to these three labor principles, there is no recourse to an independent panel for evaluation of the issues, nor is there any prospect of international arbitration and the imposition of sanctions.

Complaints brought concerning the second category of labor rights, including prohibition of forced labor, equal pay, workers' compensation, etc., may proceed from review to an evaluation by an independent panel of experts. But these, too, are not eligible for arbitration or sanctions. Only the third category of rights, covering child labor, minimum wage, and occupational safety and health issues, is eligible for the full spectrum of attention that encompasses review, independent evaluation, as well as arbitration, with the possible application of sanctions in cases of a "persistent pattern of failure to effectively enforce laws" in those areas.

The problem here is that the main way lax enforcement of worker rights translates into distorted trade and investment flows is through suppression of union organizing, which relates primarily to the labor rights in the first, weakest category outlined above. In order to subsidize production by keeping wages low, governments either block the formation of unions or, as in Mexico, block the

formation of unions independent of those controlled by the government. Four of the six cases brought to date under the NAALC alleged interference in independent union organizing at maquiladora factories. Labor rights activists were frustrated by their inability to get these cases treated with rigor within the NAALC.

Countries have differing interpretations of what it means to permit workers to bargain collectively. Thus, it might be difficult, indeed awkward given the "right to work" laws in many of our states, for the US to try to subject the right to bargain collectively to international arbitration and sanctions. However, freedom of association, a precondition for collective bargaining, more closely resembles an irreducible standard. This is as "core" as a labor standard gets, and no apologies are necessary for wanting to raise the bar on the obligation of governments to enforce it. If we could upgrade the status of freedom of association in the NAALC, I'm told by activists that it would go a long way toward giving that institution the "teeth" the President pledged the NAFTA side agreements would have. Accordingly, an announcement that you will seek such a change in the NAALC or the successor FTAA institution would be a measured, but significant, step, both substantively and politically.

C. Improve Focus of U.S. Labor Rights Initiatives at International Financial Institutions

In 1994, legislation was enacted requiring our Executive Directors at the World Bank and regional multilateral development banks to use the voice and vote of the U.S. to:

- build discussions about labor standards into the institutions' regular policy dialogue with borrowing countries; and
- establish screening procedures for determining if lending programs or projects are likely to undermine progress toward the development and application of such standards.

Earlier this year, Treasury issued the first annual report to Congress on its efforts to implement the legislation, which is known as the Frank amendment. The report was met with considerable disappointment and criticism in the labor community, which saw it as evidence the Administration is not taking the issue seriously. Without taking sides in this argument, I'd offer a few suggestions.

First, raise the profile of U.S. views on the legitimacy of labor rights as a criterion for inclusion in the IFIs' lending decision-making and policy advisory processes. A major speech at an annual meeting by the Deputy Secretary or Secretary would help combat the bias in such institutions against linking labor rights with international financial assistance on the basis that labor standards are primarily political rather than economic affairs. The World Bank's recent efforts under President Wolfensohn to elevate private sector development through institution building and establishment of good governance and the rule of law create fertile ground for presentation of our case.

Second, it's my impression that the IFIs lack the analytical capacity necessary to support the kind of screening process and policy monitoring/advisory function envisioned by the Frank amendment. The Administration could press actively for the corresponding bureaucratic changes, which could be modeled on steps the World Bank took in the 1980s to gear up to do environmental analyses of projects and policies. Such changes could produce the type of tangible result that would be helpful in reassuring skeptical Members of Congress and labor activists that the Administration is taking its responsibilities under the legislation seriously.

Finally, in addition to continuing to sell other donor countries on the need to adopt a labor rights screening process within the IFIs, set up your own process within Treasury for purposes of identifying a good candidate or two for an initial "no" vote on a lending project or MDB policy you

deem to be inconsistent with core labor standards. This would clear away any doubt that you're taking the legislation seriously.

D. Initiate ILO Review of Export Processing Zone Labor Practices

USTR
The purest example of how suppression of labor rights can distort trade and investment flows can be seen in Export Processing Zones that have differential (i.e., weaker) labor protections than in the rest of the country in question. While not a universal practice, it is not unusual for governments in developing countries to offer foreign investors not only tax holidays, better infrastructure, and less red tape in these Zones but also weaker labor laws or more lax enforcement of them. It is hard to imagine a better illustration of how repression of worker rights can constitute an export subsidy. Unfortunately, not much is known about how prevalent this practice is beyond a considerable body of anecdotal evidence.

Labor
Since these Zones provide compelling evidence of why labor rights are a legitimate trade policy concern (and they are a particularly sore subject for the U.S. labor community), it might make sense for the Administration to launch a campaign aimed ultimately at subjecting them to international discipline. A appropriate first step would be to request the International Labor Organization to conduct a study of the extent to which EPZs embody two-tier labor protection regimes. The ILO has the means to conduct this research. The next step would be for the US to seek the establishment of an ILO Working Party to consider the drafting of a new convention. Finally, given the obvious nexus to trade, the US might seek to use this exercise to establish the greater level of cooperation between the ILO and WTO that has been discussed but never achieved.

E. Miscellaneous

Aside from reauthorizing and perhaps improving the Trade Adjustment Assistance program, other ideas that may be worth considering are: adopting the "No Sweat" principles in US government procurement policy, convening an international conference on production standards (I believe this is already under discussion) and addressing certain concerns about the Multilateral Agreement on Investment. Specifically, the labor community and other activists have criticized the emerging MAI text regarding its treatment of state government procurement and investment decisions (Massachusetts), public pension fund corporate governance policies, and product labeling initiatives.

LABOR/ENVIRONMENT INITIATIVES **(Daschle Staff Proposals)**

I. Environment

A. Increase Transparency in WTO: Increase openness of process and public participation (including for environmental NGO's) in WTO dispute settlement process (e.g., accept *amicus* briefs, open proceedings to public). Analysis: Good idea. USG already favors this; merely need to express how we would redouble efforts.

B. Eminent Person Group on GATT and Environment: President creates group of private trade and environmental experts to examine issue, make recommendations. Analysis: Acceptable idea. Demonstrates seriousness, raises profile of issue. Downsides: USTR staff fears few results, might undercut existing advisory bodies to USG, and environmental groups have not requested it. USTR staff instead recommends seeking creation of environmental advisory bodies in WTO.

C. Improve NAFTA Side Agreements

1. BECC-like window at IDB: Create a new lending window at the Inter-American Development Bank to facilitate border cleanup projects. To be modeled after the BECC's approval of NADBank cleanup projects. Analysis: Problematic, but related initiatives possible. IDB window not possible because IDB member countries would not approve and U.S. does not favor independent entity like BECC screening IDB lending. However, Treasury to 1) outline steps it will take to increase lending from NADBank, 2) initiate broader effort to increase multilateral development bank (MDB) lending for environmental (border) projects, and 3) strengthen environmental review by Treasury of MDB lending.

2. Strengthen CEC Investigatory Powers: Give NAFTA Environmental Side Agreement Secretariat greater resources and expanded powers to investigate environmental abuses along the border. Analysis: Problematic. Would require concurrence of Mexico and Canada, possibly re-negotiation of the side agreement. Alternative: USTR examining steps short of re-negotiation to strengthen implementation of side agreement.

D. Product Labeling: Greater U.S. efforts to ensure WTO rules do not restrict flexibility of countries to impose eco-labeling schemes. Analysis: Problematic. A coalition of 500 companies and key legislators (e.g., Roth, Breaux, Grassley) have taken a hard line on eco-labeling. Efforts in this area likely to ignite much opposition, no matter how carefully crafted.

II. Labor

A. Benchmark Labor Review of Future FTA Partners: Administration to issue survey of relevant labor laws and enforcement practices for each country slated to enter an FTA with the U.S. Analysis: Possible, but potential future costs. Issuing a report as agreements are brought back to Congress might be fine, but 1) this could evolve into Congress setting labor practices threshold requirements before negotiations begin; 2) likely negative foreign country

reaction could derail FTA efforts (e.g., Chilean Senate); and 3) similar environmental requirement likely. Alternative: We could endorse Sen. Moynihan's call for ILO to inspect all countries' compliance with ILO core labor standards, although difficult to achieve.

B. Strengthen NAFTA Labor Side Agreement

1. Monitoring/Disclosure: Enhance NAFTA Labor Side Agreement Secretariat by expanding its resources and giving it authority to issue periodic reports on member country practices. Analysis: Problematic, but alternative exists. Daschle's proposal requires concurrence of Mexico/Canada (unlikely), if not re-negotiation of the side agreement. However, the Labor Department could issue the report, which arguably would be more credible.

2. Upgrade "Freedom of Association": Labor side agreement did not make freedom of association labor rights abuses subject to enforcement through arbitration or trade sanctions, only consultation. Proposal is to upgrade possible enforcement of this right. Analysis: Problematic. Would require re-negotiation of the side agreement. Would be highly controversial with Republicans and business community.

C. International Financial Institutions: Increase labor rights as criterion for IFI lending policies through 1) speech by Treasury Secretary/Deputy Secretary; 2) strengthen IFI resource/technical capacity for screening/monitoring of labor practices; 3) establish Treasury process aimed at casting initial "no" vote on a lending project based on weak labor practices. Analysis: All proposals possible. Treasury review of projects (#3) would not have a predetermined goal of a "no" vote, but would be rigorous.

D. Export Processing Zones: Some countries allow deficient labor practices in special tariff-free trade zones. Proposal is to request the ILO to launch a study of country practices, then create an ILO working party to establish rules. Analysis: Partially done, other broader initiative possible. ILO Working Party already established to conduct study and ILO rules already cover abuses. Administration can press for better enforcement.

Journal of Commerce

TUESDAY, SEPTEMBER 9, 1997

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The more things change . . .

Over the last decade, the categories of top U.S. exports have remained constant; only the rankings have shifted.

Trade winds

BY ALAN GERSTEN
JOURNAL OF COMMERCE STAFF

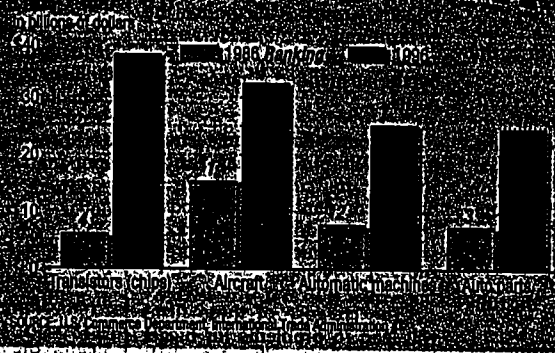
World demand for goods and services is exploding, but the top U.S. export categories remain defiantly constant, merely shifting the order of leadership. Experts predict the United States will continue to rely on a few categories as its main money-making tools, as technology advances may ahead of increasing foreign competition. In 1986, the leading U.S. exports were aircraft, automated data-processing machines, vehicle parts and high-technology machinery. In 1996, the leading U.S. exports were aircraft, automated data-processing machines, cars and high-tech machinery. So far this year, that lineup hasn't changed.

Ah, but there is a difference, albeit subtle. Whereas war planes counted for much of aircraft parts 10 years ago, today commercial aircraft are far more in demand. Today, too, cars and data-processing machinery are more high-tech than in 1986. And the country's shipping auto parts to other countries.

In addition to internal changes in the categories and destinations, the order of

Where change means the same

During the last 10 years, the categories of top U.S. exports have stayed the same, but the leadership has changed. In 1986, aircraft were the top U.S. export and the transistor chips used in computers were fourth. Now transistors (chips) are the leaders and aircraft are second. Many factors, including more high technology and lower warplane, have contributed to the change.



leadership has also changed.

In 1996 (latest annual available figures), high-technology equipment — such as transistors (called chips today) for computers — moved to first place from fourth in 1986; aircraft dropped to second from first; data-processing machines fell to third from second; and automobiles went to fourth place from third.

To maintain and grow its exports, the United States must constantly fine-tune and

modernize the mix to compete in the world market.

This has thrust high-tech equipment and its technological advances into the forefront.

"That is our comparative advantage," said Robert Lipsey, former research associate at the National Bureau of Economic Research in Cambridge, Mass. "We have a lot of high-tech, but simpler versions in the semiconductor area. What's made here is the top end." Mr. See EXPORTS, Page 6A

But the pep rally's still on!

Clinton aides urge delay on fast track

Advisers fear bill may be too Republican for some Democrats

BY JOHN MAGGS
JOURNAL OF COMMERCE STAFF

WASHINGTON — President Clinton will host a welcoming party Wednesday for his long-promised bill to authorize new trade negotiations, but the guest of honor may be a few days late.

After years of delay, and after promising for weeks to deliver the legislation on Sept. 10, senior aides to the president Monday recommended he wait to unveil the bill until it can be further vetted in consultation with Congress.

Whether or not Mr. Clinton takes the advice to delay the bill, he still will follow through with plans for a White House pep rally that day, originally designed to celebrate the arrival of the trade legislation.

Business lobbyists and congressional aides enlisted for the fall campaign to pass the trade authority bill were incredulous.

"They want us to rally around the flagpole, but there's no flag," said Steve Canner, a trade and investment specialist at the U.S. Council for International Business.

"Fast track" authority is supposed to speed trade agreements through Congress by barring amendments.

President Clinton says he needs it to negotiate free-trade deals with Chile and the rest of Latin America, and industry-specific agreements with a larger group of countries.

A spokesman for U.S. Trade Representative Charlene Barshesky said Monday that postponing the delivery of the bill was under "active debate" at the White House. He said the decision would be a tactical one.

"It might be better not to blur the message (of the rally) with a fight over the details," said Jay See TRADE, Page 6A



President Clinton

Japanese fear high cost of retaliation

TIM SANSBURY
JOURNAL OF COMMERCE STAFF

WASHINGTON — Japanese shipping lines hit by U.S. sanctions a festering maritime dispute in a court challenge that damage to their operations, to U.S.-Japan container trade as a whole, could be catastrophic.

Documents filed with the U.S. Court of Appeals here, the Japanese carriers depicted an escalating confrontation, involving retaliation and counter-retaliation, which penalties imposed on them could reach \$200 million a year. Two-way commerce between the giant shipping partners is about \$123 billion a year.

The Japanese lines told the court that some of the export and importing companies

Industry to Customs: We're ready to deal

• Exporters, carriers, forwarders want to use 'interest-based negotiations' to solve electronic filing issue.

BY BILL MONGELLUZZO
JOURNAL OF COMMERCE STAFF

LOS ANGELES — Exporters, carriers and freight forwarders have given notice to U.S. Customs that they are ready to start formal talks to resolve the nettlesome issue of automating the filing process for export documents.

An automated system would expedite this process, allowing Customs officials to more efficiently enforce regulations and helping the Bureau of Census improve the accuracy of trade statistics. It is estimated that U.S. exports are undercounted by as much as \$70 billion a year because of sloppy filing of export documents.

the bargaining table by the end of this month.

The goal of the negotiations will be to revamp Customs' Automated Export System so it gains widespread acceptance in the trade community. AES was unveiled two years ago, but only two exporters, two ocean carriers and 12 freight forwarders participate.

By contrast, Customs 10 years ago began automating the process of filing import documentation, and today more than 97% of all entry documents are filed electronically.

Both sides agree that automation will make the process more efficient and reduce costs for everyone. At issue, however, are the requirements laid down by Customs for participation in the automated program.

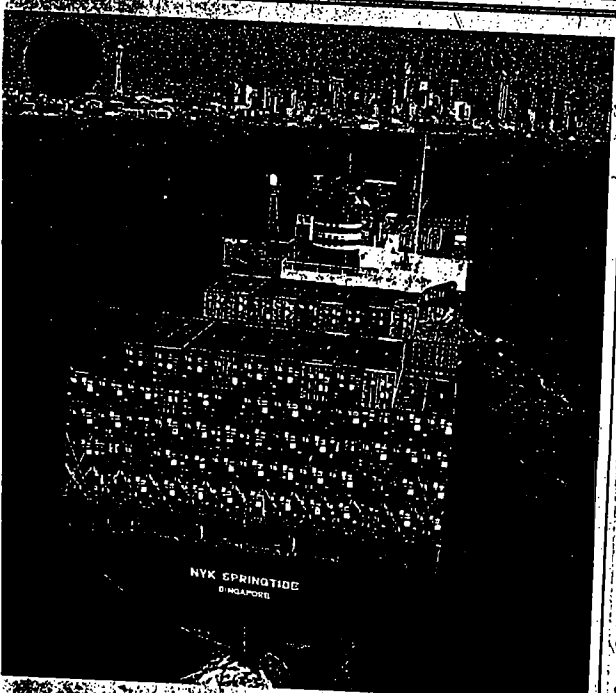
Customs wants exporters who participate in AES to file the key export document, known as the shippers' export declaration, before the vessel or

Access question polarizes railroad and shipper groups

BY RIP WATSON
JOURNAL OF COMMERCE STAFF

Railroads and their customers are firing the first loud salvos in a brewing battle over whether to grant shippers served by a single railroad wider access to carriers.

Railroads say widening competition amounts to "forced access" or "regulation," while shipper groups generally apply the label of "open access."



mission's action. The court rule on the appeal on or Sept. 17. The court said a neutral arbitration panel made in 1982 to gain a suspension of the on the Japanese carriers show that they are likely to forfeit the merits of their and that they are suffering harm from the fines. Carriers told the court the FMC wrongly based its on the action of Japan Transport Ministry, which a limited role in over harbor service providers. y also said the commis- ally to show that U.S. are the victims of dis- tory action, and they l that the agency is in- in labor-management is at Japan's waterfront. Carriers further stated e commission produced- ence to support the ion that the prior con- a system caused Japan's sts to far exceed those of other countries.

In supporting documents, a transportation consultant hired by the carriers said a cycle of retaliation "is likely to lead to a major disruption of the Pacific Rim trading environment with huge financial consequences that the FMC never considered."

Tip of the Iceberg

Douglas Tucker, president of D.C. Tucker and Co., Potomac, Md., said the fines are only the "tip of the financial damage iceberg." The consultant said the chief financial damage will come from revenue lost by the three lines as a result of shippers diverting their cargo to third-flag carriers that are sanction-free.

The scramble for limited cargo space among neutral carriers will produce "marketplace havoc," including skyrocketing rates and delivery delays, Mr. Tucker said.

The bulk of the negotiations will be to revamp Customs' Automated Export System so it gains widespread acceptance in the trade community. AES was unveiled two years ago, but only two exporters, two ocean carriers and 12 freight forwarders participate.

ustoms will choose the consulting firm
that will act as facilitator, based upon

Continued from Page 1A

Access

visory Council, a group created by the ICC Termination Act of 1995 and now affiliated with the Surface Transportation Board, the agency that sets railroad regulation.

Setting the stage

Both sides used the meeting to stake out turf for a possible legislative battle next year turning on the question of whether some of the railroads' growing profits should be parlayed into lower rates for shippers who say they are paying too much.

Shipper representatives took a variety of positions, with many urging broader access to multiple rail carriers, and some endorsing legislative action.

Large and small railroads shared a united front, holding that no regulatory or legislative changes are necessary.

The Association of American Railroads contends that changes to the existing regime would undermine competition by reducing investment and threatening the stability of the entire industry.

"The 'access' proposals do not provide for genuine competition," the AAR presentation stated. "They provide for compulsory rate-making or trackage rights on a subsidized basis, not a competitive marketplace could never support."

The association said the current regulatory scheme provides meaningful remedies and that shippers are becoming more sophisticated in their efforts to create a "dual rail service" by building new lines to reach a second railroad or choosing new plant sites to assure a choice of carriers.

It tried to blunt the argument that railroads should be required to broaden their access by saying other industries now being deregulated (such as utilities) faced different circumstances.

The American Short Line Railroad Association supported AAR's view that current regulations should be maintained, but said small railroads must have access to the nation-

al network through good service, reasonable routes and rates and effective interchanges.

The National Grain and Feed Association said, "Agricultural shippers generally have limited access to alternative providers of transportation services."

The agricultural shipper group also expressed concern about absence of effective competition in some markets, high switching charges and urged "more effective regulatory oversight" by the STB.

The National Industrial Transportation League, a trade group representing shippers, said, "There is a competitive problem in the country's rail network today, citing reduced competition resulting from industry consolidation and 'the ineffective regulatory structure that has been developed.'"

The NIT League's newly created rail policy says "an increase in rail-to-rail competition would be beneficial to railroads and shippers alike."

The Alliance for Rail Competition said "the elimination of barriers from the marketplace, expansion of geographic scope of operations through the merger process, and the reduction of the shipper's ability to route traffic all have combined to eliminate competitive rail service opportunities."

depends on where you are

That group cited the case of Montana shippers with access to only one railroad, paying more for export wheat shipments than those served by two railroads in Nebraska, whose grain had to travel 25% to 40% farther.

The Society for the Plastics Industry said that, without a choice of railroads, its members pay to 60% more than those served by multiple carriers, adding, "We are convinced that the governing rail industry will be inherently changed" to encourage more competition.

ne North Dakota Grain Deal-
association urged "protection
aptive: shippers against rate
service abuse" and "a timely,
e and cost effective way of
ring shipper differences with
ad companies."

Continued from Page 1A

Trade

Ziegler.

But in reality, the delay seems the product of last-minute indecision among Mr. Clinton and his top advisers, prompted by fears that their GOP-driven approach to the bill will alienate most Democrats and wreck chances for a broader Clinton agenda on education, global climate change, entitlement spending, and campaign finance reform.

same old fear

In a sense, it is the same year that has stymied attempts to secure fast-track authority for nearly four years.

While Mr. Clinton was willing to oppose most Democrats in Congress when pushing for approval of the North American Free Trade Agreement in 1993, he has repeatedly flinched when asked to do the same to maintain fast track.

With his last election behind him, it has been widely expected that Mr. Clinton would seize a Republican approach to legislation that limits labor and environmental matters covered by fast track to those "directly related to trade."

in fact, administration trade.
 5. They are working from a
 5. Republican plan with ex-
 y that language.

but only a few days before
approach was to be intro-
duced, administration officials
don't know how a large
portion of Democrats will
respond.

I won't like it

number of moderate
ocrats who had been ex-
d to support the president
been voicing their misgiv-
about embracing the GOP
osal.

Rep. Charles Rangel, the
ing Democrat on the
e Ways and Means Com-
e, told fellow members of
ongressional Black Caucus
week that he wanted to
job training bill before
to fast track Ways and
has jurisdiction over the
ack legislation.

Ben Cardin, a Ways and Means Democrat who bucked the party to support Nafta, sent the president a letter Friday advising him to court Democrats. "We push a fast-track bill that will hurt labor and environmental groups," he wrote. "It is to be 'essential parts of' trade agreements."

ing other things, he
the president to back a
allows the use of trade
to enforce interna-
and environmental and
reements.

Industry spokesman returns

The Trade Resources Group, made up of large and small importers, ocean and air carriers, freight forwarders and trade associations, will be the official representative of the private sector. The group was formed several years ago to help Customs design AES.

At a recent meeting in Boulder, Colo., the group voted in favor of entering into interest-based negotiations with Customs. It has also nominated more than a dozen of its members to serve on the negotiating team.

Following federal rules

Customs is also anxious to get under way, but it must follow the requirements of the Federal Advisory Committee Act, said Pat Duffy, outbound process manager at Customs.

The office of chief counsel at Customs is reviewing the requirements of the act, and could get back to the outbound process group within the week, Ms. Duffy said.

When Customs engaged in interest-based negotiations to resolve the drawback issues, it took more than six months to reach a consensus. Mr. D.

CONVENTION M₉ D₁₀ D₁₁ D₁₂ D₁₃ D₁₄ D₁₅ D₁₆ D₁₇ D₁₈ D₁₉ D₂₀ D₂₁ D₂₂ D₂₃ D₂₄ D₂₅ D₂₆ D₂₇ D₂₈ D₂₉ D₃₀ D₃₁ D₃₂ D₃₃ D₃₄ D₃₅ D₃₆ D₃₇ D₃₈ D₃₉ D₄₀ D₄₁ D₄₂ D₄₃ D₄₄ D₄₅ D₄₆ D₄₇ D₄₈ D₄₉ D₅₀ D₅₁ D₅₂ D₅₃ D₅₄ D₅₅ D₅₆ D₅₇ D₅₈ D₅₉ D₆₀ D₆₁ D₆₂ D₆₃ D₆₄ D₆₅ D₆₆ D₆₇ D₆₈ D₆₉ D₇₀ D₇₁ D₇₂ D₇₃ D₇₄ D₇₅ D₇₆ D₇₇ D₇₈ D₇₉ D₈₀ D₈₁ D₈₂ D₈₃ D₈₄ D₈₅ D₈₆ D₈₇ D₈₈ D₈₉ D₉₀ D₉₁ D₉₂ D₉₃ D₉₄ D₉₅ D₉₆ D₉₇ D₉₈ D₉₉ D₁₀₀ D₁₀₁ D₁₀₂ D₁₀₃ D₁₀₄ D₁₀₅ D₁₀₆ D₁₀₇ D₁₀₈ D₁₀₉ D₁₁₀ D₁₁₁ D₁₁₂ D₁₁₃ D₁₁₄ D₁₁₅ D₁₁₆ D₁₁₇ D₁₁₈ D₁₁₉ D₁₂₀ D₁₂₁ D₁₂₂ D₁₂₃ D₁₂₄ D₁₂₅ D₁₂₆ D₁₂₇ D₁₂₈ D₁₂₉ D₁₃₀ D₁₃₁ D₁₃₂ D₁₃₃ D₁₃₄ D₁₃₅ D₁₃₆ D₁₃₇ D₁₃₈ D₁₃₉ D₁₄₀ D₁₄₁ D₁₄₂ D₁₄₃ D₁₄₄ D₁₄₅ D₁₄₆ D₁₄₇ D₁₄₈ D₁₄₉ D₁₅₀ D₁₅₁ D₁₅₂ D₁₅₃ D₁₅₄ D₁₅₅ D₁₅₆ D₁₅₇ D₁₅₈ D₁₅₉ D₁₆₀ D₁₆₁ D₁₆₂ D₁₆₃ D₁₆₄ D₁₆₅ D₁₆₆ D₁₆₇ D₁₆₈ D₁₆₉ D₁₇₀ D₁₇₁ D₁₇₂ D₁₇₃ D₁₇₄ D₁₇₅ D₁₇₆ D₁₇₇ D₁₇₈ D₁₇₉ D₁₈₀ D₁₈₁ D₁₈₂ D₁₈₃ D₁₈₄ D₁₈₅ D₁₈₆ D₁₈₇ D₁₈₈ D₁₈₉ D₁₉₀ D₁₉₁ D₁₉₂ D₁₉₃ D₁₉₄ D₁₉₅ D₁₉₆ D₁₉₇ D₁₉₈ D₁₉₉ D₂₀₀ D₂₀₁ D₂₀₂ D₂₀₃ D₂₀₄ D₂₀₅ D₂₀₆ D₂₀₇ D₂₀₈ D₂₀₉ D₂₁₀ D₂₁₁ D₂₁₂ D₂₁₃ D₂₁₄ D₂₁₅ D₂₁₆ D₂₁₇ D₂₁₈ D₂₁₉ D₂₂₀ D₂₂₁ D₂₂₂ D₂₂₃ D₂₂₄ D₂₂₅ D₂₂₆ D₂₂₇ D₂₂₈ D₂₂₉ D₂₃₀ D₂₃₁ D₂₃₂ D₂₃₃ D₂₃₄ D₂₃₅ D₂₃₆ D₂₃₇ D₂₃₈ D₂₃₉ D₂₄₀ D₂₄₁ D₂₄₂ D₂₄₃ D₂₄₄ D₂₄₅ D₂₄₆ D₂₄₇ D₂₄₈ D₂₄₉ D₂₅₀ D₂₅₁ D₂₅₂ D₂₅₃ D₂₅₄ D₂₅₅ D₂₅₆ D₂₅₇ D₂₅₈ D₂₅₉ D₂₆₀ D₂₆₁ D₂₆₂ D₂₆₃ D₂₆₄ D₂₆₅ D₂₆₆ D₂₆₇ D₂₆₈ D₂₆₉ D₂₇₀ D₂₇₁ D₂₇₂ D₂₇₃ D₂₇₄ D₂₇₅ D₂₇₆ D₂₇₇ D₂₇₈ D₂₇₉ D₂₈₀ D₂₈₁ D₂₈₂ D₂₈₃ D₂₈₄ D₂₈₅ D₂₈₆ D₂₈₇ D₂₈₈ D₂₈₉ D₂₉₀ D₂₉₁ D₂₉₂ D₂₉₃ D₂₉₄ D₂₉₅ D₂₉₆ D₂₉₇ D₂₉₈ D₂₉₉ D₃₀₀ D₃₀₁ D₃₀₂ D₃₀₃ D₃₀₄ D₃₀₅ D₃₀₆ D₃₀₇ D₃₀₈ D₃₀₉ D₃₁₀ D₃₁₁ D₃₁₂ D₃₁₃ D₃₁₄ D₃₁₅ D₃₁₆ D₃₁₇ D₃₁₈ D₃₁₉ D₃₂₀ D₃₂₁ D₃₂₂ D₃₂₃ D₃₂₄ D₃₂₅ D₃₂₆ D₃₂₇ D₃₂₈ D₃₂₉ D₃₃₀ D₃₃₁ D₃₃₂ D₃₃₃ D₃₃₄ D₃₃₅ D₃₃₆ D₃₃₇ D₃₃₈ D₃₃₉ D₃₄₀ D₃₄₁ D₃₄₂ D₃₄₃ D₃₄₄ D₃₄₅ D₃₄₆ D₃₄₇ D₃₄₈ D₃₄₉ D₃₅₀ D₃₅₁ D₃₅₂ D₃₅₃ D₃₅₄ D₃₅₅ D₃₅₆ D₃₅₇ D₃₅₈ D₃₅₉ D₃₆₀ D₃₆₁ D₃₆₂ D₃₆₃ D₃₆₄ D₃₆₅ D₃₆₆ D₃₆₇ D₃₆₈ D₃₆₉ D₃₇₀ D₃₇₁ D₃₇₂ D₃₇₃ D₃₇₄ D₃₇₅ D₃₇₆ D₃₇₇ D₃₇₈ D₃₇₉ D₃₈₀ D₃₈₁ D₃₈₂ D₃₈₃ D₃₈₄ D₃₈₅ D₃₈₆ D₃₈₇ D₃₈₈ D₃₈₉ D₃₉₀ D₃₉₁ D₃₉₂ D₃₉₃ D₃₉₄ D₃₉₅ D₃₉₆ D₃₉₇ D₃₉₈ D₃₉₉ D₄₀₀ D₄₀₁ D₄₀₂ D₄₀₃ D₄₀₄ D₄₀₅ D₄₀₆ D₄₀₇ D₄₀₈ D₄₀₉ D₄₁₀ D₄₁₁ D₄₁₂ D₄₁₃ D₄₁₄ D₄₁₅ D₄₁₆ D₄₁₇ D₄₁₈ D₄₁₉ D₄₂₀ D₄₂₁ D₄₂₂ D₄₂₃ D₄₂₄ D₄₂₅ D₄₂₆ D

P.11

Journal of Commerce, 9/8/97

Clinton seen deferring to GOP in order to stay on fast track

• House minority leader expects the president to craft bill for trade authority around the wishes of the Republicans.

BY WILLIAM ROBERTS
JOURNAL OF COMMERCE STAFF

WASHINGTON — With little time left to win renewed trade negotiating power this year, the White House this week will bow to the wishes of pro-business Republicans who control Congress.

At the same time, President Clinton, who is expected to ask Congress on Wednesday for new "fast-track" trade authority, will face vocal and troublesome demands from within his own party for inclusion of labor and environmental conditions in future trade pacts.

But in what is being described by House leaders who met with U.S. Trade Representative Charlene Barshefsky last week as a practical approach, the administration will give Republicans what they want.

Focus is on 'how'

"Their concern is how, practically, to get this done," said House Minority Leader Rep. Richard A. Gephardt, who at a press briefing Friday outlined his views on what fast-track legislation should include and offered observations from a recent trip to Latin America.

Earlier last week, House Ways and Means Committee Chairman Rep. Bill Archer, R-Texas, had also signaled he expects a trade negotiating request from the White House that sticks closely to what Republicans want.

"We want to get it passed, and they want to get it passed," Rep. Archer told reporters last week.

Fast-track trade



Rep. Richard A. Gephardt

the threat that Congress would try to reopen a deal reached by U.S. negotiators.

Fast track has been stalled for three years because of a deadlock between the pro-labor and pro-environment Clinton administration and House Republicans who have been adamant in their opposition to giving unions and environmentalists a greater hand in crafting future trade rules.

Limited provisions

In recent talks with the administration House Democrats have been trying to get labor and environment standards treated in the fast-track legislation so that they would be accommodated in any trade pact that would follow from new talks. But, based on what Rep. Archer and Rep. Gephardt said following meetings with Ms. Barshefsky, it now appears the White House will agree to limiting environmental and labor provisions to a narrow range of what is "directly related to trade."

Americas is a good thing to do," Rep. Gephardt said.

But, he added, "the greater problem is these treaties create downward pressure on wages in our own country," citing a recent Department of Labor study that found threats by business leaders to move production facilities to Mexico were used in 65% of recent labor disputes and labor elections as way to hold down wages in the United States.

"It's an important issue," Rep. Gephardt said.

Latin American trip

The minority leader was also in Latin America recently visiting the leaders of Argentina, Brazil and Chile. He said he was primarily interested in the issue of fast track and trade and trying to get a sense of what Latin views and thoughts are on expanding trade with the United States.

Rep. Gephardt met with the presidents of each country, ministers of trade finance, labor and environment. He also met with officials of the American Chamber of Commerce, labor leaders and private organizations concerned about environment in each country.

"There is a lot of hope and optimism about the future and their ability to improve their economies," he said.

"They've got Mercosur and they're trying to make that work, and they're a little reticent about a free-trade agreement in the Americas. I think they see that as the future, but they are not willing to leap into that until they've been able to make what they've done work to their satisfaction," he said, adding "there's tremendous economic difficulties in the region."

authority is needed by the White House to bolster the standing of the U.S. Trade Representative's Office as it engages in what are often complex and difficult talks with other nations on lowering tariffs and opening markets to U.S. goods. By granting approval in advance, Congress agrees to treat any trade pact emerging from such talks on a fast-track procedure without amendment, thus closing off

A possible candidate for the Democratic presidential nomination in 2000, Rep. Gephardt declined to seize an opportunity to differentiate himself sharply from Vice President Al Gore on an issue that plays to populist sentiments among some voters. Instead, he struck a conciliatory note Friday.

"To me trade is good. It's positive. We need free-trade agreements. We are moving toward a global economy. Integration of countries in the

Mercosur is a Spanish acronym for the Southern Cone Common Market, a regional trade agreement between Argentina, Brazil, Paraguay and Uruguay.

Rep. Gephardt had wrestled with the Bush administration in 1991 to widen fast track. Democrats were only able to get side agreements to Nafta, agreements that have been criticized as deficient and lacking enforcement capability.

DRAFT

**Community Adjustment and Investment Program
Talking Points**

A. New Loans. On September 4, the finance committee endorsed the first three loans of the Community Adjustment and Investment Program.

- The direct financing application for Watsonville, CA was approved. An intermediary will have access to a line of credit up to \$500,000 for loans to borrowers in the community. The intermediary will leverage up to \$5 million in new loans through this facility. This direct loan must be processed by the LA Office of the NADBank and should be closed within the next month.
- The SBA guarantee was approved for a private sector loan to a wholesale distributor of corn and flour tortillas in El Paso, Texas. The borrower will use the proceeds of the loan \$45,000 for the purchase of two delivery trucks and provide working capital. Because of the loan, the borrower expects to hire an additional two full time workers (currently has four employees).
- The USDA guarantee was approved for a private sector loan to a farmer cooperative for the expansion of a storage facility for agricultural produce (the loan is in the amount of \$229,000). The facility is located in Mt. Vernon, GA. Because of the loan, the borrower expects to hire an additional 25 seasonal jobs.

B. Public Meeting of the Advisory Committee. On November 21, the Presidential Advisory Committee will hold a public meeting in El Paso, Texas to discuss the Community Adjustment and Investment Program. Members of the community are expected to provide Advisory Committee and finance committee members with testimony on the impacts of NAFTA.

C. Stage I Sites. On August 1, the finance committee announced 35 sites across the nation that are eligible for the first stage of the program.

- We expect the finance committee to announce an addition dozen or so sites that will be included in the first stage. (These areas are identified through further analysis of data we've received from Labor and from the states.)
- The experience through Stage I will be reviewed after six months (in March 1998) to consider modifications to the program.

D. Finance Committee Efforts. The four members of the finance committee (Treasury, HUD, SBA and USDA) have worked closely in implementing the program.

- All actions require majority vote by committee (each member has one vote).
- All members have actively participated in the development of the program.

DRAFT**Questions and Answers**

Question: What is the Community Adjustment and Investment Program?

Answer: The program provides credit to new or expanded businesses in communities with significant job losses due to changes in trade patterns with Canada and Mexico. The program involves the coordinated efforts of the United States Government and the North American Development Bank (NADBank), an international public financial institution. NADBank established an office in Los Angeles, California for the purpose of assisting the United States Government with the development and implementation of the program. The program operates as a "development catalyst" -- assisting where shortfalls exist in capital availability in commercial lending markets for start-up or expansion efforts. The program combines the efforts of the NADBank with certain Federal agencies, local financial institutions and financial intermediaries to meet financing needs for business opportunities.

Question: What is Treasury's role in the program?

Answer: Treasury serves as the chair of the interagency group, the "finance committee," that provides policy guidance and oversight of the program. Other members of the finance committee are the Departments of Agriculture and Housing and Urban Development and the Small Business Administration.

Question: Why not rotate the chair of the finance committee among the four agencies?

Answer: The executive order establishing the finance committee appointed Treasury to the role and Treasury has worked closely with all members, each of which has one vote for all decisions undertaken by the committee. Treasury is committed to implementing the program quickly and effectively and has dedicated staff resources for this goal.

Question: What has the finance committee learned from the process that would suggest changes in the program?

Answer: The Stage I process, where the finance committee applied data from the Department of Labor to identify communities impacted, is intended to serve as a pilot, allowing the finance committee to focus resources into areas of significant impacts. We expect to review the process carefully over the next six months and modify the program where needed.

Question: Why has it taken so long for loans to be made through the program?

Answer: It has taken longer than expected to get the lending program up and running. In the last several months, however, there has been significant progress with implementation. In June, agreements were entered into among the Treasury and

DRAFT

the Department of Agriculture and the Small Business Administration regarding their involvement in the program. On August 1, the finance committee announced 35 areas throughout the country as eligible for adjustment assistance through the program. On September 4, the finance committee approved the first three loans in the program. Since December 1996, the NADBank has been conducting outreach and receiving applications for community adjustment

M E M O R A N D U M

To: Mack McClarty
From: Democratic Leader Gephardt
Subject: Fast Track
Date: August 24, 1997
CC: Sec. Albright, Amb. Barshefsky, Sandy Berger, Erskine Bowles, John Podesta, Jay Berman

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Per our recent conversation, I wanted to provide you with a report on my trip to South America: Chile, Argentina and Brazil.

Although it was a quick trip resulting in roughly 2 days of discussions in each country, I was able to meet with a broad cross-section of public and private individuals. The Presidents of each country as well as many of their principal ministers met with me. As well, I met with the American Chamber of Commerce in each country and their labor leaders. I also had lengthy discussions with environmental ministers and NGOs. Finally, in Chile and Brazil I was able to visit local neighborhoods and factories to have discussions with average citizens.

As a first point, Chilean arms sales and the granting of non-NATO ally status to Argentina were part of every discussion I had with the Presidents and the foreign ministers. President Frei was deeply concerned about the status of Argentina - you are well aware of the relations between the two countries. As Ambassador Guerra said, in all of his meetings with President Frei, he had never seen him as direct as when the question of arms sales arose. I know that the Embassy has provided a briefing to the Administration on this issue.

I came away with a much greater appreciation for the vibrancy of South America's markets. Sitting in traffic jams one quickly understands that the markets are growing at a tremendous pace. Traveling through communities, one understands that if their wages and living standards can be improved, there would be tremendous markets for our products and the gradual reduction in the downward wage and job pressures in the U.S.

The trip also highlighted the fragility of the political systems in these countries having rejected military rule only in the recent past. The former political systems did little or nothing to address the deep economic disparities in these countries. Our goal must be to promote and enhance democracy and the equitable distribution of economic growth. We must avoid rapid change that does not allow these countries to adopt transitional policies to ensure that all their people benefit, not just the privileged few.

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Mack McClarty
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August 24, 1997

I also came away with the clear understanding of the tremendous economic difficulties that face the people of these countries. Chile ranks as number two, right behind Brazil, in terms of income inequality in South America. In one of my meetings in Chile, I was told that the top 20% of Chileans control 54% of the GDP. The bottom 20% controls only 4% of the nation's GDP. This is despite the tremendous expansion of trade in the region. It's clear to me that the benefits of more open trade has not trickled down enough to middle class citizens and those struggling to get into the middle class. In many ways, it is analogous to the challenges that we faced during the NAFTA negotiations.

President Frei pointed out that the Chilean-Canadian FTA includes provisions on labor and the environment that are stronger than those contained in the NAFTA. While this language is limited in scope (it only covers child labor, health & safety and the minimum wage), the President appeared willing to include language that required enforcement of domestic laws. This is similar to the discussion I had with President Frei in 1994 at the Blair House which prompted then Congressman Richardson (now U.S. Ambassador to the UN) and I to jointly introduce a Chile-only fast track.

Indeed, President Frei said that the Chilean-Canadian FTA went farther than the NAFTA by allowing the imposition of fines in these two important areas. That is movement in the right direction although the failure of these issues to be included in the core agreement, the arbitrary cap on the level of fines and the failure to have an enforcement mechanism for collection are serious flaws, in my opinion.

I should also point out that the Chilean Labor Minister indicated that the official position of Chile is that labor and trade issues are linked. He said it is "reasonable to develop a road to improvement that is gradual and measurable."

As you well know, prior to entering into negotiations with the U.S. for the NAFTA the United States demanded that Mexico enhance its intellectual property laws. I believe that President Frei's commitment to the package of labor law reforms that he has offered could serve as a similar sign of commitment by Chile to its readiness to engage in trade negotiations with the U.S.

The Argentines were also very supportive of an agenda that included labor and the environment. The pressure of increased competition in the region is putting pressure on them to liberalize their laws. They would welcome, in my opinion, an ability to provide a backstop to their laws so that they can continue to maintain, as well as increase, their standard of living.

The Brazilians appear more focused on deepening Mercosur. They clearly are in the drivers seat in this effort in the region and would prefer to continue to drive the process.

Both Argentina and Brazil want more time to move from Mercosur to the FTAA. They need time to adapt to a more open trading system.

As I indicated to you and the President, I believe that we should discuss the possibility of providing fast track for trade negotiations with Chile alone. If the final agreement includes full

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coverage of labor and environmental issues in the core agreement, with full enforcement, I believe that that would serve as a model for future agreements. I would find it difficult to believe that, at the end of the day, Republicans and the business community would oppose the requirement that our trading partners enforce their domestic laws and the development of a growing middle class for our products as well as the protection of the environment. At every American Chamber of Commerce event I attend in other countries, our companies indicate that they are abiding by the same standards in all their worldwide operations – the provisions that I am arguing for could only stand to enhance, not undermine, their competitive position.

I have now met privately with the President on two occasions to indicate that I want to unite Democrats on this issue. In 1991, I negotiated for many months with President Bush and his Administration to allow him to receive fast track authority. I want to work with President Clinton to give him fast track authority as well.

But, I am unwilling to abandon the principles and outlook that I have developed over my 20 years in Congress. I do not believe that the NAFTA has been a force for progress. We can, and should, do better.

Memorandum

→ cc: ENE

To: Bob Kyle, NEC
From: Rick Samans, Sen. Daschle
Ref: Environmental and Labor Rights Trade Policy Options
Date: September 6, 1997

Per your request during our meeting in August, here are suggestions of meaningful labor and environmental trade initiatives the Administration could undertake irrespective of the scope of the negotiating objectives included in the fast-track bill. Although none would necessitate changes in US law, each would promote, in some cases quite significantly, the long-term policy objective of reconciling worker rights and environmental considerations with global trade rules, while helping to improve the political climate surrounding the fast-track bill for Democratic Senators. These are measured, incremental steps that would strengthen the effectiveness of existing trade institutions and/or lay the groundwork, in building-block fashion, for future efforts at building an international consensus on these contentious issues. As such, there is little here that is likely to give the business community legitimate cause for concern, but there is plenty to give the Administration what environmentalists and labor activists insist it now lacks: a concrete and coherent trade policy agenda on the environment and worker rights.

I. Environment

A. Secure Transparency and Public Participation in WTO Proceedings

Environmental groups are deeply frustrated by what they perceive as the closed nature of the WTO dispute settlement process. Numerous American trade policy experts agree that process reforms are warranted. One need not share the environmentalists' trade law agenda to take the view that they ought to have their day in court. Accordingly, taking up the banner of transparency, public participation, and due process in the WTO would seem to be an obvious marriage of good politics and policy for the Administration. While the USTR has advocated reform in the past, the Administration should consider making a commitment to increase the international (and domestic) profile of these efforts in the coming years by, for example, pledging to place process reforms formally on the WTO agenda at the 1998 ministerial. Among the reforms it could advocate as the agenda for such talks are:

- acceptance of *amicus* style briefs from non-governmental interested parties on panels dealing with environmental issues;
- opening nearly all panel meetings to NGOs and the public (e.g., hearings, presentations of legal arguments, etc.);
- publishing documents in a timely fashion so that NGOs have the opportunity to provide expertise and guidance in real time.

In general, the Administration would do well to preempt growing public concerns about the erosion of US sovereignty by announcing that it will work to bring into line with US practices the administrative procedures of the international bodies to which we are losing an increasing degree of regulatory autonomy. To this end, you might want to conduct your own analysis of how these procedures stack up against the requirements of the Administrative Procedures Act or support a

Congressional review (through the GAO?) of the same. Bottom line: pledging action on transparency and public participation in the WTO is a politically low-cost way for the Administration to make common cause with one of the highest priority but least controversial elements of the environmental community's trade policy agenda. It is also the right thing to do on trade policy grounds. The last thing free traders should want is a recreation of the EU's divisive subsidiarity debate in the US, fueled by isolationist claims that we are losing decision-making autonomy to an unaccountable, undemocratic "world governmental" body. The US ought to be moving assertively now, in the early stages of the construction of world trade institutions, to establish precedents for how these and future bodies will conduct the public's business. This is the best insurance that these institutions and the liberal economic principles they embody will stand the test of time in the court of public opinion.

B. Seek Appointment of Eminent Persons Group on GATT and the Environment

Over the years, environmentalists have argued that global trade rules do not sufficiently accommodate national environmental prerogatives when they conflict with commercial considerations. A prominent example is the Tuna-Dolphin case. In recent years, a number of scholars have analyzed these arguments and distilled them down to a few legitimate problem areas, notably aspects of GATT Articles III and XX. In addition, there have been a few private efforts to convene groups of experts in an attempt to bridge the gap, at least conceptually, between trade lawyers, environmentalists, commercial interests, and developing countries. These groups made some progress; however, it now seems appropriate to take this process to the next level.

On occasion, the international trade policy community has turned to Eminent Persons Groups to clarify issues, identify agenda items, and generally lay the groundwork for official diplomatic initiatives. A pledge by the Administration to press for the appointment of such a group to examine possible conflicts between GATT and environmental principles in preparation for the Millennial WTO Round would serve parallel policy and political purposes. The specific legal problems at issue seem ripe for serious, quasi-official consideration by experts. Such a group, limited in size and agenda and insulated to some extent from constituent politics, might be able to expand the scope of common ground on these issues where the larger, less focused WTO Committee on Trade and the Environment has thus far failed. And advocacy by the Administration of this kind of measured step would resonate with environmentalists without boxing in the USTR with respect to its future negotiating posture.

C. Improve Effectiveness of NAFTA Side Agreement Institutions

Treasury | It is my understanding that a number of environmental NGOs are likely to suggest a couple of specific reforms to the North American Development Bank and the Commission on Environmental Cooperation (CEC). These may provide another good opportunity for the Administration to respond to the environmental community's concerns. First, the groups are likely to recommend creation of a BECC-like window at the Inter-American Development Bank for the purpose of expanding the sources and eligible applications of financing available for border cleanup. They seem to like this idea particularly because of its potential to open up the process to more kinds of applicants and to generate grants available for purposes other than infrastructure projects. Second, the groups are likely to call for an expansion of the CEC's independent investigatory powers and resources, which they view as not up to the task of monitoring environmental conditions in North America in general and at the US-Mexico border in particular. The CEC Secretariat assembled a group of experts chaired by Maurice Strong that issued a similar recommendation in May (see May 5, 1997 Strong letter). A pledge to take up both of these causes would show that you're moving to reconcile trade and the environment here in our backyard.

D. Launch Initiative on Product Labeling

Given the political obstacles to harnessing international trade rules to promote environmental and labor rights objectives, private sector efforts to influence consumer behavior through labeling schemes are likely to proliferate. The Technical Barriers to Trade (TBT) Code of the Uruguay Round Agreements governs product-related eco-labeling practices; however, it leaves several important issues unresolved. Both the environmental and worker rights communities are concerned about potential conflicts between these schemes and GATT rules (as well as potentially the MAI), and the Administration could score points with them by proposing to give these issues high-level attention in the WTO in the coming years. There's a certain thematic consistency here with the Administration's very constructive "No Sweat" initiative launched last year in the wake of revelations about apparel factory conditions in Central America and footwear factory conditions in Asia.

II. Labor

A. Conduct Benchmark Review of Labor Rights Conditions in Future FTA Partners

As we discussed in our meeting, a modest but useful way to minimize the potential for weak or unenforced labor standards to distort trade and investment flows would be for the Administration to conduct and publicly release a survey of relevant labor laws and enforcement practices for each country slated to join an FTA with us. Public disclosure of such surveys before approval of the corresponding FTA by Congress would generate subtle but effective pressure on countries to improve their worker rights practices. It would be awkward for the business community and Republicans to oppose this, because they'd be forced to argue that Americans ought not to be fully informed about economic conditions prevailing in future FTA partners. In effect, they'd have to oppose the public's right to know. As Debbie mentioned, this is an idea Sen. Moynihan has been exploring.

B. Strengthen North American Agreement on Labor Cooperation (NAALC)

The Administration could do much to mute criticism of the NAFTA labor side agreement and reaffirm its appreciation of the linkage between trade and worker rights by pledging to rectify two problems that limit the NAALC's effectiveness: its relatively weak capacity to gather and disseminate information independently and relegation of the most important labor rights issues to the weakest category of disciplines. It might pledge to fix these problems either immediately or during FTAA negotiations to transform the NAALC into a hemispheric institution.

1) Independent Monitoring and Disclosure

also For the foreseeable future, probably the most feasible way for the U.S. to promote progress on international labor rights would be to adopt a conscious strategy to raise the level of public disclosure of worker rights conditions and enforcement practices in countries that join FTAs with us. Such disclosure is often a surprisingly effective force for change, as is evidenced by the State Department's annual human rights reporting exercise.

Although the NAALC provides a starting point for such an effort, I'm under the impression that it has neither the capacity nor the mandate to perform this function. In addition to having limited staff resources, I'm told the Secretariat has to rely on information that is either publicly available or provided by member governments. Such information is often deliberately restricted. Moreover, the Secretariat has no real mandate to issue periodic (I'd suggest annual) reports on worker rights conditions and enforcement practices within member countries. As a result, while the NAALC establishes an *ad hoc* mechanism, and a cumbersome and time-consuming one at that, for

addressing specific complaints, it is not currently equipped to serve as a vehicle for bringing moral suasion consistently to bear through the light of regular public attention.

It is hardly unprecedented for an international institution to monitor and issue annual reports on member country policies; the IMF, ILO and other bodies have been doing so for years. The NAALC or its FTAA successor could be given adequate staff resources, authority to gather its own information to supplement that found in public and governmental sources, and a mandate to issue reports on member countries that, for the year in question: a) survey major labor rights developments, perhaps building on the benchmark survey of worker rights conditions conducted by US DOL per Proposal II A above; b) report on any NAALC-related proceedings regarding the country in question; and c) relate any relevant actions by national governments to implement or otherwise follow-up on NAALC cases.

The Administration has an opportunity to lead in the construction of an infrastructure to harness the force of international public attention in the cause of worker rights. The NAALC provided the foundation, and the FTAA presents you with an opportunity to finish the job (or at least make significant progress thereon). This strategy is wholly consistent with the Administration's decision in 1993 to focus the NAFTA labor side agreement on ensuring enforcement of national laws rather than forcing compliance with international standards. By emphasizing public accountability rather than international intervention, it simply follows through on that approach without any further infringement of member countries' policy autonomy.

While some countries and business interests will no doubt object to an effort to bring greater public scrutiny to bear on these matters, even they will be forced to concede that this strategy is a far cry from that demanded by organized labor: aggressive imposition of trade sanctions on countries that fail to measure up. The proposition that Americans should be kept in the dark when a competing country effectively subsidizes its exports by impeding the forces of supply and demand in its labor markets is just not sustainable, and I think the public debate would reflect that over time if the case were presented properly. On the other hand, while this strategy would hardly satisfy organized labor, it would be appreciated by labor rights activists judging from my conversations with them.

2) Upgrade Status of Freedom of Association in the NAALC

The NAALC divides its eleven labor principles, or rights, into three categories of treatment. The first, weakest tier includes freedom of association, the right to bargain collectively, and the right to strike. Although these are core standards, complaints about them are entitled only to review by the labor ministry to whom the complaint is brought, which has the option of requesting consultations with the labor ministry of the country in which the alleged violation has taken place. For these complaints relating to these three labor principles, there is no recourse to an independent panel for evaluation of the issues, nor is there any prospect of international arbitration and the imposition of sanctions.

Complaints brought concerning the second category of labor rights, including prohibition of forced labor, equal pay, workers' compensation, etc., may proceed from review to an evaluation by an independent panel of experts. But these, too, are not eligible for arbitration or sanctions. Only the third category of rights, covering child labor, minimum wage, and occupational safety and health issues, is eligible for the full spectrum of attention that encompasses review, independent evaluation, as well as arbitration, with the possible application of sanctions in cases of a "persistent pattern of failure to effectively enforce laws" in those areas.

The problem here is that the main way lax enforcement of worker rights translates into distorted trade and investment flows is through suppression of union organizing, which relates primarily to the labor rights in the first, weakest category outlined above. In order to subsidize production by keeping wages low, governments either block the formation of unions or, as in Mexico, block the

formation of unions independent of those controlled by the government. Four of the six cases brought to date under the NAALC alleged interference in independent union organizing at maquiladora factories. Labor rights activists were frustrated by their inability to get these cases treated with rigor within the NAALC.

Countries have differing interpretations of what it means to permit workers to bargain collectively. Thus, it might be difficult, indeed awkward given the "right to work" laws in many of our states, for the US to try to subject the right to bargain collectively to international arbitration and sanctions. However, freedom of association, a precondition for collective bargaining, more closely resembles an irreducible standard. This is as "core" as a labor standard gets, and no apologies are necessary for wanting to raise the bar on the obligation of governments to enforce it. If we could upgrade the status of freedom of association in the NAALC, I'm told by activists that it would go a long way toward giving that institution the "teeth" the President pledged the NAFTA side agreements would have. Accordingly, an announcement that you will seek such a change in the NAALC or the successor FTAA institution would be a measured, but significant, step, both substantively and politically.

C. Improve Focus of U.S. Labor Rights Initiatives at International Financial Institutions

In 1994, legislation was enacted requiring our Executive Directors at the World Bank and regional multilateral development banks to use the voice and vote of the U.S. to:

- build discussions about labor standards into the institutions' regular policy dialogue with borrowing countries; and
- establish screening procedures for determining if lending programs or projects are likely to undermine progress toward the development and application of such standards.

Earlier this year, Treasury issued the first annual report to Congress on its efforts to implement the legislation, which is known as the Frank amendment. The report was met with considerable disappointment and criticism in the labor community, which saw it as evidence the Administration is not taking the issue seriously. Without taking sides in this argument, I'd offer a few suggestions.

First, raise the profile of U.S. views on the legitimacy of labor rights as a criterion for inclusion in the IFIs' lending decision-making and policy advisory processes. A major speech at an annual meeting by the Deputy Secretary or Secretary would help combat the bias in such institutions against linking labor rights with international financial assistance on the basis that labor standards are primarily political rather than economic affairs. The World Bank's recent efforts under President Wolfensohn to elevate private sector development through institution building and establishment of good governance and the rule of law create fertile ground for presentation of our case.

Second, it's my impression that the IFIs lack the analytical capacity necessary to support the kind of screening process and policy monitoring/advisory function envisioned by the Frank amendment. The Administration could press actively for the corresponding bureaucratic changes, which could be modeled on steps the World Bank took in the 1980s to gear up to do environmental analyses of projects and policies. Such changes could produce the type of tangible result that would be helpful in reassuring skeptical Members of Congress and labor activists that the Administration is taking its responsibilities under the legislation seriously.

Finally, in addition to continuing to sell other donor countries on the need to adopt a labor rights screening process within the IFIs, set up your own process within Treasury for purposes of identifying a good candidate or two for an initial "no" vote on a lending project or MDB policy you

deem to be inconsistent with core labor standards. This would clear away any doubt that you're taking the legislation seriously.

D. Initiate ILO Review of Export Processing Zone Labor Practices

USTR
The purest example of how suppression of labor rights can distort trade and investment flows can be seen in Export Processing Zones that have differential (i.e., weaker) labor protections than in the rest of the country in question. While not a universal practice, it is not unusual for governments in developing countries to offer foreign investors not only tax holidays, better infrastructure, and less red tape in these Zones but also weaker labor laws or more lax enforcement of them. It is hard to imagine a better illustration of how repression of worker rights can constitute an export subsidy. Unfortunately, not much is known about how prevalent this practice is beyond a considerable body of anecdotal evidence.

Labor
Since these Zones provide compelling evidence of why labor rights are a legitimate trade policy concern (and they are a particularly sore subject for the U.S. labor community), it might make sense for the Administration to launch a campaign aimed ultimately at subjecting them to international discipline. A appropriate first step would be to request the International Labor Organization to conduct a study of the extent to which EPZs embody two-tier labor protection regimes. The ILO has the means to conduct this research. The next step would be for the US to seek the establishment of an ILO Working Party to consider the drafting of a new convention. Finally, given the obvious nexus to trade, the US might seek to use this exercise to establish the greater level of cooperation between the ILO and WTO that has been discussed but never achieved.

E. Miscellaneous

Aside from reauthorizing and perhaps improving the Trade Adjustment Assistance program, other ideas that may be worth considering are: adopting the "No Sweat" principles in US government procurement policy, convening an international conference on production standards (I believe this is already under discussion) and addressing certain concerns about the Multilateral Agreement on Investment. Specifically, the labor community and other activists have criticized the emerging MAI text regarding its treatment of state government procurement and investment decisions (Massachusetts), public pension fund corporate governance policies, and product labeling initiatives.

FACT BOOK

1. Fact Sheets

Overall One Pager

Benefits/Opportunities (Three Sectors)

Cost of Inaction

Myths and Facts (i.e. Q&A)

NAFTA

Labor and Environment

Trade Deficit

Competing with Low Wage Countries

Helping Displaced Workers

Food Safety

Positive One Pagers: Fast Track And.. (Agriculture; High Technology; Civil Aircraft etc...)

2. Statements About Fast Track

One Page Pull Quotes from POTUS, Administration officials, former government officials, influentials.

POTUS Radio Address

Key Endorsements (One page summary; individual letters)

3. Media Commentary

One page pull quotes from editorials, op-eds.
Select editorials and op-eds.

4. Blast Faxes

THE WHITE HOUSE
WASHINGTON

Gene -

As we discussed -

Victor

Fast Track Briefings

The following are briefing which have been conducted on Fast Track for Democratic Members and staff:

Thursday, July 24, 1997 10:00am
Congressional Fast Track Meeting -- Yellow Oval, White House

Friday, July 25, 1997 8:00am
House Freshman Caucus -- 1416 Longworth
Briefer(s): Brian Samuel

Friday, July 25, 1997 4:00pm
Democratic Whip Group Meeting -- H139
Briefer(s): Charlene Barshefsky, Jay Berman, Susan Brophy, Bob Kyle

--- Monday, July 28, 1997 3:00pm
Senate Banking Committee Staff Briefing -- 542 Dirksen
Briefer(s): Bob Kyle, Bob Novick, Jennifer Havercamp

Wednesday, July 30, 1997 1:00pm
California House Democratic Delegation Lunch -- H117
Briefer(s): Erskine Bowles

Thursday, July 31, 1997 6:30pm
Congressional Fast Track Meeting -- Yellow Oval, White House

Friday, August 01, 1997 11:00am
House International Relations Committee Staff Briefing -- 2200 Rayburn
Briefer(s): Bob Kyle, Al Larson

Friday, August 01, 1997 11:00am
Senate Finance Democratic Staff Briefing --211 Dirksen
Briefer(s): Jay Berman, Susan Brophy

Tuesday, August 05, 1997 10:00am
House Science and Transportation Committee Staff Briefing -- 2325 Rayburn
Briefer(s): Bob Kyle, Jennifer Havercamp

Wednesday, August 06, 1997 2:30pm
Senate Minority Leader's Staff Briefing -- S212
Briefer(s): Jay Berman, Susan Brophy, Vicki Radd, Bob Kyle, Bob Novick

The following is a list of briefings that are probable for the first two weeks of September (All dates and briefers are tentative):

Thursday, September 04, 1997 11:00am
House Government Oversight Committee Staff Briefing
Briefer(s): Bob Kyle, Bob Novick

Friday, September 05, 1997
Senate Commerce Committee Staff Briefing
Briefer(s): Dan Tarullo, Bob Kyle, Bob Novick

Monday, September 08, 1997 1:00pm
Congressional Black Caucus
Briefer(s): Charlene Barshefsky, Alexis Herman, Bill Daley, Rodney Slater, Susan Brophy, Al Maldon

Tuesday, September 09, 1997 3:30pm
Democratic Study Group
Briefer(s): Bill Daley, Dan Glickman, Dan Tarullo

Tuesday, September 09, 1997 1:00pm
Congressional Hispanic Caucus
Briefer(s): Alexis Herman, Robert Rubin, Susan Brophy, Janet Murguia

Congressional Womens Caucus (pending)
Progressive Caucus (pending)
Blue Dog Coalition (pending)
New Democrat Coalition (pending)
Democratic Budget Group (pending)
Native American Caucus (pending)
Congressional Internet Caucus (pending)

August 21, 1997

MEMORANDUM FOR VICKI RADD

FROM: Peter O'Keefe

SUBJECT: Fast Track Calendar

The following calendar outlines the events scheduled to date that we will be coordinating or participating in during September and October. The events represented on this calendar are consistent with our goal to provide outreach to both the business community and key regional opinion leaders.

SEPTEMBER

Thursday September 4th:

Agri-Business Briefing

The Indian Treaty Room

Description: Briefing for 60 representatives from the agri-business community with Secretary Glickman, Ambassador Barshefsky and Jay Berman.

Friday September 5th:

High Tech Briefing

The Roosevelt Room

Description: Briefing for 40 representatives from the high tech community with Secretary Daley, Secretary Rubin and Jay Berman.

Tuesday September 9th:

BRT/Manufacturing Briefing

Indian Treaty Room

Description: Briefing for 75 representatives from manufacturing community with Secretary Rubin, Ambassador Barshefsky, Jay Berman and Vicki Radd

Wednesday September 10th:

Fast Track Kick-off Event

The East Room

Description: President Clinton unveils bill he will be sending to congress.

VPOTUS Speech to the Business Roundtable

J.W. Marriott

Description: Vice President Gore will be the keynote speaker at the BRT's quarterly dinner.

Tuesday September 16th:

Briefing for the American Business Conference

The Roosevelt Room

Description: Briefing for the high-tech CEOs who are members of the ABC with Secretary Rubin, Secretary Daley and a possible Presidential drop-by.

Friday September 26th:

First Briefing for Regional Opinion Leaders

Indian Treaty Room

Description: Briefing for 50 regional opinion leaders with Secretary Daley and Ambassador Barshefsky (additional speakers to be added as regions are identified).

Tuesday September 30th:

Second Briefing for Regional Opinion Leaders

Indian Treaty Room

Description: Briefing for 50 regional opinion leaders with Secretary Rubin and Secretary Glickman (additional speakers to be added as regions are identified).

Thursday October 2nd:

Third Briefing for Regional Opinion Leaders

Indian Treaty Room

Description: Briefing for 50 regional opinion leaders with Secretary Herman and Secretary Daley (additional speakers to be added as regions are identified).

OCTOBER

Thursday October 9th:

The Business Council Fall Meeting

Williamsburgh, VA :

Description: Annual Fall meeting for members of the Business Council which, primarily, consists of the nation's Fortune 200 CEOs (speaker tbd).

THE WHITE HOUSE

WASHINGTON
August 21, 1997

MEMORANDUM FOR VICKI RADD

FROM: DAVID BEAUBAIRE
BIBB HUBBARD

Re: Cabinet Participation in Fast Track

CABINET ROLLOUT

Attached is the list of what the Cabinet have currently planned for the days immediately following the President's September 10th Fast Track event. As we receive further direction as to additional travel, events, and media that we want the Cabinet and Sub-Cabinet to do on these days, we will work with the agencies to make this happen.

CONFERENCE CALLS

On September 2nd we will coordinate a conference call with the members of the Fast Track Team to brief them prior to them going to the Hill. Next week, Ambassador Barshefsky will place calls to certain members of the team to ensure that they are fully engaged, and we will schedule a conference call for the Chiefs of Staff, Legislative staff, and the schedulers of the Cabinet to brief them and review how we envision this process to work.

OUTREACH

The memorandum from Jay Berman, along with Congressional assignments, went out to the Fast Track team. Working with Legislative Affairs, we will follow up to ensure that these meetings occur by September 9th. In addition, we are also moving forward with Public Liaison in scheduling strong Cabinet participation in the series of briefings they are conducting during the month of September.

We hope this is helpful for your planning and please let us know if you have questions.

Attachments

cc: T. Marshall
S. Silverman

Cabinet Fast Track Rollout

<i>Cabinet Member</i>	<i>September 11</i>	<i>September 12</i>
Secretary Albright	Likely Foreign Travel	Likely Foreign Travel
Secretary Rubin	Washington, DC NAFTA Hearing: CEO Lunch	Washington, DC Bankers Roundtable Lunch
Secretary Glickman	FAST TRACK TRAVEL TBD	Washington, DC Congressional Black Caucus Meeting
Secretary Daley	Washington, DC TPPC Rump Group NAFTA Hearing	FAST TRACK TRAVEL TBD
Secretary Herman	Washington, DC OFCEP-Eve Awards	Washington, DC CBC Events
Secretary Slater		Washington, DC Congressional Black Caucus
Secretary Pena	San Francisco, California Technology Development; Science Education	Los Angeles, CA Back to School Event
Administrator Browner	Washington, DC Final Day of "Right to Know Conference" (T)	
Ambassador Richardson	New York, New York	New York, New York
Ambassador Barshefsky	Washington, DC NAFTA Hearing	
Administrator Alvarez	Washington, DC Address Hispanic Business Magazine CEO Roundtable; Address Congressional Hispanic Caucus	Chicago, Illinois Women's Business Development Center, 11th Annual Entrepreneurial Women's Conference (T)
Mack McLarty	Sao Paulo, Brazil Speech to Mercosur Summit Meeting	Miami, Florida Speech at Miami Herald Conference on Latin America

August 22, 1997 (2:04pm)

Other Cabinet

<i>Cabinet Member</i>	<i>September 11</i>	<i>September 12</i>
Attorney General Reno	<i>Washington, DC</i> Bankers Roundtable Meeting: Collaboration Meeting	<i>Tampa, Florida</i> Back to School Event <i>Miami, Florida</i> Asset Forfeiture Conference
Secretary Babbitt	<i>Washington, DC</i> Meeting with Congressman Saxton re: ESA	
Secretary Shalala		
Secretary Cuomo		<i>Washington, DC</i> HOE HUD Physical Inspection (T): EZ Satellite
Secretary Riley	<i>Aspen Colorado</i>	<i>Aspen, Colorado</i> Forstmann Little Education Round table
Secretary-Designate Gober	<i>Topeka, Kansas</i> Forstmann Little Education Round table	
Chair Janet Yellen	<i>Washington, DC</i> Speech at Smith Barney Washington Conference	<i>San Francisco Bay Area</i> Roundtable Speech
Director Raines	Speech TBD	Speech TBD

August 22, 1997

AUGUST 20, 1997

MEMORANDUM FOR VICTORIA RADD

FROM: EMILY BROMBERG
SKY GALLEGOS

SUBJECT: Proposed Fast Track Roll-out with Elected Officials

WHITE HOUSE EVENT, SEPTEMBER 10th

The following is the proposed invitation list of elected officials for the White House event. Each of these officials have been very interested in promoting fast track.

Governors:	Leavitt (R-UT)	Mayors:	Archer (D-Detroit) ?
	Chiles (D-FL)		Hammer (D-San Jose)
	Patton (D-KY)		Ray (R-Des Moines)
	Schafer (R-ND)		Pulido (D-Santa Anna)
	Locke (D-WA)		Norquist (D-Milwaukee)
	Branstad (R-IA)		Clancey (D-Cedar Rapids)

County: Penelas (D- Dade/Miami)

IGA is working with the Press Office and Media Affairs (John Murchinson) to coordinate regional media for the elected officials following the event.

REGIONAL EVENTS/REGIONAL PRESS, SEPTEMBER 10th

IGA will distribute state-by-state analysis to Governors, State Legislative Leaders, Big City Mayors and Large County Executives and Commissioners for release in their states and cities at press conferences and events.

CABINET TRAVEL, WEEK OF SEPTEMBER 8th

IGA will ensure that elected officials participate in the Cabinet events and amplify our Fast Track message.

- o Secretary Glickman in Chicago: Mayor Daley and County Executive Stroger participate in the event.
- o Secretary Rubin in Seattle: Governor Locke, Mayor Rice and County Commissioner Hague participate in the event.
- o Mack McLarty in Miami: Governor Chiles and Mayor Penelas participate in the event.
- o Secretaries Daley, Slater and Albright and Administrators Browner and Alvarez may also be traveling.

We are working closely with Cabinet Affairs as travel plans are confirmed.

CABINET CONFERENCE CALLS, WEEK OF SEPTEMBER 8th

IGA has proposed three separate conference calls led by Rubin, Barshefsky and Daley with Mayors on September 11, 1997. Mayors would invite their city hall press corps to listen to the call; Cabinet Members would invite national press to listen to the call.

The following is the combined proposed list of participants from key states:

Rice (D-Seattle)
Katz (D-Portland)
Brown (D-San Francisco)
Harris (D-Oakland)
Hammer (D-San Jose)
O'Neil (D-Long Beach)
Pulido (D-Santa Anna)
Chavez (D-Albuquerque)
Miller (D-Tucson)
Webb (D-Denver)
Archer (D-Detroit)
Sales-Belton (D-Minneapolis)
Helmke (R-Ft. Wayne, IN)
Cleaver (D-Kansas City, MO)
Clancey (D-Cedar Rapids, IA)
Ray (R-Des Moines)
Marinovich (D-Kansas City, KS)
Knight (R-Wichita)
Savage (D-Tulsa)
Norick (R-Oklahoma City)
Kirk (D-Dallas)
Lanier (D-Houston)
Morial (D-New Orleans)
Bredesen (D-Nashville)
Penelas (D-Miami)
Greco (D-Tampa)
Oberndorf (D-Virginia Beach)
Rendell (D-Philadelphia)
Menino (D-Boston)
Albano (D-Springfield)

ONGOING ACTIVITY

- o IGA will be working closely with state and local elected officials in key states as the House and Senate votes are nearer to further amplify the President's message.

OTHER EVENTS

- o Jay Berman and Vicki Radd will brief the National Governors Association and the Governors' Washington Representatives on the Administration's Fast Track proposal Monday, September 8, 1997.

- o Mayor Cleaver will host the Second Summit of Mayors to Promote the International Trade Corridor Partnership, September 26, 1997. The partnership is the result of an agreement forged at the first summit that was signed by 90 Mayors. The partnership focuses on enhanced economic development and trade opportunities within the North American communities. Over 350 Mayors from Canada, the United States and Mexico have been invited to attend the two-day conference and working session. The Summit has also invited President Clinton, Secretary Slater and Secretary Daley. IGA has recommended that both Secretary Daley and Mack McLarty attend.
- o The National Conference of State Legislatures will hold the Assembly on Federal Issues, November 5-7, 1997, in D.C. This is an annual membership conference that will provide a forum for addressing State Legislators from around the country on the Administration's Fast Track position.

THE WHITE HOUSE

WASHINGTON

MEETING WITH
SELECTED MEMBERS OF THE HOUSE

DATE: July 24, 1997

LOCATION: Yellow Oval Room

TIME: 10:00 a.m. - 11:00 a.m.

FROM: SAMUEL BERGER
GENE SPERLING
DANIEL K. TARULLO
JOHN HILLEYI. PURPOSE

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

II. BACKGROUND

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

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

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

1. Optimism/Future v. Pessimism/Past: This issue is at the center of our national debate about our future: whether we will meet the challenge to compete and win, or whether we will convince ourselves - against the evidence - that we should not move forward. Trade expansion has been a key element of a forward-looking economic strategy that has created 12 1/2 million jobs, brought core inflation to a 30-year low and created sustained economic growth.

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

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

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

III. PARTICIPANTS

See Tab C.

IV. PRESS PLAN

None

V. SEQUENCE

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

Attachments

Tab A Points to be Made

Tab B Q's and A's

Tab C Participants

POINTS TO BE MADE FOR MEETING ON
FAST TRACK

Introduction

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

Optimism/Future v. Pessimism/Past

- This issue is at the heart of our effort to define America's future. It tests whether we will confidently meet the challenge to compete and win in the global economy, or whether we will convince ourselves - against the evidence - that we should not move forward. As President, I have tried to adopt a forward-looking economic strategy that guides our country into the 21st Century. And it is clear to me that international trade is central to that strategy:
 - Over the next decade, the global economy is expected to grow at three times the rate of the U.S. economy. Over the past four years, one-quarter of our economic growth came from trade. In a world where over 96 percent of the world's consumers live outside the U.S., we must export to sustain growth at home.

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

- We have enjoyed the longest period of sustained growth of all of our G-7 partners - seven years as of last March. We have created 12 million net new jobs, more than all of the other G-7 countries combined. The unemployment rate was 5% in June, the lowest in over 23 years.
- We are once again the world's largest exporter, the largest producer of semiconductors, the largest producer of automobiles. Independent studies have found America to be the most competitive economy in the world for the past five years. No country in the world is better positioned to compete.

Global Leadership

- To continue that record, I need the authority to continue opening markets. Without it, America will not maintain its leadership position in world trade and a critical part of our economic expansion will stall. We must be in front of market opening efforts, not lagging behind and losing opportunities.
- Let's not kid ourselves - if we don't act, others will.
 - Since 1992, in Latin America and Asia alone, other countries have reached more than 20 preferential trade agreements without us.
 - Today every major economy in this hemisphere has a preferential trade deal with Chile, except the United States. Chile has an 11% across-the-board tariff that these countries are eliminating for their products. That means every time an American company competes to sell to Chile, it will face an immediate 11% cost disadvantage compared to its Canadian competitor. Canada's Northern Telecomm won a \$180 million telecommunications contract over three U.S. companies in part because it could avoid paying \$20 million worth of tariffs.
 - The EU, China and others are on the move. The EU has begun a process to reach a free trade agreement with Brazil, Argentina and other MERCOSUR countries. President Chirac has declared "the future of the region rests with Europe, not the United States." China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America.

Significant Market Opportunities

- The potential gains are great, if we seize them. If you give me the authority, we will attack foreign trade barriers on a number of fronts:
 - Sectoral Agreements: We would negotiate agreements in sectors where the U.S. is most competitive. The recent Information Technology Agreement, for example, eliminated tariffs and unshackled \$500 billion of trade in semiconductors, computers, telecommunications equipment and software, amounting to a \$5 billion tax cut in tariffs on American exports. With fast track authority, I can tear down more barriers in areas like medical equipment and environmental technology, where America leads the world.

- Latin America/Caribbean: This area was the fastest growing market for U.S. exports in 1996. If trends continue, Latin America and the Caribbean will exceed the EU as a destination for U.S. exports by 2000 and exceed Japan and the EU combined by 2010. We remain committed to the Free Trade Area of the Americas process. Chile would be our first step in this process.
- Asia: Contains the fastest growing economies in the world, with nearly 3 billion people. Forecasters expect real growth of 6-7% annually for the next 15 years. In APEC, we are working to reach agreements in key sectors that could open these markets to America's most competitive products. Without fast track, that process will come to a halt.
- Africa: Working with Congress, I recently launched an Africa trade initiative. Africa's nations are joining the march toward freedom and open markets - and we should encourage it. Sub-Saharan Africa alone has 700 million people, but we supply only 7% of Africa's imports. We want to explore negotiations with South Africa when it is ready.
- Global: Over 50 years of persistent American leadership has helped bring down global tariffs from an average of 40% at the end of World War II to about 5% today, leading to a 90-fold increase in global trade. Upcoming WTO talks on agriculture can help us cut barriers and subsidies in the \$526 billion global farm market. We can eliminate barriers to services trade, a \$1.2 trillion global market, where U.S. firms had a surplus of \$74 billion in 1996.

Conclusion

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

QUESTIONS AND ANSWERS
FAST TRACK MEETING

NAFTA

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

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

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

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

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

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

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

A: The problems along the border existed before NAFTA and they won't be solved overnight. But NAFTA has given us better

progress and cooperation than we would have had without it. There are clear signs of improvement:

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

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

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

- Our competitors would like nothing better than to have us rehash the NAFTA debate for four years, while they seize new market opportunities.
- Inaction will simply let foreign barriers stand. When we reach these trade agreements, we give up very little, while other countries give up far more. When the Uruguay Round is phased in, our tariffs will average only 2.8%. Other countries are far higher: India (31%); Thailand and Turkey (26%); Chile and Indonesia (11%). Becoming mired in a debate about NAFTA won't level the playing field.

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

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

Q: U.S. companies use the threat of relocation to Mexico to jawbone down the wages of America's workers. That will just

happen over and over again if we reach more free trade agreements.

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

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

Trade Generally

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

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

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

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

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

A: It's hard to argue that the trade deficit is devastating the U.S. economy. We are growing at a steady pace of about 3% per

year over the past five years, unemployment is at a 23 year low, income levels are rising and exports are at record levels.

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

Hill Participants

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

Administration Participants

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

FAST TRACK

Fast-Track is a close question, with substantial opposition from the public, and any debate on it will surely bring to light all of the negative perceptions about administration trade policy.

The best argument for Fast-Track is that without such authority, which other presidents have had, other nations don't negotiate as seriously. Fast-Track should be explained as a weapon to allow the President to negotiate tougher trade agreements with other countries at a time when trade agreements are needed.

The survey also suggests that support for it is improved if you add statements about labor or the environment or exempt NAFTA from Fast-Track.

This polling in general suggests the need to highlight the successes of the administration in trade before going into the debate on the issue, and to plan some appropriate events/announcements running up to this. Again, they are here on the theory, but opposed on the record.

Initial Support

Most presidents have had trade negotiating authority known as Fast-track, which means that the agreements they negotiate are sped through Congress and put to a simple up or down vote without any amendments that could upset the agreement. The authority to do this has lapsed and President Clinton does not have such authority. Do you strongly support, somewhat support, somewhat oppose or strongly oppose giving Clinton Fast-Track authority?

50% support/47% oppose

Men: 57/40, Women: 43/52

Democrats: 66/32, Republicans: 28/67, Independents: 53/43

<\$35,000: 55/39, >\$35,000: 42/53

Fast-Track: Do you strongly support, somewhat support, somewhat oppose or strongly oppose giving Clinton Fast-Track authority	Support Oppose	Dem	GOP	Indep
Suppose Congress gave the President fast track authority for all new trade agreements with the exception of expanding NAFTA. Would you...	52/42	60/36	35/63	51/46
The United States trade representative says that Fast-track is essential for us to make important trade agreements in the fast moving global economy. Without a simple yes/no vote, these agreements can get bogged down in amendments and in politics that make them impossible to negotiate. Given this...	51/44	65/29	37/61	51/44
Labor unions oppose granting fast track authority b/c it makes it easier to approve trades agreements they often oppose. Given this...	48/48	60/36	35/63	51/46

- 53/34 think Congress should grant the president fast track authority for trade agreements if he agreed that any broad trade agreements he signed would contain a set of labor and environmental regulations that the other country must agree to as part of the trade accord.

Democrats (48/40), Republicans (53/47) Independents (65/14)

- 55/33 think Congress should grant the president fast track authority for trade agreements given that all recent presidents have had fast track authority, and if the president is to negotiate with strength against other countries for the best trade terms he can get, he needs fast track authority or those countries will not negotiate seriously with us

Democrats (52/40), Republicans (53/34) Independents (64/21)

Which is the most important reason to not grant President Clinton fast track authority?	Total	Dem	GOP	Indep
He will not protect workers and the environment in his trade agreements	32%	36	22	32
He will negotiate agreements that are too weak for the U.S.	22%	23	34	10
We don't need new trade agreements	8%	12	9	2

Credibility on trade matters	Credible/not credible
Nobel prize winning economists	66/12
President Clinton	69/22
Ross Perot	46/39
Head of the Federal Reserve	51/14
U.S. Trade representative Charlene Barshefsky	40/4
Major U.S. Labor Unions	55/34
Secretary of Treasury Bob Rubin	43/5

Free Trade/Fast-track

TRADE

On the issue of trade we have won much of the theory, but lost much of the specifics – it is not trade, but administration trade policy that most people object to. They still believe that trade policy has been weak, and this is the source of much of their reluctance to grant fast track.

This means it is as important to push out the real facts about trade – the jobs it has created, the way the auto industry has turned around through trade, and examples of our toughness, as it is to engage in theory.

- 63% favor free trade, 31% oppose

Men: 73/24, Women: 55/37

Democrats: 54/39, Republicans: 72/24, Independents: 68/27

- 82% favor fair trade, 10% oppose
- 43% think the United States has adequate access to foreign markets, 51% do not
- 45% think that US markets are too open to goods from other countries
 - Democrats: 49%, Republicans: 45%, Independents: 40%*
 - 13% think they need to be opened more
 - Democrats: 15%, Republicans: 5%, Independents: 18%*
 - 39% open just about the right amount
 - Democrats: 32%, Republicans: 45%, Independents: 43%*
- Do you think our current trade policy:
 - 34% helps / 56% hurts our economy
 - 27% creates / 62% costs jobs
 - 22% raises/ 67% lowers wages
 - 53% helps / 28% hurts democracy abroad

But the most credible argument for trade is built around this:

- 51% think our current trade policy creates growth in the higher paying export areas of our economy, 33% do not

Men: 56/29, Women: 48/36

Democrats: 60/27, Republicans: 46/41, Independents (49/31)

Under 50 yrs: 52/34, Over 50 yrs: 52/29

Under \$35K: 49/29, Over \$35K: 54/36

- In theory, they agree: 36% say that we should call a halt to new trade agreements and protect our borders. 58% say we must open up new markets and continue to make new trade agreements so that we can expand out exports

Democrats 43/53, Republicans 35/60, Independents, 30/60

- In practice, they have been convinced of weakness: President Clinton in negotiating trade agreements:

	Total	Men	Women	Dem	GOP	Ind
Too weak:	43%	49	38	39	55	38
Too tough:	3%	3	3	7	1	1
Just about right:	43%	37	48	45	29	47

- 26% think President Clinton's trade agreements have been weak because they don't have adequate requirements that the countries we trade with don't use sweat shop labor

Democrats: 36, Republicans: 10, Independents: 24

- 43% think they are weak because they fail to open up their markets to us in the same way that ours are opened up to them

Democrats: 47, Republicans: 60, Independents: 23

- 36/45 think NAFTA has helped/hurt the economy

Men: 47/39, Women: 28/49

Democrats: 40/46, Republicans: 36/50, Independents: 35/37

Strongest reason in favor of the NAFTA free trade agreement	Total	Men	Women	Dem	Rep	Ind
It brings less expensive goods to American Consumer	26%	27%	25%	19%	28%	31%
Mexico is developing and if we don't have access to our markets, other countries will fill the void and lock us out of it	22%	20%	23%	24%	28%	16%
It will create jobs for the United States in the long run when Mexico develops	18%	23%	13%	24%	17%	13%
It fosters Democracy in Mexico	13%	12%	14%	12%	18%	11%

But how you phrase changes in trade are more important than the net result:

- 33% think NAFTA should be expanded to include Chile, 46% do not

When you ask them about extending the same conditions as Mexico receives, the result is different:

- 71% think the Caribbean countries should receive the same trade terms as Mexico if they are also willing to open up their markets to the United States, 22% do not

The best arguments for trade are:

1. Being against free trade is simply outdated thinking – it is here and the issue is how we make the most of our opportunities.
 2. We negotiate free trade agreements with developing nations because in the long run these countries will buy more and more and having such an agreement will over time drive growth in the economy.
- 67/21 agree/disagree that fighting against free trade is outdated thinking; we need to be aggressively making the most of our opportunities in the global economy by negotiating the best trade agreements we can

Statement	Believable/ Not Believable	Agree/ Disagree
We live in the age of the global economy. Trade and communication are bringing the world closer together. We must lead in this revolution so that America will have access to all of the Developing Markets because in the long run these developing nations will increase their buying power and expanding exports to them will be the key to our growth	83/16 Men: 89/11 Women: 77/21	77/19 M: 86/13 F: 69/28
We live in the age of the global economy. Trade and communication are bringing the world closer together. We must lead in this revolution so that all nations will be bound closer together through trade encouraging them to share our values and live in peace.	76/21 M: 73/23 F: 80/18	75/21 M: 75/20 F: 75/24
Trade agreements are one of the best ways in today's world to spread democracy and advance the cause of human rights. By creating interconnections through trade, countries become better neighbors, more open to our values and much more likely to be Democratic.	66/30 M: 68/30 F: 65/29	64/54 M: 70/29 F: 60/37
Trade agreements with developed countries open up new markets but do not have any impact on our jobs and wages. Trade agreements with developing nations are the ones that can affect our jobs and wages because those are the low wage countries.	63/32 M: 55/41 F: 70/24	58/36 M: 53/45 F: 62/27
The global economy is here and is inevitable. We must gain access to every market around the globe or other countries will beat us to these valuable new markets. And in exchange we must open up our markets, which are relatively open to start with, as this is the only way for us to compete and win in this new economy.	64/32 M: 70/26 F: 59/37	56/40 M: 62/35 F: 51/48

In theory, Americans favor free-trade agreements with many different countries, but fall below 50% on Chile, Malaysia and China.

Do you favor or oppose free trade agreements with this country?	Favor/oppose	Dem	GOP	Indep
Australia	75/18	69/21	80/15	81/14
United Kingdom	73/20	70/23	77/18	75/15
Japan	65/30	61/34	66/29	70/26
Philippines	64/26	64/30	59/29	73/17
Caribbean Islands, including the Dominican Republic	62/26	63/29	53/34	73/15
India	56/33	53/36	55/32	63/26
Singapore	54/36	49/42	50/39	65/26
Chile	49/32	45/37	40/40	65/20
Malaysia	48/35	40/41	48/36	61/23
China	45/47	44/53	50/46	46/37

Sectoral agreements are typically very popular:

Another way to approach trade issues is to create agreements with many countries at the same time, covering specific products or sectors. Do you favor or oppose an agreement that would open up our markets and those of many other countries in these specific areas?				
	Total	Dem	GOP	Indep
Medical equipment	75/18	69/21	80/17	84/12
Agriculture	65/30	64/32	75/25	59/31
Internet	60/29	54/33	75/22	52/28
Power generation	53/30	53/33	61/22	48/29

July 9, 1997

MEMORANDUM FOR: Erskine Bowles

FROM: Susan Brophy

RE: Fast Track

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

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

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

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

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

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

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

Large Groups

Senate Finance Committee

Senate Freshmen

House Freshmen

House Democratic Whip Group (particularly on the NAFTA report)

House Ways and Means Democrats

Other Committees' Democrats where appropriate, such as, House Small Business and Banking Committee Democrats (who offered)

Black Caucus

Hispanic Caucus

New Democrats

Blue Dogs

Democratic Study Group

State Delegations

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

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

II. Possible Bill Progression Schedule

Generally, when we made the decision to postpone transmission of the bill until September we received indications from Leadership that they expect to be able to move the bill expeditiously

once the bill is transmitted. The House is scheduled to return from the August recess on Wednesday, September 3rd and the Senate returns on Tuesday the 2nd. The schedule will obviously be determined by the relevant Committees and Leadership, but we can assume the following:

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

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

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

III. Bill Preparation

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

approach (Rubin call/meet with Rangel).

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

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

IV. Public Agenda: Public Affairs Planning

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

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

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

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

In August, to solidify support among Members and offset the massive television campaign planned by the AFL-CIO, several cabinet officials should travel to key areas of the country, provide satellite feeds and do talk radio in targeted congressional districts as well. Outreach

would focus on Democratic and Republican vote-rich areas that benefit from trade; these targets may change over time as we see where Members are lining up. Several cabinet members would be involved in the trips and many will be responsive to Member interest and requests. The trips should highlight at least a couple of different sectors including agriculture, manufacturing, high-technology and services. The following is a list of potential media markets (this list will undoubtedly expand once targets are finalized):

Northeast -- New York City, Albany, Hartford, Baltimore, Boston

Midwest -- Detroit, Lansing, Akron, Indianapolis, Milwaukee, LaCrosse, Green Bay, Bismarck, Des Moines

Southeast -- Nashville, Little Rock, Memphis, Raleigh, New Orleans, Tampa, Tallahassee, Atlanta, Dallas, El Paso

West -- Los Angeles, Santa Ana, Sacramento, Seattle, Portland, Phoenix, Denver

September: Bill Introduction

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

CODELs

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

WEEK-TO-WEEK PLAN

Week of July 7th

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

Week of July 14th

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

Week of July 21st

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

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

Week of July 28th

- o Preliminary base-touching with key Members on substance of the bill
 - o Cabinet Member meetings continue
 - o Second POTUS meeting with House and Senate Dems
 - o Follow-up meetings with House and Senate key staff re. bill language
- [end of week target for completion of action on tax and spending bills]

August Outreach

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

August 27, 1997
5:00 p.m.

DRAFT

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.

- ▶ Quaker Fabric Corporation in Fall River, Massachusetts, a \$200 million publicly traded 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, (508) 678-1951).

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, (304) 358-2381).

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 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 dining 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: David Scheuermann, Jr., Owner, (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 the last two months of that year. 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, Owner, (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.: Bernard Glas and Stan Popeil, Co-owners, (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 Perrella 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). (Garland Stoval -- Head of Steelworkers).

► Daedulus Enterprises, Inc., a high-tech company in Ann Arbor, Michigan, with 17 employees is one of a few manufacturers 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. Daedulus earned over \$1.2 million in revenue from exports in 1996 and \$1.4 million this year.

(Source: Department of Commerce) (Contact: Tom Ory, President, (313) 769-5649).

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

Workers → Local President Carlos Spink
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.

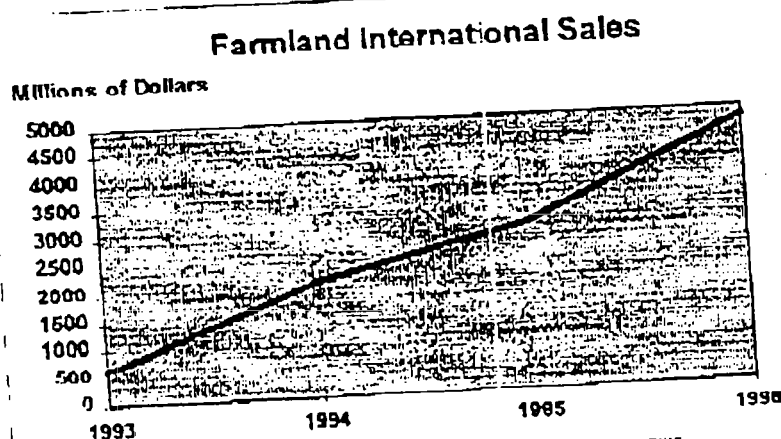
The future economic well being of American agriculture is closely tied to our competitiveness in an expanding global market. The importance of trade to the future of American agriculture has been emphasized under the 1996 Farm Bill, with the reduction in support to producers from domestic farm programs. 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:

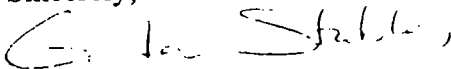
Enclosed for your information is a document highlighting the positive impact of the North American Free Trade Agreement (NAFTA) on Ingersoll-Rand Company. As you may know, Ingersoll-Rand is a major diversified industrial equipment and components manufacturer. Its product lines serve a wide range of industrial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

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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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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
President