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## FAX COVER SHEET UNCLASSIFIED

DATE: 8/26/97

THIS COVER PAGE, PLUS 16 ADDITIONAL PAGES

TO: Larry Matlack, OMB phone 395-3262

Fast track options for discussion tomorrow at the  
10:30a. meeting at DOL (Room S-2217)

See you there -

Best Wishes.

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## ASSISTING TRADE-RELATED DISPLACED WORKERS: POLICY OPTIONS

### I. Possible Administrative Actions to Improve Implementation and Delivery of Adjustment Assistance Services [cost estimates to be developed]

#### Outreach and Early Intervention

Improve public awareness of and access to TAA, NAFTA-TAA, and JTPA Title III services available to workers directly or indirectly affected by imports.

- 6 Develop public information campaign
  - o Implement targeted approach to identify and advise workers in firms indirectly affected by NAFTA about their rights to petition for benefits under JTPA Title III (1-a & b).
  - o Develop guidelines for both TAA and NAFTA TAA state outreach efforts and oversee their implementation (2-a).
  - o Issue policy guidelines that encourage provision of rapid response assistance for all substantial layoffs and closures, prior to any notice that the event is trade-related (3-a).
  - o Issue policy guidelines that encourage NAFTA-TAA/TAA and JTPA Title III collaboration on worker adjustment committees and in planning the delivery of comprehensive services to trade-related dislocated workers who are entitled to benefits under TAA or NAFTA-TAA (3-b).

#### Program Administration

Improve the timeliness and effectiveness of program services.

- o Develop and implement outcome-based performance measures for workers who received TAA or NAFTA-TAA benefits and services (2-b).
- 6 o Develop guidelines which restrict granting of waivers from the training requirement under TAA and monitor to ensure compliance by the states (2-c.1).
- o Shorten the determination deadline on a TAA petition from 60 to 40 days (2-c2/ 6-2b.1)

#### Coverage

Extend JTPA Title III services to suppliers of products to firms whose workers have been certified eligible for TAA [may require Statement of Administrative Action] (6-2e.1/6-2e.2).

### II. Possible Legislative Actions to Reauthorize or Modify Programs [cost estimates to be developed]

#### TAA, NAFTA-TAA

- o Seek a simple 4-year extension of both the TAA and NAFTA-TAA programs (6-1). (we're sent up bill)
- 6 o Add shift in production to any country to the current TAA criteria for worker certification; ~~or delete shift in production to Mexico or Canada from NAFTA TAA criteria~~ (6-2e.1 / 6-2a.2). Trade-based
- o Eliminate TAA waiver (from training requirement) authority (6-2c). (only for plant closure)
- o Require early enrollment in training as a condition for income support under TAA (6-2d). (6 weeks: Budget enroll earlier)
- o Seek a base annual amount for adjustment assistance and a larger contingency amount whose disbursement would be triggered by a Secretary of Labor's finding that a needs test was met (OMB).

biggest push on energy authority not score in year you do it

(Agency + Dept on upgrade)

fantasy to energy under Dept enter Act unforeseen, some-spl each

OST must be funded Title III

65-68% get jobs Title III - JTPA  
50% spent for training / OST on classroom  
33% job search assistance - apply for Pell Grants

Search 5177  
want to do this

Administrative

write a case

#### Pell Grants

- o Require prospective income accounting for all individuals with a documented severe income loss; or use prospective income for trade-related dislocated workers (OMB).
- o Make Pell grants available for non-degree or certificate programs, and for individuals who already hold a bachelor's degree who need additional coursework.

#### WARN Law

To improve compliance and coverage to achieve early intervention

- o Amend WARN to provide the Secretary of Labor with enforcement authority, modeled on the Fair Labor Standards Act (5-1). *issue - now to support high G.D.P.*
- o Amend WARN's statutory thresholds on the proportion and absolute number of workers affected by a layoff (5-2).

### III. Coordinated Community-Based Approach to Trade-Affected Areas [Possible Administrative and Legislative Actions—cost estimates to be developed]

#### Coordination

- o Establish an interagency coordination mechanism to avoid duplication in services; explore options and develop an action plan to respond to economic development and job creation needs (4).
- o To facilitate and target early adjustment assistance intervention, develop a mechanism to forecast regions and industries most likely to be affected by trade liberalization (7).
- o Based on the EZ/EC program, structure federal grant competitions to provide more benefits to trade-related dislocated workers and their communities (OMB).

#### Leveraging

- o Explore options available to coordinate worker adjustment programs with the activities of the North American Development Bank and the Community Adjustment and Investment Program (4).
- o Require relocating firms to provide compensation equal to 3 years of property tax to communities affected by a company relocating to a foreign country; provide federal grants equal to above payment; or expand funding for Title I services for Affected School Districts (OMB).

#### Capacity Building

- o Seek the authority and funds to offer the services of DOD's Office of Economic Assistance to NAFTA-affected regions [possible funding for ETA demonstration projects] (4; OMB).
- o Give priority to trade-related dislocated workers who apply for specific federal grants (OMB).

#### Legislative Develop a new designation or assign EZ/EC status to trade-affected communities (OMB).

P04

| 1. Outreach to Secondary Workers Employed in Firms Which Supply or Provide Upstream Processing for NAFTA-TAA Certified Firms                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                   |                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                             |
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| Current Practice                                                                                                                                                                                                                        | Administrative Changes                                                                                                                                                                                                                                                                                                                                                                                                                                  | Statutory Changes | Effects of Changes                                                                                                                                                                                                                                                       | Costs of Changes                                                                                                                                                                                                                                            |
| The Statement of Administrative Action which accompanied NAFTA-TAA provided that secondary workers may apply for a determination under NAFTA-TAA and that eligible workers are entitled to receive services under Title II of the JTPA. | <p>a. As part of the NAFTA-TAA investigative process to certify directly affected workers, develop a targeted approach to identify, locate, and advise potentially eligible secondarily affected workers of their right to petition for benefits.</p> <p>b. Provide for wider dissemination of information regarding the secondary workers provisions of NAFTA-TAA (including specialized informational materials and public service announcements)</p> | None              | <p>Increased public awareness of the secondary workers provisions related to NAFTA-TAA.</p> <p>Possible increased caseload and use of JTPA Title III funds.</p> <p>States would be expected to accept increased federal monitoring regarding their outreach efforts.</p> | <p>Program improvements can be accomplished within current administrative cost and program budget limitations.</p> <p>Any increased caseload resulting from greater awareness of program benefits will result in increased use of JTPA Title III funds.</p> |

## 2. Improved Implementation of TAA and NAFTA-TAA

| Current Practice                                                                                                                                                                                                                                                                      | Administrative Changes                                                                                                                                                              | Statutory Changes | Effects of Changes                                                                                                      | Costs of Changes                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>a. Public Awareness of TAA and NAFTA-TAA Programs</b></p> <p>While DOL has funded outreach efforts to increase public awareness, no guidelines exist to ensure consistency of information disseminated by the states.</p>                                                       | <p>Develop guidelines for state outreach efforts and conduct reviews to ensure compliance.</p>                                                                                      | <p>None</p>       | <p>Greater awareness of TAA/NAFTA-TAA programs.</p>                                                                     | <p>Program improvements can be accomplished within current administrative cost and program budget limitations.</p>                              |
| <p><b>b. Performance Measures for the TAA and NAFTA-TAA Programs</b></p> <p>Current reporting systems do not provide for the measurement of outcomes following conclusion of services.</p>                                                                                            | <p>Develop and implement performance measures, consistent with the statutory requirements of GPRA, for outcomes of workers who receive TAA and NAFTA-TAA benefits and services.</p> | <p>None</p>       | <p>Better tracking of TAA/NAFTA-TAA program effectiveness.</p>                                                          | <p>Restrictions on waivers and increased caseload resulting from greater awareness of programs may require an increase in budget authority.</p> |
| <p><b>c. Guidelines for the TAA and NAFTA-TAA Programs</b></p> <p><i>1. Waivers from Training Requirement under TAA</i></p> <p>Guidelines were issued December 1993 to narrow circumstances under which waivers are granted, but application of guidelines has been inconsistent.</p> | <p>1. Develop guidelines which restrict granting of waivers and conduct periodic reviews of practices by states to ensure compliance.</p>                                           | <p>None</p>       | <p>Ensure that program benefits are focused on retaining workers for satisfactory reentry to the workforce.</p>         | <p>?</p>                                                                                                                                        |
| <p><i>2. Determination Period for TAA Cases</i></p> <p>While DOL has 40 days within which to issue a determination for NAFTA-TAA cases, the determination period for TAA cases has remained at 60 days.</p>                                                                           | <p>2. Reduce the determination period for TAA cases to 40 days.</p>                                                                                                                 | <p>None</p>       | <p>Additional data reporting requirements may be placed upon the states.</p> <p>More timely determinations for TAA.</p> | <p>?</p>                                                                                                                                        |

| 3. Early Intervention/Rapid Response for Workers Who Petition for NAFTA-TAA and TAA                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                   |                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| Current Practice                                                                                                                                                                                                                                                                                                 | Administrative Changes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Statutory Changes | Effects of Changes                                                                                                                                                                                                           | Costs of Changes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Under JTPA Title III, state Dislocated Worker Units are responsible for designing and managing rapid response activities for substantial layoffs and plant closures as well as for workers who have been preliminarily certified for NAFTA-TAA. [There is no similar requirement for those certified under TAA.] | <p>Take actions to standardize the initiation of services to all dislocated workers, including those certified for NAFTA-TAA and TAA.</p> <p>Issue policy guidelines to the governors that:</p> <ol style="list-style-type: none"> <li>Encourage the provision of rapid response for all substantial layoffs and closures prior to any notification or determination that the event may be NAFTA-related;</li> <li>Encourage NAFTA-TAA/TAA and JTPA Title III collaboration on worker/employer committees and planning for a comprehensive service strategy once it has been determined that workers are eligible for NAFTA-TAA or TAA entitlements.</li> </ol> | None              | <p>More effective service strategies for workers affected by trade.</p> <p>More systematic approach to readjustment services for all dislocated workers that will facilitate their return to the workforce more quickly.</p> | <p>No budgetary implications are expected.</p> <p>Although increased levels of services beyond rapid response could put pressure on state funds, additional resources are available to the states and other entities from JTPA Title III Secretary's National Reserve Account. Any substantial increases would be reflected in budget requests for JTPA Title III.</p> <p>Funds for rapid response activities for dislocated workers are currently authorized and funded under a portion of the annual JTPA Title III formula allotments to the states reserved for use by the governors (about 6% of Title III funds are used for rapid response activities).</p> <p>Other early intervention strategies, including basic readjustment services, are funded through the formula program.</p> |

#### 4. Coordinated Community-Wide Approach to Providing Assistance to Areas Affected by NAFTA

| Current Practice                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Administrative Changes                                                                                                                                                                         | Statutory Changes                                                                                                                                                                       | Effects of Changes                                                                                                           | Costs of Changes                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| <p>Current authority under NAFTA-TAA does not provide for community economic development and job creation assistance. [However, DOI has gained extensive experience through its collaboration with DOD in its defense conversion activities that include economic development and job creation programs and through similar activities undertaken to assist community efforts in the Northwest timber and salmon initiatives.]</p> <p>Authority under other NAFTA-related legislation provides for a North American Development Bank (NADBANK) and a Community Adjustment and Investment Program (CAIP) under the supervision of the Treasury Department with participation from Agriculture, HUD, and SBA.</p> <p>Under the Trade Act of 1974, the Department of Commerce provides technical assistance to firms affected by trade through 12 regional technical assistance centers (TACs). Also, Commerce's Economic Development Administration administers community economic adjustment programs.</p> <p>At present, there is no coordinating mechanism among these various efforts.</p> | <p>Establish an interagency coordinating committee to explore options and develop an action plan to respond to the need for economic development and job creation in selected communities.</p> | <p>Seek legislative authority to permit demonstration economic development and job creation activities, in combination with other available resources, for areas affected by NAFTA.</p> | <p>Expand the job market in affected communities, especially those where few alternative employment opportunities exist.</p> | <p>Projects can be funded with resources currently available under JTPA Title III, and resources identified from other federal agencies and state and local funds (including JTPA Title III formula allocations).</p> <p>Funds for the Secretary's JTPA Title III National Reserve demonstration opportunities might be tapped for these activities.</p> <p>Additional resources would be requested through the normal budget process, if required.</p> |

## 5. Modification of the Worker Adjustment and Retraining Notification Act (WARN)

| Current Practice                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Administrative Changes | Statutory Changes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Effects of Changes                                                                                                                                                                                                                                                    | Costs of Changes  |
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| <p>WARN requires that employers provide at least 60 days advanced notice of a plant closing or mass lay off to affected workers. There are statutorily-prescribed thresholds that trigger the notification requirement: employers of 100 or more full-time employees who lay off at a single site during a 30-day period at least one-third of the employees (but not less than 50), or at least 500 employees.</p> <p>The employer is also required to notify the local government and State Dislocated Workers Unit which is responsible for provision of rapid response adjustment services.</p> <p>Remedies for failing to notify affected workers are limited to recovery of back pay and lost benefits through civil suit and for failing to notify the local government to a civil court fine.</p> <p>The authority of the Secretary of Labor is limited to issuing interpretive regulations.</p> | None                   | <p>1. Amend WARN to provide enforcement authority for the Secretary of Labor. Similar to the Fair Labor Standards Act and the enforcement of other labor standards, the enforcement mechanism might provide for both civil suits and federal agency enforcement.</p> <p>2. Amend WARN the statutory thresholds that trigger notification requirements for mass layoffs. For example, lower either the threshold for the proportion affected to a proportion below one-third, or lower the absolute number affected from 500 to 250.</p> | <p>1. Would ensure greater adherence to the Act's requirements and protect workers irrespective of their economic status or access to private legal assistance.</p> <p>2. Would ensure that more workers receive the benefits attributable to early notification.</p> | <p>?</p> <p>?</p> |

6. Reauthorization and Modifications/Merging of TAA and NAFTA-TAA

| Current Practice                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Administrative Changes                                                                                                                                                                                                                         | Statutory Changes                                                                                                                                                                                                 | Effects of Changes                                                                                                                             | Costs of Changes                                                                                                                                                               |
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| <p>1. Reauthorization of TAA and NAFTA-TAA</p> <p>Authorization for the TAA and NAFTA-TAA programs expires on September 30, 1998.</p>                                                                                                                                                                                                                                                                                                                                                                                                                              | None                                                                                                                                                                                                                                           | 1. Draft legislation was transmitted on June 9 by the Administration to the relevant Congressional committees for a simple 4-year extension of the two programs.                                                  | Continues status quo.                                                                                                                          | ?                                                                                                                                                                              |
| <p>2. Modifications/Merging of TAA and NAFTA-TAA: Conforming the Differences</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                |                                                                                                                                                                                                                   |                                                                                                                                                |                                                                                                                                                                                |
| <p>a. <i>Shift in Production as a basis for Certification</i></p> <p>Under TAA, workers may only be certified for assistance if their firm is adversely affected by imports. Under NAFTA-TAA, workers may be certified if either their firm is adversely affected by imports from Mexico or Canada or their firm shifts production to Mexico or Canada.</p>                                                                                                                                                                                                        | None                                                                                                                                                                                                                                           | <p>a-1. Add shift in production to any country to the TAA criteria for worker certification.</p> <p>a-2. Delete shift in production in Mexico or Canada from the NAFTA-TAA criteria for worker certification.</p> | <p>Confirms with NAFTA-TAA criteria.</p> <p>Confirms with TAA criteria. Would renege on commitments made to workers when NAFTA was passed.</p> | <p>Could have significant cost implications.</p> <p>Might reduce the number of workers certified and associated costs of not certifying those due to a shift in production</p> |
| <p>b. <i>State Role in the Provision of Rapid Response Services</i></p> <p>Under TAA, the Secretary is required to make a determination within 60 days of the receipt of a petition. Under NAFTA-TAA, the governor of the state must make a preliminary finding within 10 days after which the Secretary must make a final determination within 30 days. If the governor make an affirmative finding, then the state is required to provide rapid response and basic readjustment services to the affected workers using funds available under JSPA Title III.</p> | <p>b-1. Institute procedures that would shorten the deadline for a determination on a TAA petition to 30 days.</p> <p>b-2. Devise a mechanism that would trigger the provision of rapid response services for workers certified under TAA.</p> | <p>None</p> <p>None</p>                                                                                                                                                                                           | <p>Conforms with NAFTA-TAA procedures.</p> <p>Conforms with NAFTA-TAA procedures.</p>                                                          | <p>?</p> <p>?</p>                                                                                                                                                              |

| Current Practice                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Administrative Changes                                                                                                                                               | Statutory Changes                                                                                              | Effects of Changes                                                                                                                                                                                                                   | Costs of Changes                                                                                                                                                   |
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| <p>c. <i>Waiver of Training Requirement</i></p> <p>TAA generally requires that a participant be enrolled in training in order to qualify for income support, but waivers may be granted if it is determined that training is not feasible or appropriate. There is no waiver authority under NAFTA-TAA.</p>                                                                                                                                                                                                                                                                                                                                                                                                   | <p>Issue administrative guidance to narrow TAA waiver authority.</p>                                                                                                 | <p>Seek legislation to limit TAA waiver authority.</p>                                                         | <p>Would conform more nearly to conditions under NAFTA-TAA. Would reduce the abuse of the waiver authority under TAA.</p>                                                                                                            | <p>?</p>                                                                                                                                                           |
| <p>d. <i>Early Enrollment in Training</i></p> <p>To qualify for income support, NAFTA-TAA requires that a participant be enrolled in training by the 16th week in which the individual is receiving unemployment compensation, or if later, 6 weeks after the petition is approved. TAA contains no such requirement.</p>                                                                                                                                                                                                                                                                                                                                                                                     | <p>Issue administrative guidance to require early enrollment in training to qualify for income support under TAA.</p>                                                | <p>None?</p>                                                                                                   | <p>Conforms with NAFTA-TAA procedures. Would accelerate TAA participants' adjustment and prevent them from enrolling in training after exhaustion of UI benefits simply to continue income support.</p>                              | <p>?</p>                                                                                                                                                           |
| <p>e. <i>Coverage of Secondary Workers</i></p> <p>Neither TAA (except for oil and gas workers) nor NAFTA-TAA provide for assistance to workers in firms indirectly affected by trade (e.g., firms that supply or provide services to directly affected firms). A Statement of Administrative Action that accompanied the NAFTA Implementation Act committed the Secretary of Labor's discretionary authority under ITFA Title II to provide assistance to secondarily affected workers. Other adversely affected workers, such as those in tertiary firms including restaurants, grocery stores, etc., that are indirectly affected are eligible for assistance under the general ITFA Title III program.</p> | <p>e-1. Issue a Statement of Administrative Action to extend the Secretary's discretionary authority under ITFA Title III to assist secondary workers under TAA.</p> | <p>e-2. Propose legislation to expand coverage under TAA and/or NAFTA-TAA to secondarily affected workers.</p> | <p>Would conform with NAFTA-TAA procedures.</p> <p>Would need to address the issue of defining appropriate limits to eligibility (first tier, second tier, etc.) that would be equitable and administrable at a reasonable cost.</p> | <p>?</p> <p>Might triple the cost of the program, based on an estimate from the early 1980s for extending benefits to secondary workers under the TAA program.</p> |

## 7. Establishment of an Early Warning System for Targeted Assistance

| Current Practice                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Administrative Changes | Statutory Changes | Effects of Changes | Costs of Changes |
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| <p>Lack of a targeted and coordinated intervention strategy to bring resources to areas and industries where trade impacts are concentrated.</p> <p>Need for an Early Warning System to identify trade-impacted regions and industries before dislocations occur.</p> <p>Elements of an effective strategy might include:</p> <ul style="list-style-type: none"> <li>— Enhancement of WARN legislation on advanced notice of mass layoffs;</li> <li>— Analysis and profiling of TAA and NAFTA-TAA certifications by industry and region;</li> <li>— Development of a forecasting tool (an Early Warning System) to identify regions and industries that are most likely to be adversely affected by specific trade liberalizations;</li> <li>— Establishment of a coordination mechanism to facilitate coordination among the various federal agencies responsible for the delivery of adjustment assistance to workers, firms, and communities affected by trade liberalization.</li> </ul> |                        |                   |                    |                  |

OMB-1. Contingency Approach to Spending for Trade Adjustment Assistance

| Current Practice                                                                                                                                                                                                                                              | Administrative Changes | Statutory Changes                                                                                                                                                                                                                                                                                                  | Effects of Changes                                                                                                                                                                                                                                                           | Costs of Changes                                                                                                                                      |
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| Estimating the need for adjustment assistance services is inherently difficult and resource estimates are often made arbitrarily. Seeking a large amount in advance can give a misleading impression that an upsurge may have a substantial negative effects. | None                   | Seek "Base plus Contingency" authority for the TAA and NAFTA-TAA programs by establishing a base annual account and a larger contingency account (or an uncapped "such sums" authority), above the base, to be used only if the Secretary of Labor determines that the contingency terms (triggers) have been met. | The contingent amount is sought as prudent management.<br><br>Contingent amounts would be triggered in a supplemental appropriation request by the President (based on the advice of the Secretary of Labor) designating the triggering event is tantamount to an emergency. | The contingency amount would not be scored in the President's budget, but CBO might score an estimate of the likelihood of the use of such authority. |

OMB-2. Prospective Income Accounting in Federal Student Financial Aid (SFA) Programs

| Current Practice                                                                                                                                                                                                                                                                                                                                                                                                                                | Administrative Changes | Statutory Changes                                                                                                                                                                                                                                                                                                                                 | Effects of Changes                                                                                                                                                                                                                                                                                                                                   | Costs of Changes                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| The Higher Education Act's (HEA's) income eligibility system of prospective accounting disqualifies persons with recent low income from eligibility for Pell Grants and other SFAs unless school aid officers exercise their authority to use prospective accounting. In the early 1990, dislocated workers' pro-tryoff earnings were excluded from the SFA family income calculation; this practice was eliminated by the 1992 HEA amendments. | None                   | <p>a. Amend the HEA to require the use of prospective income accounting for trade-related dislocated workers. DOL would be required to certify trade-related dislocated workers to school aid officers.</p> <p>b. Amend the HEA to require the use of prospective income accounting for all individuals with a documented severe income loss.</p> | <p>a. Data for 1992-93 show that about 107,000 persons in post secondary education identified themselves as "dislocated workers" on their student financial aid application. It is impossible to estimate how many of the dislocated workers enrolling in post secondary education or training lost their jobs because of trade-related reasons.</p> | <p>a. Based on 1992-93 Pell Grant experience with dislocated workers, an average Pell Grant awarded for such workers would cost about \$2,060 per student, or \$206 million per year for each 100,000 workers.</p> <p>b. This option would have broader appeal, but cost much more than option (a). Based on analysis done in March, the estimated annual cost could be as high as \$1.6 billion. This estimate assumes a 25% take-up rate for that population.</p> |

OMB-3. Targeted Assistance to Schools Affected by a Company Relocation

| Current Practice                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Administrative Changes | Statutory Changes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Effects of Changes | Costs of Changes                                                                                                                         |
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| Relocation of a company from the United States to a foreign country as the result of a trade agreement may have a negative impact on local communities and their schools. Unless a company is very small or receives a tax break, it is likely to contribute significantly to local schools through property and income taxes paid to local and state governments. Abrupt loss of these revenues could result in a decrease in the quality of local educational services, especially for low-income and low-achieving students. | None                   | <p>a. Seek legislation that would require a transitional payment from the relocating company to the local community that would be equal to the amount of the local property tax that the company would have paid for the next three years. (The size of the payment could be based upon the size of the company.)</p> <p>b. Seek legislation that would require the federal government (rather than the relocating company) to make a similar payment as in (a) above, through a grant program, to the affected school district. A trigger for this payment might be that the school district lost 5% or more of its revenue from local property tax due to company relocations.</p> <p>c. Expand funding for Title I services for school districts affected by a company relocation to help compensate for lost revenue. This would require the federal government to designate "affected school districts." Designated districts could receive a three-year increase in their Title I allocations as the needs of low-achieving and prior students would be most affected by the loss of revenue from the firm. A trigger for this payment might be that the school district lost 5% or more of its revenue from local property tax due to company relocations.</p> |                    | <p>a. No federal cost other than administrative.</p> <p>b. No cost estimate available yet.</p> <p>c. No cost estimate available yet.</p> |

| OMB-4. Expansion of Federal Program Eligibility for Dislocated Workers                                                                                                                                                                                                                                                                                                                                                                                               |                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                    |                                                                                                                                      |
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| Current Practice                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Administrative Changes | Statutory Changes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Effects of Changes | Costs of Changes                                                                                                                     |
| Some federal grant programs give priority to a particular set of applicants for various programmatic reasons. For example, the School-to-Work initiative recognizes the special challenges faced by an Empowerment Zone and Enterprise Community (EZ/EC) by giving preferential treatment to applicants serving youths residing or schools located in an EZ/EC. A similar approach could be used in the case of communities affected by a company relocation abroad. | None                   | <p>Structure federal grant competitions to provide more benefits to dislocated workers and their communities.</p> <p>a. For a specific list of competitive federal grant programs (e.g., EDA, HUD, HHS, ED, and DOL), give priority to applicants serving dislocated workers as well as their families and communities.</p> <p>b. Establish a new designation for communities affected by trade agreements or an automatic designation of EZ/EC status to communities that meet certain criteria, such as loss of 25% of their revenues as the result of documented trade impact.</p> |                    | Since competitive federal grant programs are often not funded very well, neither option might be effective at current funding levels |

| OMB-5. Loosening Enrollment Eligibility Requirements in the Pell Grant Program                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                        |                                                                                                                                                                                                                                                                                                                  |                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Practice                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Administrative Changes | Statutory Changes                                                                                                                                                                                                                                                                                                | Effects of Changes | Costs of Changes                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Some dislocated workers require only one or two specific skill courses rather than a degree or certificate program to prepare for new careers. Under the Higher Education Act (HEA), individuals are eligible to receive federal student financial aid (SFA) only if they pursue a bachelor or associate degree or certificate at an eligible institution of higher education. In addition, individuals with a BA/BS degree are ineligible for federal SFA. To receive student loans, an individual must enroll at a postsecondary institution on at least a half-time basis; however, there is no minimum enrollment requirement in the Pell Grant program. | None                   | <p>Eliminate certain enrollment eligibility requirements in the Pell Grant program for trade-related dislocated workers certified by DOL.</p> <p>a. Waive the requirement that SFA recipients enroll in programs leading to a degree/certificate.</p> <p>b. Waive the BA/BS eligibility restriction for SFA.</p> |                    | <p>a. An average award for those who do not have a BA/BS degree that take one or two skill courses at an institution of higher education is estimated to be \$750, using Pell minimum award rules and assuming no living allowance adjustments. The annual cost per 100,000 persons served would be about \$75 million.</p> <p>b. About one in six dislocated workers are estimated to hold a BA/BS degree; the number affected by trade-related changes is not known.</p> |

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08-26-97 03:17PM

NEC-1. Provision of DoDs Office of Economic Adjustment (OEA) Services to NAFTA-Affected Regions

| Current Practice                                                                                                                                                                                                                                                                              | Administrative Changes | Statutory Changes                                                                                                             | Effects of Changes                                                                                                                                                                               | Costs of Changes                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| OEA was created in 1961 to help communities cope with military base closures and typically helps communities organize a planning group, provides a planning grant, guides the group through government requirements for base closures, and helps develop a reuse plan for base redevelopment. | None                   | Seek authority and funding for OEA to provide its services (project managers plus planning grants) to NAFTA-affected regions. | Because Congress refused to approve another Base Realignment and Closure (BRAC) round, OEA has a shrinking portfolio and should be in a position to assign project managers to non-DOD projects. | <p>A single OEA project manager oversees 3-4 communities simultaneously and planning grants, which are usually staged over several years, are in the range of \$500,000 to \$3 million per community.</p> <p>Funding should not come from DoDs budget since that might be viewed as a diversion of resources from defense, but should be transferred to DOD from DOD, DOC, or some other civilian agencies.</p> |

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

LABOR BRANCH FAX SHEET

DATE: 8/13/97

TO: ~~Anne Lewis~~ Melissa

FROM: ~~Larry Matrack~~ Anne

COMMENTS:

*FAST TRACK materials.*

NUMBER OF PAGES 76  
(INCLUDING COVER)

CONFIRMATION: (202) 395-3262  
FAX NUMBER: (202) 395-1596

NOTE: THIS A STAFF DRAFT ONLY. POLICY OFFICIALS HAVE NOT SEEN IT.

## CONTINGENCY APPROACH TO SPENDING FOR ADJUSTMENT ASSISTANCE

**Background:** Trade agreements benefit the U.S. economy, but may have negative effects on certain workers, firms, or communities. Adjustment programs (TAA; NAFTA-TAA) address these effects. Estimating the need for adjustment assistance is inherently difficult, as it involves predicting business behavior and trade-related actions in foreign countries. In general, therefore, the current approach is to obtain a relatively arbitrary amount. Seeking a large amount in advance can give the impression that an agreement is "known" to have a large degree of negative effect, when in fact there can only be speculation.

### Option: Seek "Base plus Contingency" authority

- Establish in the Fast Track Act, a Base annual Amount for adjustment assistance, and (b) a larger contingency amount (or an uncapped "such sums" authority), above the base, but spend above the Base Amount, only upon a finding by the President that the contingency terms have been met. For example: the number of workers, or the number or size of firms or communities (as the case may be) eligible for and claiming assistance has exceeded the base amount.
- The Contingent Amount is sought as "prudent" management: negative effects of this magnitude are not predicted but, should they occur, resources would be needed at once.

On the "prudence" rationale, see Administration policy to build up unemployment insurance reserves to be available in the event of an economic downturn now not envisioned. The approach was enacted in Reconciliation as justification for keeping large amounts of State unemployment taxes in the Federal funds.

- Like Emergency funds, Contingent amounts would be triggered in a supplemental appropriation act by a request by the President designating the triggering event tantamount to an emergency, as described in the emergency spending provisions of the Budget Enforcement Act. (We would try not to call it an actual "emergency", because of the negative connotations of that word.) Language for the implementing appropriation would be modeled on current emergency appropriations language; something like:

"For an additional amount for "Fast Track Adjustment Assistance," \$XX,000,000, to remain available until expended; Provided, That the entire amount is designated by Congress as a contingency, in accord with section ## of the Fast Track Act, and thus, as provided by that section, is treated as if it were an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended."

The Contingency amount would not be scored in the President's Budget, though CBO might score an estimate of the likelihood of use of the authority.

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August 13, 1997

### **Prospective Income Accounting in Federal Student Financial Aid (SFA) Programs**

**Background:** Dislocated workers often have low recent income because of job loss which, in the Higher Education Act (HEA) income eligibility system of retrospective accounting, would disqualify them from eligibility for Pell Grants and other SFA, unless the school aid officer exercises his or her authority to use prospective accounting. In the early 1990s, dislocated workers' pre-layoff earnings were excluded from the SFA family income calculation. This practice was eliminated by the 1992 HIEA amendments. 1992-93 data show that about 107,000 individuals in postsecondary education identified themselves as "dislocated workers" on their student financial aid application. It is impossible to estimate how many of the dislocated workers enrolling in postsecondary education/training lost their jobs for trade-related reasons.

#### **Option 1: Use prospective income accounting for trade-related dislocated workers.**

- Amend the HIEA to require the use of prospective income accounting for trade-related dislocated workers.
- The Department of Labor would be required to certify trade-related dislocated workers to the school aid officers.
- Based on the 1992-93 Pell experience with dislocated workers, an average Pell grant award for such workers would cost a \$2,060 per student, or \$206 million per year for each 100,000 workers.

#### **Option 2: Require prospective income accounting for all individuals with a documented severe income loss.**

- This option would have broader appeal but cost a great deal more.
- Based on the last analysis done in March, the estimated annual cost could be as high as \$1.6 billion. This estimate assumes a 25 percent take-up rate for that population.

## **Targeted Assistance to Schools Affected by a Company Relocation**

**Background:** If companies relocate from the United States to a foreign country as a result of a trade agreement, there may be a negative impact on local communities, in particular on local schools. Unless a company has received a tax break or is very small, it is likely to contribute significantly to local schools primarily through the payment of property taxes and through the taxes paid by the firm and its employees to the State and local governments, which also finance educational services. Abrupt loss of these revenues could cause a decrease in the quality of local educational services, especially for low-income and low-achieving students.

**Option 1:** Provide compensation from the firm to local school districts. Require a transitional payment from the relocating company to the local community that equals the amount of local property tax the company would have paid for the next three years. The size of the payment could vary based on the size of the company. The Federal role would be to determine that a firm is benefitting from the trade agreement by its move and to enforce the payments. No Federal cost other than administrative.

**Option 2:** Provide a similar payment to the school district as in Option 1, but fund it as a Federal grant program. No cost estimate yet available.

**Option 3:** Expand funding for Title I services for school districts affected by a company relocation to help compensate for lost revenue. This would require Federal designation of "affected school districts." Those districts could then receive a three-year increase in their Title I allocations as the needs of low-achieving and poor students would be most affected by the loss of revenue from the firm.

**Threshold:** For options 2 and 3, the program should apply only to school districts that have lost 5% or more of their revenue from local property tax due to company relocations so that the program addresses real need and is not overly burdensome.

OMB LABOR BRANCH ID: 202-333-1330

## Expansion of Federal Program Eligibility

**Background:** Some of the Federal grant programs give priority to a particular set of applicants for various programmatic reasons. For instance, recognizing particular challenges faced by an Empowerment Zone and Enterprise Community (EZ/EC), the School-to-Work initiative give preferential treatment to applicants serving youths residing or schools located in an EZ/EC. A similar approach can be used in the case of communities affected by a company relocation.

**Option: Structure Federal grant competitions to provide more benefits to dislocated workers and their communities**

- For a specific list of competitive Federal grant programs (e.g., EDA grants, HUD grants, HHS grants, ED grants, DOL grants), give priority to applicants serving dislocated workers as well as their families and communities.
- A new designation for communities affected by trade agreements could be developed or automatic designation of EZ/EC could be granted to communities that meet certain criteria, such as losing a 25% of their revenues because of the documented trade impact.
- Since competitive grant programs are often not very well funded, this approach might not be effective at current funding levels.

## **Loosening Enrollment Eligibility Requirements in the Pell Grant Program**

**Background:** Some dislocated workers have no need of degree or certificate programs, but rather need only one or two specific skill courses to prepare for new careers. Under the Higher Education Act, an individual is eligible to receive Federal student financial aid (SFA) only if s/he pursues a bachelor or associate degree or certificate at an eligible institution of higher education. Individuals with a BA/BS degree are ineligible for Federal SFA. To receive student loans, an individual must enroll at a postsecondary institution on at least a half-time basis; however, there is no minimum enrollment requirement in the Pell program.

### **Option: Eliminate certain enrollment eligibility requirements in the Pell program**

- For trade-related dislocated workers (as certified by DOL), waive the requirement that SFA recipients enroll in programs leading to a degree/certificate.
- For trade-related dislocated workers (as certified by DOL), waive the BA/BS eligibility restriction -- that is, allow people with a BA/BS degree to be eligible for the Pell grant program. (About one in six dislocated workers are estimated to have a bachelor degree.)
- An average award for those who do not have a BA/BS degree and one or two skill courses at an institution of higher education is estimated to be \$750 under the assumption that no living allowance adjustment is made and under the current Pell minimum award rules. Thus the annual cost per 100,000 worker would be about \$75 million.

Employment & Training Administration  
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# fax transmittal

for: Anne Lewis

fax #: 456-2223

from: Mary Ann Wyrsoch

date: 8/13/97

re: TAA stuff

pages 12 (including this cover sheet)

## NOTES:

For 8/14/97 Fast Track  
meeting - Call me if  
you have ?s. 219-6050

## **Administrative Measures to Improve Outreach to Secondary Workers**

### **I. Background:**

Many "secondary workers", workers employed in firms which supply NAFTA-TAA-certified firms or perform "upstream" processing for certified firms, are not aware of their rights to petition for readjustment services which are available to them under Title III of JTPA.

### **II. Current Practice:**

The Statement of Administrative Action which accompanied the North American Free Trade Agreement - Transitional Adjustment Assistance (NAFTA-TAA) provided that "Secondary Workers" - e.g., workers employed by suppliers for, or "upstream" producers for trade impacted firms, may apply for determination under NAFTA-TAA. Eligible workers are entitled to receive services under Title III of the Job Training Partnership Act. Although the NAFTA-TAA petition advises secondary workers of their rights to petition, it is believed that the level of public awareness of the secondary worker provisions of NAFTA-TAA is low.

### **III. Administrative Actions:**

A Secondary Worker Initiative would consist of:

- A. As part of the investigative process with respect to certified primary firms, development of a targeted approach to locating and advising potentially eligible secondary workers of their rights to petition for NAFTA-TAA secondary worker certification.
- B. A wide dissemination of information, including development of specialized informational materials and production of public service announcements and printed informational materials regarding the secondary worker provisions of NAFTA-TAA.

### **IV. Impact on Workers:**

Increased awareness of the secondary worker provisions of the NAFTA-TAA. States would be expected to accept increased Federal monitoring regarding their outreach efforts.

### **V. Cost Implications:**

Program improvements can be accomplished within current administrative cost and program budget limitations. Increased caseload resulting from greater awareness will result in increased use of Title III funds.

08/13/97 WED 17:55 FAX 202 215 0021

## **Administrative Measures to Improve Implementation of TAA and NAFTA-TAA**

### **I. Background:**

The Department will implement certain administrative measures which serve to maximize the effectiveness of the TAA and NAFTA-TAA programs with respect to workers' knowledge of their rights to seek assistance and the accessibility of adjustment services and to establish performance measures which ensure that the programs are fulfilling their objectives of providing timely and effective services to workers seeking satisfactory reemployment following dislocation.

### **II. Current Practice:**

A. Outreach: DOL has funded outreach efforts to increase public awareness of the TAA and NAFTA-TAA programs. However, no guidelines exist to ensure consistency of States' dissemination of information regarding TAA and NAFTA-TAA and it is believed that knowledge of the programs varies widely from State to State. (For secondarily affected workers under NAFTA-TAA, outreach has been a significant issue -- see separate paper for discussion of outreach efforts targeted to secondary workers).

B. Performance Measures: Current reporting systems do not provide for the measurement of outcomes for TAA and NAFTA-TAA following the conclusion of services.

#### **C. Other Administrative Actions:**

- ▶ **Waivers**: While TAA generally requires a participant to be enrolled in training in order to receive income support (TRA), the law allows for a waiver of training if it is not "feasible or appropriate". There have been concerns that this authority has been overused, with some States granting waivers to as many as 50% of participants. Federal guidelines were issued in December, 1993 to narrow the circumstances under which waivers are granted, but application of these guidelines has been inconsistent.
- ▶ **Determination Period**: Although the DOL has 40 days within which to issue a determination with respect to NAFTA-TAA, the determination period for regular TAA petitions remains at 60 days.

### **III. Administrative Actions:**

A. Improved Outreach: DOL will develop guidelines for State outreach efforts and will conduct reviews to ensure compliance. Outreach will include public service announcements and targeted outreach to workers employed in industries most heavily impacted by imports.

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B. Development of Performance Measures to Assess Outcomes: Consistent with the statutory requirements of GPRA, DOL will implement a system for measuring outcomes for workers who receive TAA and NAFTA-TAA services and benefits. Outcome measures will include entered employment rate, wage replacement rate and employment retention rate.

C. Other Administrative Actions:

- ▶ Strict Enforcement of Waiver Provisions for TAA: DOL will develop guidelines which restrict the granting of training waivers under TAA and will conduct periodic reviews of State waiver practices to ensure compliance.
- ▶ Determination Period: DOL will administratively seek to reduce the investigative period for TAA cases to 40 days following receipt of a petition, thereby providing for a more timely delivery of TAA adjustment services to certified workers.

IV. Impact on Workers:

Improved outreach will result in heightened awareness of TAA/NAFTA-TAA programs. Development of performance measures will result in better tracking of program effectiveness. Stricter enforcement of conditions for the granting of waivers under TAA will ensure that program benefits are focused on retraining workers for satisfactory reentry to the workforce. These actions may entail additional requirements being placed on States for data reporting.

V. Cost Implications:

Program improvements can be accomplished within current administrative cost and program budget limitations. Restrictions on waivers and increased caseload resulting from greater awareness may require increase in budget authority.

## **EARLY INTERVENTION/RAPID RESPONSE FOR WORKERS WHO PETITION FOR NAFTA-TAA**

### **I. Background:**

The NAFTA-TAA program requires that rapid response and basic readjustment services be provided to workers where a Governor has made a preliminary finding that the layoff was due to NAFTA. These services, however, are not implemented under NAFTA-TAA but are provided and funded under Title III of the Job Training Partnership Act (JTPA). State Title III Dislocated Worker Units (DWUs) are responsible for designing and managing all rapid response activities for substantial layoffs and plant closures<sup>1</sup>, as well as for workers who have been preliminarily certified for NAFTA. Although there is no similar requirement under TAA and no data are available, it is expected that workers who are TAA-certified may have received rapid response as part of the routine for general layoffs/closures.

### **II. Current Practice:**

Generally, rapid response consists of a tiered approach to providing information to workers (as well as to employers and to organized labor) at the point in time that notification has occurred that there will be an impending plant closing or a substantial layoff. These actions trigger the provision of rapid response, and the initiation of other job training services, several weeks prior to actual layoff when individuals about to be laid off can be considered "eligible dislocated workers" for the purpose of receiving services under JTPA Title III. Rapid response activities authorized under JTPA Title III include--

- ▶ on-site contact after becoming aware (preferably within 48 hours) of a current or projected permanent closure or substantial layoff in order to provide information on and facilitate access to available public programs and services and to provide emergency assistance adapted to the particular closure or layoff;
- ▶ facilitate the formation of labor-management committees, by providing immediate financial assistance to cover the start-up costs;
- ▶ assist the local community in developing its own coordinated response and in obtaining access to State economic development assistance.

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<sup>1</sup>The State may receive notice as a result of the employer's compliance with the WARN Act, or the employer has made a public announcement of a closing, or workers have been certified under Trade or NAFTA, or through other means. During the year ending June 30, 1996, States report that nearly 4,000 initial on-site rapid response visits occurred as a result of approximately 3,000 WARN notices and nearly 1,000 other types of notices.

### **III. Administrative Actions:**

In order to improve the effectiveness of rapid response and to promote the principle of early intervention, DOL is undertaking administrative actions to standardize the initiation of services to all dislocated workers, including those who are certified for NAFTA-TAA, and TAA. Utilizing the current JTPA authority, DOL will issue policy guidance to the Governors along the following lines--

- encourage the provision of rapid response for all substantial layoffs and closures prior to any notification or determination that the event may be NAFTA-related;
- encourage NAFTA-TAA/TAA and JTPA Title III collaboration on worker/employer committees and planning for comprehensive service strategy (from all available resources in the State/community including the employer, JTPA Title III, UI, Wagner-Peyser, Trade, education, State-funded initiatives, etc.) once it has been determined that workers are eligible for NAFTA or TAA entitlements.

### **IV. Impact on Workers:**

Improved communication and collaboration will result in more effective service strategies for Trade-impacted workers. In addition, the administrative improvements will result in a more systematic approach to readjustment services for all dislocated workers, enabling them to return to the workforce more quickly. These strategies should assist in eliminating the types of issues raised in El Paso.

### **V. Cost Implications:**

There are no budgetary implications expected. Rapid response activities for all workers being dislocated are currently authorized and funded under a portion of the annual Title III formula allotments to States reserved for use by Governors. Currently, States report that approximately six percent of Title III funds are used for rapid response activities. Other early intervention strategies, including basic readjustment services, are funded through the formula program. Although increased levels of services beyond rapid response could put pressure on State funds, additional resources are available to States and other entities from the Title III Secretary's National Reserve Account. Any substantial increases would be reflected in budget requests for Title III.

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## PROPOSED COMMUNITY-WIDE APPROACH IN IMPACTED BORDER AREAS AS A RESULT OF NAFTA

### **I. Background:**

Several communities are being impacted by NAFTA, especially those one-company towns that are dependent upon textile, garment and electronics industries along the U.S./Mexico border. Current NAFTA-TAA authority does not appear to provide for the type of economic development and job creation that is required to assist these small communities to grow jobs for their residents, and no economic development authority exists within the training and income support provisions for workers.

Current authority under NAFTA-TAA provides some assistance to impacted communities, including--

- ▶ The Department of Commerce [ck] administers the North American Development Bank (NADBank) which was established to finance environmental infrastructure along the border region, and community adjustment and investment throughout the United States and Mexico.<sup>1</sup>
- ▶ The Department of Treasury runs the Community Adjustment and Investment Program (CAIP) Finance Committee under NADBank, and is mandated to oversee making of loans and loan guarantees or grants for the community adjustment and investment responsibility of NADBank. This initiative also has the participation of Agriculture, HUD and SBA. Treasury published a list of 35 communities certified as eligible for NADBank assistance on August 1 [1997?] but no projects have been funded.

As with NAFTA-TAA, there is no DOL authority under TAA for economic development; however, the Department of Commerce administers the "firm" program. This technical assistance for firms impacted by trade is provided through Commerce which maintains twelve centers around the country, many of them on university campuses. The Economic Development Administration at Commerce also administers an economic adjustment program that could be used to assist trade-impacted communities and firms.

### **II. Current Practice:**

As stated above, NAFTA-TAA, TAA and JTPA Title III funds are used to train dislocated workers for new jobs which doesn't help when there are limited employment opportunities. The Department of Labor has not been involved in the BECC or the CAIP process, and there is no existing coordination mechanism in this area with Commerce, Treasury, SBA, Agriculture, HUD, etc..

DOL has extensive experience with coordination and collaboration with DOD in its successful conversion activities and assisting communities with economic development and job creation vis-a-vis

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<sup>1</sup> EPA and the U.S. Commissioner of the International Boundary and Water Commission (IBWC) represent the U.S. on the Border Environment Cooperation Committee (BECC), which approves the decisions of NADBank on environmental infrastructure projects. Coordination for BECC positions rests with EPA and the IBWC, as well as State, Treasury, HUD, Interior and AID. Four wastewater-related projects have been approved for financing--two in the U.S. and two in Mexico.

BRAC closures and/or defense downsizing. DOL administered funds that were appropriated to DOD for the purpose of adjustment services for workers. In addition to the BRAC closures/defense downsizing, similar activities have been undertaken to assist community efforts for the Northwest timber and salmon initiatives. These initiatives provide precedence and could be used as models for responding to NAFTA impacts.

The following actions could be taken by the Administration to develop a strategy to respond to the needs of small communities in need of assistance for the creation of new jobs through economic development and entrepreneurial initiatives

### **III. Legislative Action:**

The Administration should consider legislative authority to permit demonstration economic development and job creation activities to be combined with other available resources in order to have jobs available for workers in high-impact areas affected by NAFTA, and to provide replicable models for future needs.

### **IV. Administrative Actions:**

- Establish an inter-agency group representing each of the federal departments who have a part in the initiatives described above, and others to be identified, to explore options and develop an action plan to respond to the need for economic development and job creation initiatives in selected communities.
- Identify other opportunities/initiatives which could assist the Administration in meeting its goals to assist needy communities, such as EC/TZ economic development initiatives; EPA's Brownfields initiatives for creating jobs in environmental cleanup if such needs exist in communities selected for this initiative.
- The Secretary's Title III National Reserve demonstration opportunities can be considered to partially fund such a comprehensive community approach. Any such project will build in an evaluation component to assist the dislocated worker system to learn from the experience and to replicate areas which could prove beneficial to respond to other strategic needs.

### **V. Impact on Workers/Communities:**

The proposed actions will help grow the job market in the effected communities thereby creating jobs for workers who have no or few employment opportunities in their communities. It will enable the workers to return to self-sufficiency and improve the economic health of the communities.

### **VI. Cost Implications:**

Current information indicated that projects can be funded with resources currently available under Title III of JTPA, and resources identified from other Federal agencies. State and local funds (including Title III formula allotments). Additional resources would be requested through the normal budget process, if required.

## POSSIBLE LEGISLATIVE CHANGES TO THE WORKER ADJUSTMENT AND RETRAINING NOTIFICATION ACT (WARN)

### I. Background/Current Practice:

- o Advance notice of closures and layoffs is key to providing time to plan and implement assistance to affected workers that will help those workers adjust and accelerate their successful reemployment. WARN generally requires that employers provide at least 60 days advance notice of a plant closing or mass layoff to affected workers. There are statutorily-prescribed thresholds relating to the size of the employer's workforce and the number/proportion of workers affected by the closing or layoff that triggers the requirement. In addition to notifying the workers, the employer is also required to notify the affected local government and the State Dislocated Worker Unit (DWU). The DWUs are established under Title III of the Job Training Partnership Act (JTPA) and are authorized to provide "rapid response" adjustment services to affected workers. The enforcement of WARN requirements is limited to civil suits filed by affected workers or the local governments, depending on who was not notified. The exclusive remedies are back pay and lost benefits for affected workers and a civil fine for failure to notify the local government. Courts are prohibited from enjoining a closure or layoff to secure compliance. The authority of the Secretary of Labor is limited to issuing interpretive regulations.
- o WARN was enacted in 1988 and considered in conjunction with the Omnibus Trade and Competitiveness Act (OTCA), which was also enacted that year. WARN was perhaps the most controversial provision in that legislation and was a basis for President Reagan's initial veto of the legislation. While a number of bills amending WARN to strengthen its requirements have been introduced in subsequent Congresses, WARN has not been amended nor have any of the proposals advanced out of committee.
- o A GAO report issued in February, 1993 identified several areas in which WARN was not meeting its objectives. The report found that many employers did not provide any notice or provided less than 60 days notice. For example, in a survey of layoffs appearing to meet the WARN criteria, GAO found 54 percent of employers did not notify the State DWU. The report stated that providing DOL authority to enforce the requirements should be considered as a means for addressing this concern. Second, primarily due to the high thresholds for triggering notice requirements in cases of mass layoffs, the GAO found over 40 percent of layoffs affecting 250 or more workers were exempt from such requirements.

## II. Legislative Actions for Consideration:

- o Therefore, one amendment that could significantly strengthen WARN would be to provide enforcement authority to the Secretary of Labor. The current enforcement approach is of limited effectiveness because affected workers often lack the resources and information needed to file civil suits when violations have occurred. Authorizing the Secretary of Labor to enforce WARN would ensure greater adherence to the Act's requirements and protect workers irrespective of their economic status or access to private legal assistance. Indeed, similar to the Fair Labor Standards Act (FLSA), the enforcement mechanism could include both private suits and Federal agency enforcement. This would make enforcement of WARN consistent with other labor standards and improve compliance nationwide.
- o A second amendment would be to lower the statutory thresholds that trigger notice requirements for mass layoffs. Under current law, WARN only applies to employers of 100 or more full-time employees who lay off at a single site during any 30-day period (1) at least one-third of the employees (but not less than 50); or (2) at least 500 employees. The threshold could be lowered either by reducing the proportion affected to a proportion below one-third, or by lowering the absolute number that must be affected from 500 to 250. This would ensure that more workers receive the benefits attributable to early notice.

## ISSUES TO BE ADDRESSED IN REAUTHORIZATION OF TAA AND NAFTA-TAA

The authorization for the TAA and NAFTA-TAA programs terminates on September 30, 1998. The Secretary of Labor, on behalf of the Administration, transmitted draft legislation on June 9, 1997 to the relevant Committees providing for a simple extension of the two programs for fiscal years 1999-2002. The Administration could continue to seek a simple extension, or submit another proposal amending or merging the programs. In evaluating these options, it is important to note that there are four key differences between TAA and NAFTA-TAA that are described below. In addition, the issue of secondary workers may be raised and that issue is also addressed below.

- o **Shift in Production as Basis for Certification.** - Under TAA, workers may only be certified for assistance if their firm is adversely affected by imports. Under NAFTA-TAA workers may be certified either due to their firm being adversely affected by imports from Mexico or Canada or if their firm shifts production to Mexico or Canada. Extending the shift in production criteria worldwide could have significant cost implications. Dropping the criteria would renege on commitments made to workers when NAFTA passed. Retaining current law raises issues of equity and appears to provide a "body count" on lost jobs that are attributed to NAFTA, even if NAFTA is not a cause.
- o **State Role in Certification and Required Provision of Rapid Response Services.** - Under TAA, the Secretary is to certify or deny a petition within 60 days of receipt. Under NAFTA-TAA, petitions are first filed with the Governor, who makes a preliminary finding within 10 days, and then transmits the petition to the Secretary, who has 30 days to make a final determination. If the Governor makes an affirmative finding, the State is to provide rapid response and basic readjustment services to affected workers using funds available under title III of JTPA. While there are some questions as to whether State involvement has aided the certification effort, it is important to ensure that the filing of petitions triggers the provision of rapid response services and it would be desirable to extend that trigger to TAA. In addition, the shorter certification deadlines under NAFTA-TAA may be appropriate for both programs.
- o **Waiver of Training as a Condition for Income Support.** - While TAA generally requires that a participant be enrolled in training in order to qualify for income support, it allows the requirement to be waived if it is determined that training is not "feasible or appropriate." There have been criticisms from the OIG, GAO and others that waivers have been overused and in some States almost half the participants have received such waivers. In response to these criticisms, NAFTA-TAA eliminated the waiver authority. In addition, the Department has issued administrative guidance narrowing the basis for waivers under TAA, although this guidance has not been effectively implemented in all States. While there may be some limited circumstances where training should not be required, the existing TAA waiver authority needs to be reviewed and narrowed either legislatively or administratively.

- o **Early Enrollment in Training as a Condition for Income Support.** - NAFTA-TAA requires that in order to qualify for income support a participant must enroll in training by the 16th week in which the individual is receiving unemployment compensation, or if later, six weeks after a petition is approved. This is similar to a requirement under title III of JTPA where dislocated workers must be enrolled in training by the 13th week of UI receipt. The intent is to accelerate the participants adjustment and to prevent participants from enrolling in training after UI is exhausted simply to continue income support. TAA contains no such requirement.
- o **Secondary Workers.** - Neither TAA (with one exception) nor NAFTA-TAA provide assistance to workers in firms that are indirectly impacted, such as firms that are suppliers of, or provide services to, the directly impacted firms. While there have been several legislative proposals in previous Congresses to expand TAA to cover such workers, the only successful effort was an extension to oil and gas workers that was sponsored by the Finance Committee Chairman (Senator Bentsen) in 1988. Generally, the cost implications (i.e., the entitlement to income support) have been viewed as prohibitive. For example, in the early 1980s a proposal by Congressman Vanick to expand TAA to all component part suppliers of directly impacted firms was estimated to triple the cost of the program. In NAFTA-TAA, while secondary workers were not included in the legislation, the Administration made a commitment in the Statement of Administrative Action (SAA) accompanying the NAFTA Implementation Act to use the Secretary's discretion under title III of JTPA to provide assistance to secondary workers. Specifically, the National Reserve Account under title III would be used to provide services and benefits comparable to NAFTA-TAA to workers of supplier firms. (As indicated previously, the Department intends to expand its outreach for that program). It should be noted that other adversely workers, such as workers in tertiary firms including restaurants, grocery stores, etc. that may be indirectly affected are eligible for assistance under the general title III program. Any legislative proposal to expand TAA or NAFTA-TAA to secondary workers would have to address the issue of defining appropriate limits to eligibility (i.e. how far is the ripple effect is to be followed) that would be equitable and administrable, and the issue of significantly increased costs.

THE WHITE HOUSE  
WASHINGTON

July 23, 1997

ACTION

## MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER *SB*  
GENE SPERLING *GS*  
DANIEL K. TARULLO *DT*  
JOHN HILLEY *JB/ST*

SUBJECT: Fast Track

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

Uses of Fast-Track Authority

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

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

cc: Vice President  
Chief of Staff

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

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

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

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

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

### Labor/Environment

We need to settle on our labor/environment position so Charlene can consult quietly on the Hill before the August recess, permitting a quick rollout in September. Our position should be seen only as preliminary, subject to revision after consultation with the Hill. Ultimately, the Administration may need to broker a deal between Republicans and swing Democrats. If past trade

legislation is any guide, swing Democrats and others may want to include other provisions (e.g., worker retraining, general trade law reform) going beyond labor/environment. We will not initiate these at the outset, but we should anticipate them.

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

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

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

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

Within the Trade Agreement: The second, and more controversial, issue is the extent to which labor/environment provisions can be included within fast-track trade agreements. Gephardt insists they be fully included and enforceable through trade sanctions, perhaps even through privately initiated actions. The Principals believe this would be neither feasible to negotiate nor, in the

view of many, desirable. It would likely lose most Republicans and the business community, making it impossible to assemble a coalition for passage.

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

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

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

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

negotiations with any one country. Again, we would negotiate labor/environment side agreements, when appropriate.

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

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

John Hilley, CEQ and John Podesta favor Option 2. They feel we are better positioned if we stake out a tougher position, show solidarity with Democratic concerns and give opposing Democrats less running room substantively to oppose our opening position. They believe Option 1 makes us too dependent on Republican support and that Option 1 will signal to Democrats that we have thrown in our lot with the Republicans, making it difficult to secure more than a core 20-40 Democratic votes. They believe other approaches may place passage of the bill at risk. With so few Democratic votes for the bill, and Republican support possibly topping out at 170-180 votes, the bill may fail. A related danger is that a clear, early signal that the bill will be passed by Republican votes gives us little leverage to shape the bill, further threatening Democratic support. They recognize we may need to move off this opening position, but believe we would be better served if we took this approach at the outset.

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

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

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

#### RECOMMENDATION

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

John Hilley, CEQ and Podesta favor Option 2.

Option 1 \_\_\_\_\_

Option 2 \_\_\_\_\_

Option 3 \_\_\_\_\_

Let's Discuss \_\_\_\_\_

## THE WHITE HOUSE

WASHINGTON

July 30, 1997

FAST TRACK MEETING WITH  
SELECTED MEMBERS OF THE HOUSE

DATE: July 31, 1997

LOCATION: Yellow Oval Room

TIME: 6:30 - 7:30 p.m.

FROM: SAMUEL BERGER *SB*GENE SPERLING *GS*DANIEL K. TARULLO *DT*JOHN HILLEY *John Hilley*I. PURPOSE

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

II. BACKGROUND

This is the second small group meeting you are holding with House Democrats on fast track prior to the August recess. This second group contains Democrats who we feel can be persuaded, plus some supporters. As with the first meeting, 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.

As at the first meeting, we do not recommend you foreshadow our approach on labor/environment issues; 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

White House Photographer

### 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 percent in June, the lowest in over 23 years.
  - We are once again the world's largest exporter, the largest producer of semiconductors, the largest producer of automobiles. Independent studies have found America to be the most competitive economy in the world for the past five years. No country in the world is better positioned to compete.

## Global Leadership

- To continue that record, I need the authority to continue opening markets. Without it, America will not maintain its leadership position in world trade and a critical part of our economic expansion will stall. We must be in front of market opening efforts, not lagging behind and losing opportunities.
- Let's not kid ourselves -- if we don't act, others will.
  - Since 1992, in Latin America and Asia alone, other countries have reached more than 20 preferential trade agreements without us.
  - Today every major economy in this hemisphere has a preferential trade deal with Chile, except the United States. Chile has an 11 percent across-the-board tariff that these countries are eliminating for their products. That means every time an American company competes to sell to Chile, it will face an immediate 11 percent cost disadvantage compared to its Canadian competitor. Canada's Northern Telecom 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 United States 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 percent annually for the next 15 years. In APEC, we are working to reach agreements in key sectors that could open these markets to America's most competitive products. Without fast track, that process will come to a halt.
- Africa: Working with Congress, I recently launched an Africa trade initiative. Africa's nations are joining the march toward freedom and open markets -- and we should encourage it. Sub-Saharan Africa alone has 700 million people, but we supply only 7 percent of Africa's imports. We want to explore negotiations with South Africa when it is ready.
- Global: Over 50 years of persistent American leadership has helped bring down global tariffs from an average of 40 percent at the end of World War II to about 5 percent today, leading to a 90-fold increase in global trade. Upcoming WTO talks on agriculture can help us cut barriers and subsidies in the \$526 billion global farm market. We can eliminate barriers to services trade, a \$1.2 trillion global market, where U.S. firms had a surplus of \$74 billion in 1996.

### Conclusion

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

QUESTIONS AND ANSWERS  
FAST TRACK MEETING

NAFTA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Trade Generally

Q: Why should 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 percent, while exports to high-wage countries are up just 140 percent and domestic sales by 75 percent. Exports to low-wage countries now account for 42 percent of total U.S. exports. And these are good jobs. Wages for export-related jobs pay 13-16 percent more than the national average.

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

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

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

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

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

### Hill Participants

Representative James Moran  
Representative Vic Fazio  
Representative Silvestre Reyes  
Representative Charles Stenholm  
Representative Peter Deutsch  
Representative Zoe Lofgren  
Representative Tom Barrett  
Representative Norm Dicks  
Representative Jay Johnson  
Representative Chris John  
Representative Adam Smith  
Representative David Minge  
Representative Nita Lowey  
Representative Bill Luther  
Representative Vic Snyder  
Representative Lee Hamilton  
Representative Martin Meehan  
Representative Michael McIntre  
Representative David Price  
Representative Floyd Flake  
Representative Bob Clement  
Representative Jane Harman  
Representative Bob Etheridge  
Representative Ike Skelton  
Representative Ellen Tauscher  
Representative Harold Ford, Jr.  
Representative John Murtha  
Representative Bob Menendez  
Representative Carolyn McCarthy  
Representative Donald Payne  
Representative Joseph Kennedy  
Representative Julian Dixon  
Representative Lloyd Doggett

### 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 MAIN MESSAGE**

### **NOW MORE THAN EVER, THE U.S. NEEDS AUTHORITY TO OPEN NEW MARKETS AND BREAK DOWN BARRIERS TO U.S. EXPORTS.**

**Trade negotiating authority is essential.** Every President since Ford has had fast track authority for key periods with bipartisan support. That is because Congress has consistently recognized the President must have authority to break down foreign trade barriers.

**That authority is even more essential today.** The rapidly expanding global economy is an inescapable fact of our time. Over the past 50 years, global trade has increased 90-fold. Over the next decade, it is expected to grow at three times the rate of the U.S. economy. The growth will be particularly powerful in the emerging markets - the fastest growing markets of the world - which accounted for more than 40% of the total world economic growth in [timeframe]. Our economic future will increasingly rest on tapping into these global opportunities. In a world where over 95% of the world's consumers live outside the U.S., we have only one choice: we must export.

**Exports create American jobs.** Today, 11 million American jobs are supported by exports, including one in five manufacturing jobs. These are good jobs, paying 13-16% more than the average wage. Over the last four years, [one-third] of our economic growth came from exports, creating over 1.4 million new jobs. If we are to raise our standard of living, we must continue creating jobs through exports.

### **THE U.S. IS PERFECTLY POSITIONED TO SEIZE THESE OPPORTUNITIES. WE HAVE NOTHING TO FEAR.**

**The U.S. economy is the envy of the world.** We have enjoyed the longest period of sustained growth of all of our G-7 partners. Over the last four years, we have created 12 million new jobs, while rest of the G-7 nations combined created 600,000. We have the lowest budget deficit as a percent of GDP of all the G-7 nations. We are once again the world's largest exporter, the largest producer of semiconductors, the largest producer of automobiles. Over the last four years, our manufactured exports are up 42%, high technology exports jumped 45%, service exports climbed 26% and farm exports rose 40%. Independent studies [add name of study] have found America to be the most competitive economy in the world for three years running. No country in the world is better positioned to compete. [We are the Michael Jordan of the global economy. It is a very odd time to bench ourselves.]

**And these agreements offer us virtually one-way trade benefits.** The U.S. economy is the most open major economy in the world. 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 2.8%. Other countries are far higher: India (31%); Thailand and Turkey (26%);

Chile and Indonesia (11%). It's not difficult to see that these deals make sense. It is difficult to understand why we should let these barriers stand.

### **THE POTENTIAL GAINS ARE GREAT, IF WE SEIZE THEM.**

**Multilateral.** For over 50 years, the U.S. has led the world in opening global markets. That persistent leadership has helped bring global tariffs down from an average of [ ]% at the end of World War II to about [ ]% today - and it has led to a [ ]-fold increase in global GDP. We can continue that process today. New WTO negotiations will permit us to further reduce key barriers, such as:

- **Agriculture:** Talks to cut barriers in the \$526 billion global agriculture market will attack barriers such as [insert at least two specific examples of remaining barriers, subsidies, etc.]
- **Services:** A \$1.2 trillion global market - where U.S. firms exported more than \$220 billion in 1996 with a surplus of \$74 billion. Talks will address [give specific examples].

Talks will address other key areas like intellectual property, customs and government procurement rules. Talks in the OECD will ensure fair treatment for U.S. investors.

**Sectoral.** Talks to reduce barriers in key sectors have yielded enormous gains for U.S. companies and workers. The recent Information Technology Agreement, for example, eliminated tariffs and unshackled trade on \$500 billion of trade in semiconductors, computers, telecommunications equipment and software. This amounts to \$5 billion tax cut in tariffs on American products exports to other nations. With fast track authority, we can tear down more barriers in areas like computer software, medical equipment and environmental technology, areas where America leads the world.

**Regional.** Continuing regional initiatives present vast opportunities.

- **Latin America and the Caribbean.** This was the fastest growing market for U.S. exports in 1996. If trends continue, it 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 not only to conclude the FTAA by 2005. Chile should be our first step in this process.
- **Asia.** Contains the fastest growing economies in the world, with nearly 3 billion people. Within APEC, open markets would increase U.S. goods exports alone by 27% annually [solid figure?], or almost \$50 billion a year.

We will continue other efforts with Europe, Africa and other regions.

## **IF WE DON'T ACT, OUR COMPETITORS WILL.**

**Other countries are breaking down barriers for their companies and workers.** We talk a lot about leveling the playing field, but the fact is that other countries are leveling the playing field, while we sit on the sidelines. In every region of the world, countries are on the move. MERCOSUR is a developing customs union with ambitions to expand to all of South America; the EU has begun a process to reach free trade with MERCOSUR; China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities"; Japan has undertaken high-level efforts in Asia and Latin America. Five years ago, the question was whether countries would reach regional trading agreements. Today the only question is whether the U.S. will be part of that process - or whether it will sit on the sidelines.

### **This is hurting our capacity to compete - and it will only get worse if we remain inactive.**

The costs of inaction are high. For example, Canada has reached a free trade agreement with Chile that will eliminate Canada's across-the-board 11% tariff for Canadian products. That means that every time an American company competes to sell to Chile it will face an immediate 11% cost disadvantage vis-à-vis its Canadian competitor. The costs are already being felt. Canada's Northern Telecom just won a \$180 million telecommunications contract over three U.S. companies in part because it could avoid paying \$20 million worth of duties.

## **WE FACE A CRITICAL CHOICE: WHETHER TO SEIZE THE INITIATIVE OR HAVE OTHERS SEIZE IT FROM US.**

**The choice is clear.** We can recognize that the American economy is the model for the world, continue to open foreign markets and seize the initiative when it comes to international competition. Or we can convince ourselves - against the evidence - that we are on the wrong track, that we cannot succeed and that we should not move forward. Four 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.

## FAST TRACK TALKING POINTS

- As we have stated before, the Administration intends to seek legislation from the Congress to secure fast track trade negotiating authority. We believe such authority is important to help us continue the successful work of the President's first term.
- Every President since Ford has had fast track authority for key periods with bipartisan support. The reasons for it now are more compelling than ever. With exports up 35% in the last four years, over 11 million high wage U.S. jobs now depend on trade, jobs that pay 13-16% higher than non-trade related jobs. Our future depends on our success in the new global economy. Simply put, opening markets abroad creates good jobs here at home.
- Fast track authority will permit us to continue the work of opening markets around the world through the WTO and other global institutions. For example, trade authority permitted us to secure the recent Information Technology Agreement, which will open a \$500 billion global information technology market. In 1995, 3.3 million U.S. jobs were supported by \$90 billion in exports of these products.
- Without fast track authority, we risk sitting on the sidelines while other countries open markets to their products or set new trading rules contrary to U.S. interests. In the fast growing markets of Asia and Latin America, our competitors are actively negotiating new agreements and building commercial alliances. We must meet this challenge. We have nothing to fear. The U.S. is already the most competitive, the most open and most successful large economy in the world.
- We look forward to working with all of Congress to ensure enactment of fast track legislation.

### Questions

Q: How soon will you move fast track legislation? Will the Administration delay its efforts?

A: We have been consulting actively with many members of Congress - as well as all interested parties - to develop an approach that can receive strong bipartisan support. We think this is the best way to develop a strong foundation for our efforts. We will continue to consult with Congress as to the substance, tactics and timing of our effort.

Q: Is it true (as reported in the Wall Street Journal) that the Administration has decided to drop labor/environmental provisions from the fast track bill?

A: As we have stated before, our goal is to build the broadest possible support for the fast track legislation. To that end, Ambassador Barshefsky and others have been consulting actively with members of Congress representing all points of view on this subject, and with all interested parties, including organized labor. We will continue to do so with the goal of enacting legislation that receives broad support. Ambassador Barshefsky will lead our effort.

## **FAST TRACK GAME PLAN**

### **Phase One: Present -September**

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

The first step is to develop an interim organizational structure. Until a coordinator is chosen, Sperling/Tarullo/Steinberg, working closely with Ambassador Barshefsky, should convene regular Virtual Warroom meetings to assess progress and give overall direction, particularly as to non-policy aspects of the effort. The coordinator would assume chairmanship of this group once he is on board. A separate NSC/NEC Principal or Deputies group would address policy issues and continue to operate even after the coordinator is chosen. (This follows the organizational structure of the NAFTA effort.) Below these umbrella groups, we would form three interagency working groups (Legislative, Communications/Outreach and Policy) to meet at least weekly. USTR would be the lead agency in the effort.

The White House staff team should consist of officials largely dedicated to this effort from the following disciplines: legislative, communications, policy, public liaison, political, Vice President's office, McLarty's office, intergovernmental and cabinet affairs. In addition, we would assemble a group of 4-5 agency detailees that would assist the effort generally and assist the coordinator once he is on board. We will provide Erskine with proposed lists.

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

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

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

#### Administration/Internal

- Start regular meetings (Ongoing)
  - NEC/NSC Principals or Deputies policy meetings (as needed) (NSC/NEC)
  - Regular WH Virtual War Room meetings (NEC/NSC/USTR)
    - Weekly Interagency Working Group meetings
      - Legislative (Brophy/Arky)
      - Communications/Outreach (D. Johnson?/Ziegler)
      - Policy (Kyle/Novick)
- Secure WH fast track coordinator (WH COS/USTR)(end of July)
- Assemble White House team (WH COS/NEC) (July 15) (proposed list being provide to Erskine)
- Retain 4-5 agency detailees to assist effort (WH COS/NEC/NSC)(end of July) (proposed list to be provided to Erskine)
- Develop plan for broader Cabinet role (WH Cabinet Affairs/USTR) (July 20)

#### Policy

- Finalize substantive positions (Tarullo/Barshesky/Kyle)
  - Uses of fast track (July 18)
  - Labor/Environment (July 18)
  - List of sectoral initiatives (July 18)
  - Form of proposed legislation (notional plan by July 18; legislation by late July)
  - Administration Statement of Intent (late July)
- Sharpen affirmative arguments (NEC/USTR/WH Communications)(July 25)
  - Costs of Inaction
  - Foreign barriers high than U.S.
  - Other key arguments
- Sharpen key defensive arguments (NEC/USTR/WH Communications (July 25)
  - Defense of NAFTA
  - Defense of NAFTA side agreements
  - Develop additional labor/environment border achievements
  - Sharpen key Q&A's
  - Other key defenses
- Develop anecdotes/data for use in effort (USTR/Commerce/NEC) (end of July)
  - Sharpen state-by-state data
  - Develop anecdotes (including Council of America examples)
  - Other data/examples

## Communications

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

## Legislative

(Provided separately by WH Legislative)

## Outreach

- Business
  - Meeting with senior Administration officials and Business Roundtable CEO's (Sperling/Other Cabinet officials) (Week of July 14)
  - Other Cabinet calls to CEO's, as appropriate (NEC/USTR) (by late July)
  - Encourage desired business activity (USTR/WH Public Liaison) (late July):
    - Raise sufficient funds
    - Retain outside advisors (Wexler already retained)
    - Organize grassroots efforts
    - Start advertising campaign
    - Share information on Congressional effort
  - Develop small business participation (McLarty office/WH Public Liaison) (end of July)
  - Attend weekly meetings of business fast track coalition (USTR/NEC)
  - Counter August/Labor Day labor advertising campaign (USTR/WH Communications/NEC) (Plan by July 25)
  - Secure industry support for sectoral initiatives (USTR) (July 30)
- Agriculture
  - Gain full support of all groups (USTR/Agriculture) (late July)

- Encourage organizational efforts (USTR/Agriculture) (Ongoing)
- Think Tanks/Policy Organizations (USTR) (Ongoing)
  - Council of the Americas
  - Inter-American Dialogue
  - Heritage Foundation
  - DLC/PPI
  - Citizens for a Sound Economy
  - AEI
  - Brookings
  - Others
- State/Local Officials/Hispanics (WH Intergovernmental/WH Political/USTR) (Ongoing)
  - Develop expressions of support (governors, mayors, etc.)
  - Develop broader plan for their assistance in this effort
  - Manage various policy issues affecting these interests (e.g., Massachusetts Burma sanctions legislation)
- Labor/Environmental Groups (USTR/Podesta/McGinty) (Ongoing)
  - Continue consultations, as appropriate
  - Consider other Administration initiatives responsive to labor/environmental concerns

*Sam M. Gibbons*

*Gene,*  
*I'd like to be the "Point Person" on*  
*fast track. I'll work with you*  
*and devote full time to this effort.*

*I would appreciate your support*  
*and look forward to working with*  
*you.*

*Sam*

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FACSIMILE

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July 9, 1997

President William Jefferson Clinton  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, DC 20500

Dear Mr. President:

I want you to know of my strong interest in serving you as your Administration "point person" to coordinate the intense lobbying campaign for Congressional approval of "fast track" trade negotiating authority. I have the experience, knowledge, vision, and ability to successfully do the job for you.

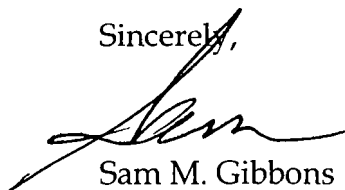
Over the past two decades, I led the charge for every major trade bill in the Congress. I have been the primary advocate, vote counter and House floor manager for numerous "fast track" bills. I have the integrity, track record and close bipartisan working relationships with the Congress, the international trade policy people in your Cabinet and within the business community. I am confident that with a well-planned and aggressively implemented strategy we can win "fast track" renewal. I have always won final passage of this legislation. I can get the job done.

Moreover, I have absolutely no conflicts of interest. If necessary, I can sever my relations with Gibbons & Company. Our firm represents no foreign clients and none of the firm's current clients have any direct or indirect interest in the renewal of "fast track" authority.

I would greatly appreciate it if you would consider me to serve as your "fast track" coordinator in the White House. I look forward to talking with you. I could begin work immediately.

Thank you!

Sincerely,

A handwritten signature in black ink, appearing to read "Sam", with a long, sweeping horizontal stroke extending to the left.

Sam M. Gibbons

## **SAM M. GIBBONS**

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**Mr. Gibbons** served as a Member of the United States Congress in the House of Representatives for 34 years (1962-1996). He was Chairman of the Ways and Means Committee and its Subcommittee on Trade, Vice-Chairman of the Joint Committee on Taxation, and U.S. Advisor to the General Agreement on Tariffs and Trade and the World Trade Organization.

Mr. Gibbons worked closely on a bipartisan basis with eight U.S. Presidents in the development, passage, and implementation of major domestic and international policy initiatives. He has extensive legislative expertise in the areas of international trade, taxation, healthcare, public and private pensions, budget, and education.

As a leading architect of American trade policy for more than 25 years, he is widely recognized as one of the foremost proponents of open markets and free trade. Mr. Gibbons was a primary advocate and sponsor of every major trade law enacted during this period, including The Trade Acts of 1984 and 1988, legislation implementing the Tokyo and the Uruguay Rounds of the General Agreement of Tariffs and Trade, the Caribbean Basin Initiative, the U.S./Israel Free Trade Agreement, the U.S./Canada Free Trade Agreement, the Andean Trade Preference Act, and the North American Free Trade Agreement.

While Chairman of the Ways and Means Subcommittee on Trade, Mr. Gibbons frequently led trade and interparliamentary delegations throughout Europe, Latin America, the Middle East, and Asia, including the former Soviet Union, Japan, China, Australia, and Vietnam. He conferred regularly with heads of Governments, their principal trade and economic officials, and business leaders both in the United States and abroad.

Mr. Gibbons served as Chairman of the Trade and Economic Committee of the U.S./Canada Interparliamentary Group, the U.S./Mexico Interparliamentary Group, and Co-Chairman of the U.S. delegation to the U.S./European Parliament Interparliamentary Group. He counseled numerous U.S. Trade Representatives on international trade negotiations and legislation.

## **SAM M. GIBBONS**

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Throughout his 28 years on the House Ways and Means Committee, Mr. Gibbons advocated reform of the Federal income and payroll tax systems. In addition, he drafted and vigorously advocated legislation to repeal these systems and replace them with a simplified, broad-based, boarder-adjustable, value-added tax. He was also involved in the development of every Federal healthcare financing law since the inception of Medicare in 1966.

Before election to the United States Congress, Mr. Gibbons served for 10 years in the Florida Legislature, where one of his major accomplishments was to establish the University of South Florida, now the 13th largest university in the United States. He received his undergraduate and law degrees from the University of Florida, and is admitted to practice law in Washington, D.C., Florida, and before the United States Supreme Court.

Mr. Gibbons served as an officer for 5 years during World War II with the U.S. Army's 101st Airborne Division. He led parachute infantry forces in major combat actions including the pre-dawn assault on D-Day in Normandy, the invasion of Holland, the Battle of Bastogne, and operations in central Germany. He was awarded the Bronze Star.

## **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*

| <b>Fast-Track</b><br>Do you strongly support, somewhat support, somewhat oppose or strongly oppose giving Clinton Fast-Track authority                                                                                                                                                                       | <b>Support Oppose</b> | <b>Dem</b> | <b>GOP</b> | <b>Indep</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------|------------|--------------|
| 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)*

| <b>Which is the most important reason to not grant President Clinton fast track authority?</b> | <b>Total</b> | <b>Dem</b> | <b>GOP</b> | <b>Indep</b> |
|------------------------------------------------------------------------------------------------|--------------|------------|------------|--------------|
| 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            |

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

## 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*

| <b>Strongest reason in favor of the NAFTA free trade agreement:</b>                                                       | <b>Total</b> | <b>Men</b> | <b>Women</b> | <b>Dem</b> | <b>Rep</b> | <b>Ind</b> |
|---------------------------------------------------------------------------------------------------------------------------|--------------|------------|--------------|------------|------------|------------|
| 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<br>Men: 89/11<br>Women: 77/21 | 77/19<br>M: 86/13<br>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<br>M: 73/23<br>F: 80/18       | 75/21<br>M: 75/20<br>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<br>M: 68/30<br>F: 65/29       | 64/54<br>M: 70/29<br>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<br>M: 55/41<br>F: 70/24       | 58/36<br>M: 53/45<br>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<br>M: 70/26<br>F: 59/37       | 56/40<br>M: 62/35<br>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

## FAST TRACK GAME PLAN

### Phase One: Present -September

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

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

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

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

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

### Administration/Internal

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

### Policy

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

### Legislative [Susan Brophy to supplement Tuesday]

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

### Communications

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

### Outreach

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

- Start advertising campaign
  - Share information on Congressional effort
- Develop small business participation (McLarty office/WH Public Liason) (end of July)
- Attend weekly meetings of business fast track coalition (USTR/NEC)
- Counter August/Labor Day labor advertising campaign (USTR/WH Communications/NEC) (Plan by July 25)
- Secure industry support for sectoral initiatives (USTR) (July 30)
- Agriculture
  - Gain full support of all groups (USTR/Agriculture) (late July)
  - Encourage organizational efforts (USTR/Agriculture) (Ongoing)
- Think Tanks (USTR) (Ongoing)
  - Heritage Foundation
  - PPI
  - Citizens for a Sound Economy
  - AEI
  - Brookings
  - Others
- State/Local Officials (WH Intergovernmental/USTR) (Ongoing)
  - Develop expressions of support (governors, mayors, etc.)
  - Develop broader plan for their assistance in this effort
  - Manage various policy issues affected state/local governments (e.g., Massachusetts Burma sanctions legislation)
- Labor/Environmental Groups (USTR/Podesta/McGinty) (Ongoing)
  - Continue consultations, as appropriate
  - Consider other Administration initiatives responsive to labor/environmental concerns

## **FAST TRACK NOTIONAL GAME PLAN**

### **Communications**

- Develop overall communications action plan (July-Sept.) (USTR preparing)
- Review message document (analysis by Penn)
- Coordinate other trade activities with fast track
  - NAFTA Report
  - Section 108 (FTA Report)
- Sharpen key arguments (e.g., costs of inaction, foreign barriers high)
- Explore September POTUS event
- Develop general plan for fall communications campaign
- Develop calendar of events
- Develop rapid response capability
- Coordinate/develop support from validators, including former Presidents, Cabinet officials and opinion makers
- Outreach to key reporters/editorial board writers to reinforce message and commitment
- Develop strategy for responding to anticipated AFL-CIO August/fall ad campaign

### **Legislative**

- Plan POTUS meeting with Members (prior to August recess)
- Targeted letters to Members (to address concerns) as part of NAFTA Report roll-out
- Agency calls to all House/Senate offices (assigned)
- Develop notional House vote count
- McLarty to lead co-del to Chile (August)
- Ways & Means hearing (USTR witnesses) (being planned)
- Develop action plan for fall campaign

### **Business Outreach**

- Meeting with senior Administration officials and CEO's
- Other Cabinet calls to CEO's(?)
- Encourage business to:
  - Raise sufficient funds
  - Retain outside advisors (Wexler already retained)
  - Organize grassroots efforts
  - Start advertising campaign
  - Share information on Congressional effort
- Counter August/Labor Day labor advertising campaign
- Secure industry support for sectoral initiatives

### **Other Outreach**

- Vis agricultural community:
  - Gain full support of all groups
  - Encourage organizational efforts
- Begin outreach to think tanks
- Assemble list of validators and begin outreach
- Begin outreach to governors, mayors, others

### **Internal Organization**

- Secure WH fast track coordinator
- Enhance WH resources
- Additional USTR resources required(?)
- Start regular WH meetings (NEC/NSC)
  - Weekly communications, legislative and policy meetings
  - Regular internal USTR meetings
- Coordinate Cabinet activity (e.g., travel, speeches)

### **Policy**

- Finalize labor/environment approach
- Finalize description of uses of fast track
- Sharpen affirmative arguments (e.g., costs of inaction, foreign barriers higher than U.S.)
- Sharpen sectoral initiatives list
- Sharpen defenses of NAFTA; other defenses
- Finalize proposed fast track legislation
- Finalize Administration Statement of Intent
- Update main message document
- Develop other labor/environment achievements(?)

THE WHITE HOUSE  
WASHINGTON

To: Gene Sperling

From: Bob Kyle

As requested

## **FAST TRACK TO DO LIST**

### **I. Hold Communications and Policy Meetings this week (Kyle)**

#### **A. Communications/Outreach Agenda (Examples)**

- Sharpen costs of inaction arguments
- Consider additional (larger) uses of fast track
- Finalize documents to be used in fall campaign
- Develop communications plan for the fall
- Help ensure business community is organized
- Help ensure agriculture community is energized

#### **B. Policy Agenda (Examples)**

- Finalize interagency agreement on uses of fast track and labor/environment
- Interagency agreement on Q&A's and other policy positions
- Interagency agreement on proposed legislation

#### **C. Overall**

- Develop action plan for the fall

### **II. Internal Organization (White House and USTR)**

#### **A. White House**

- Hire fast track coordinator
- Strengthen White House staff

#### **B. USTR (to be determined in consultation with USTR)**

## **FAST TRACK TO DO LIST**

### **I. Hold Communications and Policy Meetings this week (Kyle)**

#### **A. Communications/Outreach Agenda (Examples)**

- Sharpen costs of inaction arguments
- Consider additional (larger) uses of fast track
- Finalize documents to be used in fall campaign
- Develop communications plan for the fall
- Help ensure business community is organized
- Help ensure agriculture community is energized

#### **B. Policy Agenda (Examples)**

- Finalize interagency agreement on uses of fast track and labor/environment
- Interagency agreement on Q&A's and other policy positions
- Interagency agreement on proposed legislation

#### **C. Overall**

- Develop action plan for the fall

### **II. Internal Organization (White House and USTR)**

#### **A. White House**

- Hire fast track coordinator
- Strengthen White House staff

#### **B. USTR (to be determined in consultation with USTR)**

## Fast Track & Trade Agenda

President Clinton is committed to move forward with an activist trade agenda during his second term. He made his intentions clear during the State of the Union and more recently when Chilean President Frei was visiting. And he will continue to sound this theme when he travels to Mexico, the Caribbean, and South America later this year and when he meets with the leaders of the dynamic Asia-Pacific economies next autumn.

We will work hard over the next four years -- as we have over the past four years -- to secure and enforce agreements that enable you to compete fairly in foreign markets. But in order to do that, Congress must give President Clinton a grant of fast track negotiating authority, just as they have given every President since Ford for key periods.

Without Congressional authority, we could not have secured the Information Technology Agreement last December. This agreement will eliminate tariffs around the world on \$500 billion of trade in semiconductors and software, computers and telecommunications equipment -- expanding the sales of leading edge American companies around the globe. This agreement will benefit the 1.8 million American manufacturing workers already employed in these dynamic sectors and create additional high wage jobs here in America.

Our trade partners in Latin America and Asia will not sit idly by: they will expand trade without us, costing us jobs and our future prosperity. Take Chile as an example. They have already negotiated a free trade agreement with countries such as Canada and Brazil. If we do not move forward with a free trade agreement, our exporters will face a cost disadvantage of over 10 percent in Chile's fast-growing market.

We have also made some progress on deepening our dialogue with China on trade matters in recent months. When President Clinton met with President Jiang at APEC they pledged to intensify efforts to bring China's trading practices into conformity with multilateral rules by working with China and other trade partners on a strong, commercial accession to the WTO. We are committed to continuing our efforts to strengthen and stabilize commercial relations with China.

With the most competitive economy in the world -- with U.S. manufacturing exports up 42 percent over the past 4 years alone -- now is the time to act. The President appreciated the supportive letter he received from Jerry Jasinowski (NAM) following the State of the Union address. We are pleased we can count on you in the months ahead to help make the case to the American people on the benefits of expanding trade.

THE WHITE HOUSE  
WASHINGTON

FAST TRACK  
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April 23, 1997

FROM: ROBERT D. KYLE Rm 227 OEOB 456-9281

SUBJECT: Fast Track

Attached please find a document USTR and I prepared setting forth the Administration's main message on Fast Track. I will distribute it to relevant agencies as well. I hope you will find it useful as we continue this effort.

Attachment

## **FAST TRACK MAIN MESSAGE**

### **NOW, MORE THAN EVER, THE U.S. NEEDS AUTHORITY TO OPEN NEW MARKETS AND BREAK DOWN BARRIERS TO U.S. EXPORTS.**

**Trade negotiating authority is essential.** Every President since Ford has had fast track authority for key periods with bipartisan support. That is because Congress has consistently recognized the President must have the authority to break down foreign trade barriers and create good jobs.

**Fast track authority is even more essential today.** The rapidly expanding global economy presents enormous opportunities for our companies and workers. Over the next decade, the global economy is expected to grow at three times the rate of the U.S. economy. Growth will be particularly powerful in the emerging markets - the fastest growing markets of the world. Our economic future will increasingly rest on tapping into these global opportunities. In a world where over 95 percent of the world's consumers live outside the United States, we must export to sustain economic growth at home.

**Commercial competitiveness is critical to our global leadership.** Europe, China, Japan and others are forging preferential commercial alliances with emerging markets, which put American exports at a disadvantage. Those trade alliances also play a vital role in defining strategic relationships between countries and regions. Our commercial competitiveness is at stake, but so is our leadership role in the world.

**Exports create American jobs.** Today, more than 11 million American jobs are supported by exports, including one in five manufacturing jobs - good jobs, paying 13-16 percent more than non-trade-related jobs. Over the last four years, one-quarter of our economic growth came from trade -- and exports created 1.4 million new jobs. If we are to raise our standard of living, we must continue creating jobs through exports.

### **THE U.S. IS PERFECTLY POSITIONED TO SEIZE THESE OPPORTUNITIES.**

**The United States is the world's strongest competitor.** We have enjoyed the longest period of sustained growth of all of our G-7 partners. Over the last four years, we have created 12 million new jobs, more than all of the other G-7 countries combined. We have the lowest budget deficit as a percent of GDP of all the G-7 nations. We are once again the world's largest exporter, the largest producer of semiconductors, the largest producer of automobiles. Over the last four years, our manufactured exports are up 42%, high technology exports jumped 46%, service exports climbed 26% and farm exports rose 43%. Independent studies, including the Institute for Management Development in Switzerland, 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.

**Our market is already open. Others are not.** The United States is the most open, major market in the world. When we reach 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 2.8 percent. Other countries are far higher: India (31%); Thailand and Turkey (26%); Chile and Indonesia (11%). It is not difficult to see that these deals make sense. It is difficult to understand why we should let these barriers stand.

### **THE POTENTIAL GAINS ARE GREAT, IF WE SEIZE THEM.**

**Multilateral.** For over 50 years, the U.S. has led the world in opening global markets. Our persistent leadership has helped bring global tariffs down from an average of 40 percent at the end of World War II to about 5 percent today, leading to a 90-fold increase in global trade. We can continue that progress today. Because of our leadership, new WTO negotiations present the opportunity to reduce trade barriers further in key sectors, such as:

- **Agriculture:** Negotiations to cut barriers in the \$526 billion global agriculture market will attack such practices as export subsidies and domestic support programs.
- **Services:** A \$1.2 trillion global market - where U.S. firms exported more than \$220 billion in 1996 with a surplus of \$74 billion. Talks will address a wide range of service sectors including health care, education, entertainment, tourism, business consulting and advertising.

Global negotiations will address other key areas like intellectual property, customs and government procurement rules. Talks in the OECD will ensure fair treatment for U.S. investors.

**Sectoral.** We would also use fast track to 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, we can tear down more barriers in areas like medical equipment, environmental technology, and computer software, areas where America leads the world.

**Regional.** Continuing regional initiatives present vast opportunities.

- **Latin America and the 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 conclude the Free Trade Area of the Americas by 2005. Chile would be our first step in this process.

- **Asia.** Contains the fastest growing economies in the world, with nearly 3 billion people. Independent forecasters put 1996 GDP for the region at \$2.8 trillion and expect real growth of 6% to 7% annually for the next 15 years.

We will also continue efforts with Europe, Africa and other regions.

## **IF WE DON'T ACT, OUR COMPETITORS WILL.**

**Other countries are breaking down barriers for their companies and workers.** We talk a lot about leveling the playing field, but our competitors are leveling the field, while we sit on the sidelines. Since 1992, our competitors have negotiated 20 regional trade pacts in Asia and the Western Hemisphere. In every region of the world, this process will continue. MERCOSUR is a developing customs union with ambitions to expand to all of South America; the EU has begun a process to reach free trade with MERCOSUR (President Chirac recently declared "the future of the region rests with Europe, not the United States"); China's "strategic priorities" include Mexico, Argentina, Brazil, Chile and Venezuela; Japan has undertaken high-level efforts in Asia and Latin America. Five years ago, the question was whether countries would reach regional trading agreements. Today, the only question is whether the U.S. will be part of that process - or whether it will sit on the sidelines.

**The costs of inaction are high.** For example, Canada has reached a free trade agreement with Chile that will eliminate Canada's across-the-board 11 percent tariff for Canadian products. Every time an American company competes to sell to Chile, it will face an immediate 11 percent cost disadvantage vis-a-vis its Canadian competitors. The costs are already being felt. Canada's Northern Telecom just won a \$180 million telecommunications contract over three U.S. companies in part because it could avoid paying \$20 million worth of duties.

## **AS WE DEVELOP A FAST TRACK BILL, WE MUST DEVELOP A BIPARTISAN APPROACH TO THE ISSUES OF LABOR AND THE ENVIRONMENT.**

**We must address these issues.** We cannot sustain support among American people for market opening policies without also addressing concerns about the effects of these agreements on labor and the environment. That is also necessary to build a bipartisan coalition for passage. The President has asked Ambassador Barshefsky to consult with both parties in Congress -- and the relevant interest groups -- to develop a bipartisan consensus. That process continues.

**Sitting on the sidelines does not help workers or promote a cleaner environment.** Opening foreign markets does not mean retreating from our commitment to labor and the environment. In fact, it makes it easier to engage these countries on these issues. Denying the President authority to negotiate trade agreements with them will not help advance their labor or environmental protections. It will simply make it more likely that these countries will remain relatively poor (keeping wages low and discouraging better environmental practices), while crippling our export performance and denying job growth here at home.

**WE FACE A CRITICAL CHOICE: WHETHER TO SEIZE THE INITIATIVE OR HAVE OTHERS SEIZE IT FROM US.**

**The choice is clear.** We can recognize that the American economy is the model for the world, continue to open foreign markets and seize the initiative when it comes to international competition. Or we can convince ourselves - against the evidence - that we are on the wrong track, that we cannot succeed and that we should not move forward. Four 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.

THE WHITE HOUSE  
WASHINGTON

February 25, 1997

INFORMATION

MEMORANDUM FOR CHARLENE BARSHEFSKY  
JOHN PODESTA  
SYLVIA MATHEWS  
DON BAER  
KITTY HIGGINS  
GENE SPERLING  
DAN TARULLO

FROM: BOB KYLE ~~PX~~

SUBJECT: Fast Track and Chile Talking Points

Attached are the revised talking points on fast track and Chile per our discussion yesterday. Points defending NAFTA are being prepared separately.

Attachment  
Tab A Revised Talking Points

## KEY FAST TRACK MESSAGES

### Fast Track and Chile Generally

- I believe we must have fast track authority to conclude new trade agreements that open markets to America's products.
- We cannot afford to sit on the sidelines while other countries move ahead to take advantage of the growing markets of Latin America and other regions of the world.
- Chile's impressive political and economic reform and its record of good government and sound fiscal policies make it an excellent candidate for the first use of fast track authority.
- My Administration remains committed to concluding a comprehensive free trade agreement with Chile.

### NAFTA Accession for Chile (Only if asked)

Question: Although you favor a free trade agreement with Chile, there has been some suggestion that you no longer favor achieving it through NAFTA accession. Is this true?

- I support the NAFTA and believe it has been a good model for opening the markets of Canada and Mexico.
- As I mentioned, I am committed to concluding a comprehensive free trade agreement with Chile working with our North American trading partners. We can determine the exact legal form of any agreement at the time it is negotiated.
- For now, the most important step is to secure fast track negotiating authority.

### Labor and Environment (Only if asked)

Question: At its recent convention, the AFL-CIO passed a resolution saying they will "vigorously oppose" fast track authority if labor/environmental provisions are not made part of future free trade agreements (not simply side agreements), subject to the same dispute resolution procedures as the trade agreement. Will you meet this demand? What is your approach to labor/environment generally?

- My Administration is deeply committed to addressing labor and environmental concerns as we pursue our trade policy. I don't think we can retain public support for the activist trade policy of this Administration unless we address the very real concerns about labor and the environment.
- It's no secret that this is one of the most difficult issues we face in securing fast track authority. We will need to work with Democrats and Republicans - and all interested parties - to fashion a bipartisan consensus that remains true to our commitment.
- But I don't think it's wise to do that negotiating in public. That would not help advance the important goal of securing fast track authority.

**FAST TRACK: GAME PLAN AND ASSIGNMENTS**

April 21, 1997

**Phase I: Present - Until Roll Out Date Determined**

The goals for Phase I are to (1) mount an interagency Hill effort that sets the debate on our terms; (2) finalize our substantive package; (3) diffuse the rhetoric about the adverse effects of NAFTA and reorient the debate; (4) limit pre-roll-out opposition; (5) coordinate more actively with key constituencies (e.g., business, agriculture); and (6) lay the groundwork for widespread Congressional, business, press and academic support for the Administration's proposal once it is rolled out.

This effort has been underway and will continue with Hill meetings by a broader base of Cabinet officials, getting the message out during public appearances and with the press, interfacing with the business community, including labor, environmental, and agricultural interests, developing and arming members of Congress with information needed to rebut the rhetoric.

Internally, the focus is on finalizing all documents, including briefing materials and the "fast track" package; establishing regular coordination meetings, as well as the structure for on-going contact with constituents; and tracking and capitalizing on opportunities to get the message out, while ensuring that other related activities are consistent with the effort. A critical component of Phase I is to decide on the timing for rolling-out the package, which shifts the effort to Phase II.

(The specific tasks for Phase I are attached.)

**Phase II: Post Roll-out Date Decision**

The specific action items in Phase II will need to be fleshed out more fully shortly before the roll-out decision is made. Generally, we will need to intensify and focus the efforts identified in Phase I to support the specific package to be rolled out. The main objectives during this phase will be to:

- obtain bi-partisan support for the fast track package through early consultations with Archer and Rangel and other key leaders;
- secure favorable timing of vote working with relevant Committee and House leaders;
- orchestrate a higher level communications and media strategy, including use of the President, Vice President and Cabinet officials;

- communicate message to the districts through Cabinet visits to districts (joined by Representative) time permitting;
- coordinate support from validators, including former Presidents, Cabinet officials, and opinion makers;
- coordinate support from business community, including Cabinet calls to key CEOs, e.g., in sectors being considered for future agreements;
- maximize effect of support from NGA, think tanks, etc.
- ensure rapid response to opposition rhetoric.

## Phase I Tasks

| TASK                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | AGENCY                                                                                              | DEADLINE                                                                                | COMMENTS |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|----------|
| <b>ADMINISTRATION AND PREPARATION</b>                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                     |                                                                                         |          |
| 1. Finalize substantive positions<br>a. Labor initiatives<br>b. Environmental initiatives<br>c. Approach to side agreements<br>d. Readiness criteria<br>e. Finalize sectoral agreements to pursue                                                                                                                                                                                                                                                                                   | a. USTR/NEC/NSC<br>b. USTR/NEC/NSC<br>c. USTR/NEC/NSC<br>d. USTR/NEC/NSC<br>e. USTR                 | a. 4/30/97<br>b. 4/30/97<br>c. 4/30/97<br>d. 4/30/97<br>e. 4/30/97                      |          |
| 2. Finalize legislation and statement of intent                                                                                                                                                                                                                                                                                                                                                                                                                                     | 2. USTR/NEC/NSC                                                                                     | 2. TBD                                                                                  |          |
| 3. Finalize briefing materials<br>a. Message document<br>b. Administration talking points<br>c. Fact sheets/Rebuttal documents<br>(1) Uses of fast track<br>(2) Dangers of inaction<br>(3) Defense of the NAFTA<br>(4) Defense of the NAFTA side agreements<br>(5) NAFTA benefits to key sectors<br>(6) NAFTA and wages/jobs<br>(7) State of other NAFTA commitments<br>(8) Exports to Mexico by state/district<br>(9) Effect of trading with low wage countries<br>d. Develop Q&As | a. USTR/NEC/NSC<br>b. USTR<br>c. USTR/WH/DOC<br><br><br><br><br><br><br><br><br><br>d. USTR/NEC/NSC | a. 4/22/97<br>b. 4/24/97<br>c. 5/7/97<br><br><br><br><br><br><br><br><br><br>d. 4/30/97 |          |
| 4. Develop speaking calendar (including Hearings) for Administration officials.                                                                                                                                                                                                                                                                                                                                                                                                     | 4. USTR                                                                                             | 4. 4/28/97                                                                              |          |
| 5. Coordinate other trade activities with fast track<br>a. POTUS trip to Mexico: New Initiatives?<br>b. Release of the Administration's NAFTA report (7/1/97)<br>c. Release of report re possible FTA partners (7/1/97)<br>d. Low-tech initiatives: auto/auto-parts                                                                                                                                                                                                                 | a. USTR/NEC/NSC<br>b. USTR/NEC/NSC<br>c. USTR<br>d. WH/USTR                                         | 5. Ongoing                                                                              |          |
| 6. Decide on timing for rolling out proposals                                                                                                                                                                                                                                                                                                                                                                                                                                       | 6. WH/USTR                                                                                          | 6. TBD                                                                                  |          |

| TASK                                                                                                                                                                                                                                                                                                                                                                                                                                                      | AGENCY                                                                             | DEADLINE                               | COMMENTS |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------|----------|
| 7. Regular Meetings<br>a. Weekly White House meetings<br>b. Weekly NSC/NEC Deputies meetings<br>c. Weekly legislative meetings<br>d. Weekly communications conference calls<br>e. Weekly constituency meetings<br>f. Internal USTR meetings                                                                                                                                                                                                               | a. WH<br>b. NSC/NEC<br>c. WH/USTR<br>d. Inter-agency<br>e. Inter-agency<br>f. USTR | 7. Ongoing                             |          |
| <b>CONGRESSIONAL</b>                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                    |                                        |          |
| 1. Assign Cabinet meetings and calls<br>(Proposed assignments attached)                                                                                                                                                                                                                                                                                                                                                                                   | 1. USTR                                                                            | 1. 4/23/97                             |          |
| 2. Briefing materials to Cabinet officials<br>a. Tailored talking points<br>b. Member-specific intelligence<br>c. NAFTA package and rebuttal pieces                                                                                                                                                                                                                                                                                                       | a. USTR<br>b. USTR<br>c. USTR                                                      | a. 4/24/97<br>b. Ongoing<br>c. Ongoing |          |
| 3. "Dear Colleagues" re "powder dry"                                                                                                                                                                                                                                                                                                                                                                                                                      | 3. WH/USTR                                                                         | 3. TBD                                 |          |
| 4. Prepare proposal for when, how, and with whom to roll out                                                                                                                                                                                                                                                                                                                                                                                              | 4. WH/USTR                                                                         | 4. TBD                                 |          |
| 5. Primer on fast track for Freshman/Sophomores/Others                                                                                                                                                                                                                                                                                                                                                                                                    | 5. USTR                                                                            | 5. 5/5/97                              |          |
| 6. NAFTA package to Members who requested                                                                                                                                                                                                                                                                                                                                                                                                                 | 6. USTR                                                                            | 6. 4/25/97                             |          |
| 7. Follow-up to requests during Hill meetings                                                                                                                                                                                                                                                                                                                                                                                                             | 7. USTR                                                                            | 7. Ongoing                             |          |
| <b>COMMUNICATION</b>                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                    |                                        |          |
| The communications/media effort to date has focused on (1) addressing the concerns about the Administration's commitment to fast track and the "closing window"; (2) garnering support for the importance of fast track generally; and (3) reinforcing the "powder dry" message. This focus will continue until a roll-out is determined. Thus, the plan does not provide for a full-blown effort until Phase II. During Phase I, the plan is as follows: |                                                                                    |                                        |          |
| 1. Outreach to key reporters/editorial writers to reinforce message and commitment.<br>a. General press briefing with key trade press<br>b. Phone and office meeting with key reporters/editorial writers<br>c. Support stories re importance of fast track                                                                                                                                                                                               | 1. USTR                                                                            | 1. Next two weeks                      |          |

| TASK                                                                                                                                                                                                                                                                            | AGENCY                                         | DEADLINE                                            | COMMENTS |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|-----------------------------------------------------|----------|
| 2. Develop contact list of resources to draw on in Phase II<br>a. Opinion leaders<br>b. CEOs that have benefited from trade agreements and those in industries that may be subject for further sectorals (e.g., telecom/technology, environmental technology)<br>c. News makers | 2. USTR                                        | 2. 4/25/97                                          |          |
| 3. Develop strategy for responding to anticipated AFL-CIO ad campaign                                                                                                                                                                                                           | 3. USTR                                        | 3. TBD                                              |          |
| CONSTITUENCIES                                                                                                                                                                                                                                                                  |                                                |                                                     |          |
| 1. Business<br>a. Encourage coordination among various business groups<br>b. Establish regular meetings with business<br>c. Assign Cabinet calls to key CEOs<br>d. Secure industry support for sectoral initiatives                                                             | a. USTR/DOC<br>b. USTR/DOC<br>c. WH<br>d. USTR | a. Ongoing<br>b. Ongoing<br>c. 5/5/97<br>d. Ongoing |          |
| 2. Agriculture<br>a. Meeting with agriculture leaders<br>b. Continue outreach to agriculture community<br>c. Discuss fast track at Senate Agriculture Committee hearing                                                                                                         | a. USTR<br>b. USTR/USDA<br>c. USTR             | a. TBD<br>b. Ongoing<br>c. 4/24/97                  |          |
| 3. Labor<br>a. Barshefsky meeting with John Sweeney on April 28<br>b. Meeting with UAW leadership                                                                                                                                                                               | a. USTR<br>b. USTR                             | a. 4/28/97<br>b. TBD                                |          |
| 4. Environment<br>a. Continue consultations with environmental community                                                                                                                                                                                                        | a. USTR/CEQ/EPA                                | a. Ongoing                                          |          |
| 5. Governors<br>a. Build-on NGA support for fast track                                                                                                                                                                                                                          | a. USTR                                        | a. Ongoing                                          |          |
| 6. Think Tanks<br>a. Maintain contact during this phase                                                                                                                                                                                                                         | a. USTR                                        | a. Ongoing                                          |          |

# CABINET LEVEL CONTACTS WITH HOUSE DEMS -- PROPOSED ASSIGNMENTS

| Member                  | Responsible | GATT | NAFTA | Fast Track (1991) | Fast Track (103rd) | Comments/Follow-up    |
|-------------------------|-------------|------|-------|-------------------|--------------------|-----------------------|
| Neil Abercrombie (D-HI) | CB by 5/9   | Y    | N     | N                 | N                  | Y-GATT, N-NAFTA       |
| Gary Ackerman (-NY)     | CB by 5/9   | Y    | N     | N                 | Y                  | Y-GATT, N-NAFTA       |
| Xavier Becerra (D-CA)   | CB by 5/1   | Y    | Y     | N                 | N                  | W&M/Hispanic Caucus   |
| Howard Berman (D-CA)    | CB by 5/9   | Y    | Y     | Y                 | Y                  | HIRC                  |
| David Bonior (D-MI)     | CB on 4/24  | N    | N     | Y                 | N                  | Leadership            |
| Bill Coyne (D-I·A)      | CB on 4/23  | Y    | N     | Y                 | Y                  | W&M                   |
| Peter Deutsch (D-FL)    | CB on 4/23  | Y    | N     | N/A               | Y                  | Requested mtg/New Dem |
| Rosa DeLauro (D-CT)     | CB by 5/9   | Y    | N     | Y                 | Y                  | Leadership            |
| John Dingell (D-MI)     | CB on 4/24  | Y    | N     | N                 | Y                  | Y-GATT, N-NAFTA       |
| Vic Fazio (D-CA)        | CB on 4/25  | Y    | Y     | Y                 | Y                  | Leadership            |
| Elizabeth Furse (D-OR)  | CB by 5/9   | Y    | N     | N/A               | N                  | Y-GATT, N-NAFTA       |
| Martin Frost (D-TX)     | CB by 5/9   | Y    | N     | Y                 | Y                  | Rules                 |
| Dick Gephardt (D-MO)    | CB on 5/7   | Y    | N     | Y                 | Y                  | Leadership            |
| Tony Hall (D-OH)        | CB by 5/9   | Y    | N     | Y                 | Y                  | Rules                 |
| Lee Hamilton (D-IN)     | CB by 5/9   | Y    | Y     | Y                 | Y                  | HIRC                  |
| Jane Harman (D-CA)      | CB on 4/23  | Y    | N     | N/A               | N/V                | Y-GATT, N-NAFTA       |
| Marcy Kaptur (D-OH)     | CB on 4/23  | N    | N     | N                 | N                  | Progressive Caucus    |

| Member                    | Responsible | GATT | NAFTA | Fast Track<br>(1991) | Fast Track<br>(103rd) | Comments/Follow-up                  |
|---------------------------|-------------|------|-------|----------------------|-----------------------|-------------------------------------|
| Sheila Jackson Lee (D-TX) | CB by 5/9   | N/A  | N/A   | N/A                  | N/A                   | Member suggestion                   |
| Bill Jefferson (D-LA)     | CB on 4/23  | Y    | Y     | Y                    | N                     | W&M/Black Caucus                    |
| Gerald Kleczka (D-WI)     | CB by 5/9   | Y    | N     | N                    | Y                     | W&M                                 |
| John LaFalce (D-NY)       | CB by 5/9   | Y    | N     | N                    | Y                     | Y-GATT, N-NAFTA/New Dem             |
| John Lewis (D-GA)         | CB by 5/9   | N    | N     | N                    | N                     | W&M; leadership; Black Caucus       |
| Karen McCarthy (D-MO)     | CB by 5/9   | N/A  | N/A   | N/A                  | N/A                   | New Dem                             |
| Jim McDermott (D-WA)      | CB on 5/7   | Y    | Y     | Y                    | Y                     | W&M                                 |
| Dave McNulty (D-NY)       | CB by 5/9   | Y    | N     | Y                    | Y                     | W&M                                 |
| Robert Menendez (D-NJ)    | CB by 5/9   | Y    | N     | N/A                  | N                     | Y-GATT, N-NAFTA                     |
| Joe Moakley (D-MA)        | CB by 5/9   | N    | N     | Y                    | Y                     | Rules                               |
| Richard Neal (D-MA)       | CB on 5/7   | Y    | N     | Y                    | N                     | W&M                                 |
| Solomon Ortiz (D-TX)      | CB by 5/9   | Y    | Y     | Y                    | Y                     | Hispanic Caucus                     |
| Earl Pomeroy (D-ND)       | CB by 5/9   | Y    | N     | N/A                  | N                     | Y-GATT, N-NAFTA/New Dem             |
| Tom Sawyer (D-OH)         | CB by 5/9   | Y    | Y     | Y                    | Y                     | New Dem                             |
| Jose Serrano (D-NY)       | CB by 5/9   | Y    | N     | N                    | N                     | Y-GATT, N-NAFTA; Hispanic<br>Caucus |
| David Skaggs (D-CO)       | CB by 5/9   | Y    | Y     | Y                    | Y                     | DSG                                 |
| Louise Slaughter (D-NY)   | CB by 5/9   | Y    | N     | Y                    | Y                     | Rules                               |
| Pete Stark (D-CA)         | CB by 5/9   | N    | N     | N                    | N                     | W&M                                 |

| Member             | Responsible | GATT | NAFTA | Fast Track<br>(1991) | Fast Track<br>(103rd) | Comments/Follow-up     |
|--------------------|-------------|------|-------|----------------------|-----------------------|------------------------|
| Bart Stupak (D-MI) | CB on 5/22  | N    | N     | N/A                  | N                     | New Dem; Requested mtg |

| Member                       | Responsible | GATT | NAFTA | Fast Track (1991) | Fast Track (103rd) | Comments/Follow-up       |
|------------------------------|-------------|------|-------|-------------------|--------------------|--------------------------|
| Tom Barrett (D-WI)           | BR by 5/1   | Y    | N     | N                 | Y                  | Banking; Y-GATT, N-NAFTA |
| Ken Bentsen (D-TX)           | BR by 5/1   | N/A  | N/A   | N/A               | N/A                | Banking                  |
| Steny Hoyer (D-MD)           | BR by 5/1   | Y    | Y     | Y                 | Y                  | Banking; leadership      |
| Joe Kennedy (D-MA)           | BR by 5/1   | Y    | Y     | Y                 | Y                  | Banking                  |
| Carolyn Maloney (D-NY)       | BR by 5/1   | Y    | N     | N/A               | N                  | Banking; Y-GATT, N-NAFTA |
| Lucille Roybal-Allard (D-CA) | BR by 5/1   | Y    | Y     | N/A               | N                  | Banking                  |
| Chuck Schumer (D-NY)         | BR by 5/1   | Y    | N     | Y                 | N/V                | Banking; Y-GATT, N-NAFTA |
| Bruce Vento (D-MN)           | BR by 5/1   | Y    | N     | Y                 | Y                  | Banking; Y-GATT, N-NAFTA |

| Member                 | Responsible | GATT | NAFTA | Fast Track (1991) | Fast Track (103rd) | Comments/Follow-up                                   |
|------------------------|-------------|------|-------|-------------------|--------------------|------------------------------------------------------|
| Scotty Baesler (D-KY)  | DG by 5/1   | Y    | Y     | N                 | Y                  | Ag; Blue Dog                                         |
| John Baldacci (D-ME)   | DG by 5/1   | N/A  | N/A   | N/A               | N/A                | Ag                                                   |
| Sanford Bishop (D-GA)  | DG by 5/1   | Y    | N     | N                 | N                  | Ag; Y-GATT, N-NAFTA                                  |
| George Brown (D-CA)    | DG by 5/1   | Y    | Y     | Y                 | Y                  | Ag                                                   |
| Eva Clayton (D-NC)     | DG by 5/1   | Y    | N     | N/A               | N                  | Ag; Y-GATT, N-NAFTA/Black Caucus                     |
| Gary Condit (D-CA)     | DG by 5/1   | N    | N     | Y                 | Y                  | Ag; requested mtg as follow-up to mtg with Blue Dogs |
| Bud Cramer (D-AL)      | DG by 5/1   | N    | N     | Y                 | N                  | Blue Dog                                             |
| Sam Farr (D-CA)        | DG by 5/1   | Y    | Y     | N/A               | Y                  | Ag; target of labor ads                              |
| David Minge (D-MN)     | DG by 5/1   | Y    | N     | N/A               | Y                  | Ag, Y-GATT, N-NAFTA                                  |
| Bennie Thompson (D-MS) | DG by 5/1   | N    | N     | N/A               | N/V                | Ag                                                   |

| Member               | Responsible | GATT | NAFTA | Fast Track<br>(1991) | Fast Track<br>(103rd) | Comments/Follow-up                  |
|----------------------|-------------|------|-------|----------------------|-----------------------|-------------------------------------|
| Rick Boucher (D-VA)  | BD by 5/1   | Y    | N     | Y                    | Y                     | Commerce; Y-GATT, N-NAFTA           |
| Julian Dixon (D-CA)  | BD by 5/1   | Y    | N     | Y                    | Y                     | CSJ Approps Subcom; Y-GATT, N-NAFTA |
| Gene Green (D-TX)    | BD by 5/1   | Y    | N     | N/A                  | N                     | Commerce; Y-GATT, N-NAFTA           |
| Ralph Hall (D-TX)    | BD by 5/1   | N    | N     | Y                    | Y                     | Commerce                            |
| Thomas Manton (D-NY) | BD by 5/1   | Y    | N     | Y                    | Y                     | Commerce; Y-GATT, N-NAFTA           |
| Glenn Poshard (D-IL) | BD by 5/1   | Y    | N     | N/A                  | N                     | Y-GATT, N-NAFTA                     |
| Bobby Rush (D-IL)    | BD by 5/1   | N    | N     | N/A                  | N/V                   | Commerce; Black Caucus              |
| Henry Waxman (D-CA)  | BD by 5/1   | N    | N     | N/V                  | N                     | Commerce                            |
| Al Wynn (D-MD)       | BD by 5/1   | Y    | N     | N/A                  | Y                     | Commerce; Y-GATT, N-NAFTA           |
| Sid Yates (D-IL)     | BD by 5/1   | Y    | N     | N                    | N                     | Y-GATT, N-NAFTA                     |

| Member               | Responsible | GATT | NAFTA | Fast Track<br>(1991) | Fast Track<br>(103rd) | Comments/Follow-up                      |
|----------------------|-------------|------|-------|----------------------|-----------------------|-----------------------------------------|
| Robert Borski (D-PA) | SB by 5/1   | Y    | N     | Y                    | Y                     | Y-GATT, N-NAFTA                         |
| Corrine Brown (D-FL) | SB by 5/1   | Y    | N     | N                    | N                     | Y-GATT, N-NAFTA/Black<br>Caucus         |
| James Clyburn (D-SC) | SB by 5/1   | Y    | N     | N/A                  | N                     | Y-GATT, N-NAFTA/New<br>Dem/Black Caucus |
| Bob Filner (D-CA)    | SB by 5/1   | Y    | N     | N/A                  | N                     | Y-GATT, N-NAFTA                         |
| Bill Luther (D-MN)   | SB by 5/1   | N/A  | N/A   | N/A                  | N/A                   | Sophomore/New Dem                       |
| Paul McHale (D-PA)   | SB by 5/1   | Y    | N     | N/A                  | N                     | Y-GATT, N-NAFTA                         |
| John Olver (D-MA)    | SB by 5/1   | Y    | N     | N                    | Y                     | Y-GATT, N-NAFTA, whip                   |
| Ed Pastor (D-AZ)     | SB by 5/1   | Y    | Y     | N/A                  | Y                     | Hispanic Caucus                         |
| Owen Pickett (D-VA)  | SB by 5/1   | Y    | Y     | Y                    | Y                     | Blue Dog                                |

| Member                  | Responsible       | GATT | NAFTA | Fast Track (1991) | Fast Track (103rd) | Comments/Follow-up                        |
|-------------------------|-------------------|------|-------|-------------------|--------------------|-------------------------------------------|
| Chet Edwards (D-TX)     | Richardson by 5/1 | Y    | Y     | Y                 | Y                  | whip                                      |
| John Murtha (D-PA)      | Richardson by 5/1 | Y    | N     | N                 | N                  | Y-GATT, N-NAFTA                           |
| Matthew Martinez (D-CA) | Richardson by 5/1 | Y    | N     | N/V               | N                  | International Relations; Y-GATT, N-NAFTA; |
| Bobby Scott (D-VA)      | Richardson by 5/1 | Y    | N     | N/A               | Y                  | Y-GATT, N-NAFTA                           |
| Estebban Torres (D-CA)  | Richardson by 5/1 | Y    | Y     | N                 | Y                  | Hispanic Caucus                           |
| Thomas Foglietta (D-PA) | MA by 5/1         | Y    | N     | Y                 | Y                  | For. Ops Approps. Subcom.                 |
| Sam Gejdenson (D-CT)    | MA by 5/1         | Y    | N     | N                 | Y                  | Int'l Relations                           |
| Lee Hamilton (D-IN)     | MA by 5/1         | Y    | Y     | Y                 | Y                  | Int'l Relations                           |

## CHINA MFN GAME PLAN

### Phase I: Present - POTUS Announcement

Summary: The POTUS announcement of an MFN waiver should probably be made mid/late May. Our goals in the interim are to (1) begin securing the support of Hill leadership and members; (2) set the MFN debate on our terms; (3) coordinate with business and other supporting interests; (3) prepare for the POTUS announcement; (4) prepare for any alternative MFN resolution(s); (5) mobilize elite opinion in favor of unconditional renewal; (6) put in place a press and lobbying effort that lays the groundwork for an even more intensive effort after June 3.

During this period, we will set the table for the POTUS announcement. We will commence the Hill whip process; begin Member briefings by Administration officials and outside validators; reach out to the Leadership to solidify support and discuss timing; gather information about the likely opposition strategy; complete a round of calls from each agency to Members and Senators and set up our vote count data base.

The communications effort, while not yet high profile, will include several speeches by Cabinet officials, some early backgrounders with key press, and much preparatory work. We will obtain the endorsements of outside validators, such as former Presidents and cabinet members, and prepare supportive letters and op-eds for circulation in the media and on the Hill. We are instituting regular meetings with supportive constituencies (especially business), while Administration officials touch base with other constituencies (Chinese dissidents; human rights groups) to elicit their support or at least non-opposition. Internally, we should finalize all documents (talking points, fact sheets), plan for the roll-out of the POTUS announcement, and continue to manage key substantive U.S.-China issues.

### Administration/Internal

- Finish Administration talking points (NSC/NEC) (April 28)
- Finish fact sheets and Q&A's (State/USTR/Commerce) (May 1)
- Develop positions/responses to alternative resolution proposals (State/USTR) (May 10)
- Start regular meetings (Ongoing)
  - MWF White House/Agency working group meetings (Kyle)
  - Weekly Interagency Congressional meetings (Brophy/Danvers/State)
  - Weekly Interagency Communications Meetings (NSC/State)
  - NSC/NEC Deputies meetings (as needed) (NSC/NEC)
- Develop information on China trade by state/district (Commerce/USDA) (May 5)
- Develop list of visits/speeches by foreign nationals (State) (April 28)
- Develop speaking calendar for Administration officials (Kyle/NSC/NEC) (April 29)
- Plan details for roll-out of POTUS announcement (Kyle/NSC/WH Comm.) (May 1)
- Develop list of events that might have impact on China MFN and monitor (State) (April 29)

## Congressional

- Generally (both Houses)
  - Begin Administration briefings with members, through ad hoc groups, committees, and caucuses (Brophy/State to make assignments) (Start immediately)
  - Commence "Dear colleague process" (State/Whip Group) (Start immediately)
  - Arrange Hill briefings with outside validators (State/WH Leg.) (Start mid-May)
  - Compete Agency to member calls; feed information to State for vote count data base (State) (Start immediately)
  - Opposition watch; gather intelligence about opposition strategy/strength (All) (Ongoing)
  - Enlist supporters to applaud POTUS announcement, as part of roll-out (WH Leg/NSC/Kyle) (mid-May)
- House
  - Start focused effort to shore up support of Gingrich/Armey (NSC/NEC/State) (Start immediately)
  - Initial calls to Gephardt, Bonior, Archer, Pelosi (WH Leg./NEC/NSC to assign calls) (April 29)
  - Senior Administration officials to meet with groups of targeted House members at White House (WH Leg./NEC/NSC) (to begin mid-May)
  - Develop special effort for House freshman (State/USTR) (April 30)
  - Begin discussions with Ways & Means on timing/nature of hearings on MFN (USTR) (April 25)
- Senate
  - Initial calls to Lott; Daschle; Roth; Moynihan (WH Leg./NSC/NEC to assign) (April 30)
  - Activate Senate staff supporters to compile early Senate vote count (May 5)
  - Identify remaining Senators needed for 50 votes (the best prospects) and develop targeted strategy for each (State) (May 15)

## Communications/Press

- Informally signal that POTUS will renew MFN (Ongoing)
  - Senior officials confirm he will renew in private Hill briefings
  - On background, senior officials indicate to press he will renew
  - On the record, indicate we will not scoop POTUS announcement, but we fully expect him to renew
  - Advise Hill, Trade and Business press that WH/Interagency Working group has been created
- Begin lower-key press briefings setting forth our message (NSC to assign) (Start early May)
- Develop speech calendar by Cabinet officials (Kyle/State) (April 30)
- Validators (to be completed by POTUS announcement)
  - Develop Op-ed strategy (NSC/State)

- Supportive letter by former Presidents (to be released around POTUS announcement)(NSC to assign calls)
- Letter from former Secretaries of State (State), NSC Advisors (NSC), Secretaries of Defense (DOD), Secretaries of Commerce (Commerce) and USTR's (USTR).
- Organize calls to other validators/influentials
- Other
  - Model Business Principles Award Roll-out (Commerce) (April 30)
  - Monitor Opposition Press (State) (Ongoing)

### Constituencies

- Assess level of Labor involvement (Podesta) (April 28)
- Assess environmental support/opposition (McGinty) (April 28)
- Taiwan/Hong Kong (NSC/State) (April 28)
- Business (WHPL/State)
  - Establish regular meetings (WHPL/Kyle/Larson) (Ongoing)
  - Reestablish Hill whip/business meetings (WH Leg./State) (by late April)
  - Early calls to key CEO's to establish Administration position/demonstrate support (Commerce) (May 5)
  - Develop other sectors (agriculture, financial services) (April 30)
- Think Tanks (State) (Ongoing)
  - Heritage Foundation
  - PPI
  - Citizens for Sound Economy
  - AEI
  - Brookings
  - Others
- Human Rights Groups/Dissidents (May 15)
  - Initial calls (one on one to human rights group leaders/activists (NSC/State)
  - Small group meetings at DOS (Shattuck/Larson/Schwartz)
  - Assemble list of groups/dissidents willing to support MFN publicly with possible Op Ed (NSC/State)

### Phase II: POTUS Announcement - Votes

The precise details regarding timing and substance for this period will need to be fleshed out in mid- May. Generally, we will need to finalize with the Congressional leadership the resolutions that will be considered on the floor, conduct increasingly formal whip counts, intensify Hill meetings with members and staff, pursue a more high profile communications strategy, involve the president, Vice President, senior Administration officials and outside validators as needed, and work in a very focused manner with allied constituencies.

RICHARD A. GEPHARDT  
MISSOURI  
DEMOCRATIC LEADER

H-204 U.S. CAPITOL  
202-225-0100

**Congress of the United States**  
**House of Representatives**  
**Office of the Democratic Leader**  
**Washington, DC 20515-6537**  
February 26, 1996

Dear Democratic Colleague:

Shortly, President Clinton is expected to request that Congress grant new fast track trade negotiating authority. I am writing to seek your support for a forward looking agenda that will ensure that future trade agreements promote progress in living standards, environment and human rights here in the U.S. and around the globe.

This is an important topic. Article One, Section Eight of our Constitution vests exclusive authority over international commerce in the legislative branch. In recent years, Congress has delegated more authority to the Executive Branch as our trade negotiating agenda has expanded beyond tariff and quotas issues.

However, delegating trade negotiating authority should not be an abdication of the important role that Congress has in this matter. The Constitution demands, and the American people — our constituents — expect that we will fight for their rights and interests in all venues. Any delegation of legislative authority over international trade that occurs should be based on a complete and thorough debate of the issues and a positive grant of authority.

In my view, the broad delegation of legislative authority involved in fast track isn't a privilege to be granted lightly: it has to be earned.

In 1991, I supported President Bush's request for fast track authority because I believed, as I do now, that we should seek to expand trade. We can't shy away from the world trading system. Exports support millions of jobs here in the U.S. We've got to continue our efforts to pry open foreign markets to ensure that American farmers, workers and businesses will have the opportunity to sell their competitive products abroad.

However, focusing on exports alone fails to recognize that our nation's trade deficit has reached historic levels fueled by an increasing flood of imports. Too many ideologues of the old status quo are not willing to address the impact of imports. The fact is that imports are having a tremendous impact on U.S. jobs and living standards. Last year, our nation's trade deficit reached a new record with a \$166.6 billion deficit in goods. Many Americans see themselves as victims, rather than beneficiaries, of recent trade agreements.

As well, many of our nation's corporations are using the pressure of international competition and the threat of moving jobs out of our country to limit wage and salary increases and as a tool in fighting union organization efforts. During the debate over NAFTA, a Wall Street Journal poll of executives found that a majority of executives from large companies intended to shift some production to Mexico and that a large number intended to use NAFTA "as a bargaining chip to keep down wages in the U.S." This trend continues: A recent survey provided to the U.S. Department of Labor found that in more than half of union organizing drives

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We must not negotiate away our jobs and our living standard based on outdated theories and assumptions about trade and international economics. Defenders of the status quo seek to define the debate on trade as being about either protectionism or free trade. Labels denigrate the debate and short-sell the interests of our people. What's needed is an honest debate about the real issue. We need a debate about the facts and our future, not motives and past theories.

The debate should be about how we continue the process of economic integration in a way that is truly a force for progress for all involved. We must continue to provide U.S. leadership without selling out average Americans who work hard, play by the rules and simply want a fair chance to succeed.

We must be unwilling to compromise or negotiate away the economic interests of our people. According to a recent survey, the public is growing increasingly frustrated with trade treaties and agreements which a majority believes are sacrificing our jobs, opportunity and economic future based on elite establishment projections that, in the long term, we'll all be better off. Used in this way, the long-term is simply a debating point: a point in time that may never come.

The primary focus of the current debate over fast track negotiating authority is the goal of expanding the North American Free Trade Agreement (NAFTA) first to Chile and, ultimately, throughout all of South and Central America.

During the debate over NAFTA, I traveled around my District and across the U.S. talking to farmers, workers and businesspeople to understand what competitive pressures faced our country. I visited Mexico several times to see for myself what was happening on the ground. I flew to the U.S. side of the border and drove across unannounced so that I could get an unvarnished view. I talked to hundreds of average people. I walked through scenes of environmental and health devastation. I knocked on the doors of many companies asking to see and understand their operations. I didn't want to rely simply on statistics or theories. I wanted to *really* understand what was necessary for everyone to benefit.

I supported fast track in 1991 because I believe that we needed a NAFTA. We can't ignore Mexico. Closing off our borders isn't an option. The question then, and now, is how do we make NAFTA a real force for progress. How do we ensure that an agreement promotes, not undermines living standards, health and safety for all our people. I believed that it was in the deep self-interest of the U.S. to reach an agreement that addressed the issues in a way that would promote fundamental, long-term change.

Recently David Bonior and I had the opportunity to visit Mexico to review first hand the results of NAFTA. Rather than improving conditions, the NAFTA has validated Mexico's system of labor relations, wage setting mechanisms and environmental enforcement that has damaged the standard of living, health and safety of the Mexican people. We saw 21<sup>st</sup> century technology combined with 19<sup>th</sup> century living and working conditions. The wages and living conditions of average hard-working Mexicans haven't improved. They've declined. Real manufacturing wages are now 25% lower than they were when NAFTA began.

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Since 1980, real manufacturing wages have dropped by about 50%. Everyone clearly agrees that real wage declines have accelerated due to the peso crisis. However, it's important to recognize that real wages were stagnating prior to the peso crisis while at the same time worker productivity continued to grow. Workers simply aren't being compensated in relation to their efforts. The peso crisis exacerbated the real wage declines but the problem of inadequate compensation has much deeper roots in the Mexican economic and legal system.

There has been a tremendous increase in the number of maquiladora plants and an almost 50% increase in the maquiladora work force along the border since NAFTA began — plants that are almost exclusively created to send their exports into the U.S. During the 1993 debate on NAFTA's passage, proponents in Mexico and the United States said that NAFTA would eliminate the incentive to create maquiladoras. Investment in maquiladoras in the state of Baja California has surged by more than 35% over the past year alone. Since the start of NAFTA, hundreds of thousands of jobs have been shifted to maquiladora plants. These jobs pay wages on which it's almost impossible to raise a family. We met family after family who said that they simply couldn't make ends meet — a gallon of milk costs almost three hours of wages. One mother told me her children were lucky if they got to drink milk once a week. Almost everyone in the family is forced to work simply to get by.

Mexican workers are viewed simply as producers, not consumers. Many of the maquiladoras experience turnover rates of 100% or more. As wage increases are virtually nonexistent, workers have little recourse — many act like economic nomads going from plant to plant hoping for the slightest advantage to survive. Some return home. Many decide that the only ticket to a better life is to cross the border into the U.S. No one can live on much more than a survival basis working in these plants.

We drove by industrial parks where the companies continue to dump their toxic wastes at night into the rivers where people bathe. We saw furniture plants using highly toxic solvents and finishes that once operated in California and throughout the U.S. which had moved to Mexico because, as the General Accounting Office pointed out, of lax environmental enforcement. We revisited an abandoned lead recycling facility that I had visited on an earlier trip to the area. Tarps now covered the huge mounds of waste, yet nothing has been done to really clean up the site. Just feet away a dairy farm continues to operate. The milk from these cows is drunk by the kids in the area — those that can afford it. High blood levels of lead continue to plague the surrounding communities.

Not only have things not improved in the border area, but since NAFTA they've gotten worse. The only positive sign for me was that the Mexican people continue to have hope. They are proud people who simply want a chance to provide for themselves and their families. While the border is only miles away, and it beckons far too many people, most want to stay in Mexico because they love their country. Yet, many find that the pressures of daily life along the border and throughout the country are too great. Countless people continue to cross the border into the U.S. every day with the hope of a better life.

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Some are pointing to the fact that we need to recognize the impact that the peso crisis has had in Mexico. I agree that the impact has been devastating. But, the negative trends under NAFTA in our trade balance and in real wages for Mexican workers were in place before the peso crisis hit. Months before the December 1994 peso crash, the U.S. trade surplus with Mexico had already turned into a monthly deficit. And, as I wrote to the President before the peso crisis occurred, the crisis was foreseeable. I warned, as many others did, about the overvalued peso and the threat to our economy that would result if the issue was not dealt with during the negotiations.

Some are also highlighting the repayment of the billions of dollars in loans that we made to Mexico as part of the peso bailout as a real sign of success. Clearly, we're all pleased that Mexico has refinanced these loans. But let's recognize that Mexico has repaid this loan in two ways. First, they've shifted some of their borrowing to other countries. Second, we ran a more than \$16 billion trade deficit with Mexico last year alone and have amassed more than \$33.6 billion in trade deficits with Mexico since the peso crisis began. In other words, many American workers have repaid Mexico's loans with their jobs and living standard.

As I said, I supported President Bush's request because I believed that we should seek to negotiate new trade agreements that expand opportunity. I spent several months negotiating with President Bush and his Administration about what our objectives should be. I believed then, as I believe now, that President Kennedy was right when he said in his first inaugural address: "Let us never negotiate out of fear, but let us never fear to negotiate." I'm confident that if we understand and fight for our objectives, we can reach good new agreements.

But there is a key difference between the debate in 1991 and today. In 1991 we were dealing with abstract ideas. Now we have had three years of real life experience under a specific set of rules embodied in the NAFTA. I believe that it would be a fundamental mistake to simply extend the current NAFTA. It simply isn't working.

### **Why isn't NAFTA working?**

The single biggest flaw in the NAFTA was its failure to adequately address industrial relations — the right to strike, the right to organize and the right to freely associate. We've seen clearly that the failure to adequately enforce such core labor laws in Mexico means that Mexican wages have failed to rise. Nationally, wages are basically capped under the agreement known as "El Pacto." Additionally, as numerous workers in Tijuana told David Bonior and me recently, the maquiladora owners also privately set minimum and maximum wages so that they don't compete for workers on this basis.

While U.S. businesses were able to demand a provision in the NAFTA that requires that Mexico enforce its intellectual property laws, and is able to use trade sanctions, criminal penalties and impoundment of goods to enforce these measures, there is no similar provision for enforcement of Mexico's labor laws or, for that matter, Mexico's environmental laws. Thus, if Mexico's failure to enforce its labor laws results in Mexican worker wages being held down and their rights abrogated, there is little that we can do other than complain. So far, the few complaints that have been brought under the labor side agreement have made little or no impact.

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Five cases concerning Mexico have been brought under the labor side agreement for labor violations in Mexico. As a result of these cases, no union has been recognized in Mexico. There has been no noticeable change on the ground. Take for example the cases at General Electric in Ciudad Juarez or Honeywell in Chihuahua where workers were fired trying to organize independent unions. Those unions remain unrecognized. Those workers have not been reinstated.

The workers that David and I talked to told stories very similar to the ones we heard during the NAFTA negotiations. Worker after worker told us how there was no ability to try and fight for better working conditions. If you complained, you were fired. Many told how the maquiladora owners kept lists of "problem" employees who were blacklisted because of their complaints. Many are arrested for their activities on trumped up charges.

Several workers told us they didn't even know if there was a union contract or, if there was, they had no idea who their union representative was. The union was a sham, but there wasn't anything they could do about it.

If we don't have an effective way of addressing this problem, Mexican workers aren't going to get a fair deal. They won't be fairly compensated for their hard work. We won't create and expand the middle class that can buy our products and alleviate the downward pressure on our people's wages. Labor rights is a trade issue. It has an impact on Mexican workers and our workers. The only truly effective way of dealing with this issue is being able to resort to trade sanctions if all else fails.

The promise of NAFTA was to be greater opportunity and increased standards of living in all three countries. That has not been the case. If Mexican workers can't bargain for higher wages, they won't expand the middle class that can purchase U.S. products. Indeed, since NAFTA, the percentage of Mexicans considered "extremely poor" rose from 31% in 1993 to 50% in 1996. Two out of three Mexicans now report that their personal economic situation is worse than before NAFTA. And, the downward pressure on our wages will continue.

As we seek to ensure adequate enforcement of labor laws, we need to seriously examine the need to provide for cross-border organizational rights for our labor organizations. Because of government dominated labor movements, coercion, and inadequate enforcement structures, it may be that the situation could be materially improved through the assistance of U.S. or other international labor organizations. As our businesses are able to form new alliances and have access to the enforcement process, our labor unions should have the same rights as well.

In the area of the environment, the increase in post-NAFTA border production has increased the border population and industrial and toxic emissions and waste. Yet, the promised improvements to the existing serious border health and environmental damage have not occurred. The NAFTA environmental side agreement is simply inadequate to the task.

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To date, less than a handful of projects have been approved for funding by the NADBank and through the BECC. While projects have languished before these organizations, the health and safety of people on both sides of the border deteriorates. These organizations must begin to really fulfill their intended purpose and focus on the needs of the people live on and near the border — not just companies that are seeking to have their costs underwritten and defrayed by public funds.

We also need to be able to fully understand the potential impact of future trade agreements on the world's environment. We must carefully balance economic development and environmental protection. To do this, we must have complete environmental impact statements conducted as negotiations proceed.

I am unwilling to support new trade negotiations that do not address these fundamental flaws by including labor rights and the environment as chapters in the core of the agreement equal in stature and force and linked to provisions on investment and trade. And, such labor and environmental provisions must be fully enforceable with access to trade sanctions where necessary. Access to the enforcement process for average citizens and non-governmental organizations must be provided. Transparency throughout the process must also be assured.

These issues must not be covered in separate side agreements that can later be rejected by the Republicans, but as integral parts of the agreement itself. For me, this is not negotiable. Trade, labor and the environment are inextricably intertwined. Trade agreements should not become vehicles to undermine progress in these important areas.

### Scope of authority

Over the past four years we have signed more than 200 new trade agreements — NAFTA and the GATT among them. While I support expanding our export opportunities and enhancing the rules of trade, I do not believe that a case has yet been made for broad fast track authority.

Last year I joined with then Secretary of Commerce Kantor and Senator Hollings in calling for dramatically expanded trade monitoring and enforcement capabilities. It was my belief — and continues to be my belief — that we should seek to capitalize on and learn from existing trade agreements before we haphazardly seek to engage in new negotiations simply for the sake of negotiating.

In the first six months of its operation the trade monitoring and enforcement unit at the Department of Commerce has already begun to root out substantial problems in the carrying out of our trade policy. I commend the Department for its attention to this area. It would be unwise to proceed in new areas before we understand what has and hasn't worked.

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Accordingly, I believe that we should limit any grant of fast track authority — if the issues that I have raised are addressed — to bilateral negotiations with Chile or to remedy the flaws in the NAFTA before we proceed on any accession agreements. Indeed, our former colleague Bill Richardson, now serving as U.S. Ambassador to the United Nations, and I introduced Chile-only fast track legislation in 1994. While the legislative language is out-of-date, the approach of moving forward only with Chile, with significant changes from the 1994 NAFTA, should be the basis for any new trade negotiating authority. This proposal, and one I made later that year, provided trade negotiating authority while including significant procedural safeguards to protect Congress' interests.

I have been frustrated by the Administration's reluctance to provide factual analysis on our trade agreements and ongoing negotiations. Let me give you a few examples. Authority is being requested to expand NAFTA even before the congressionally-mandated July 1997 review is complete. I requested that the International Trade Commission do an analysis of the potential impact of allowing China to join the World Trade Organization. The ITC refused this request. As well, I requested that the USTR endorse my request, as provided for under current law, to force the ITC into acting. My understanding is that the USTR wants to limit the scope of the ITC's examination of these issues. Our Department of Labor has not released the survey it commissioned, which I mentioned earlier, that shows how companies are using the threat of moving jobs out of the country to limit union organizing success. There are many other areas where the debate is not being joined or is being stifled.

A case has not been made for providing trade negotiating authority in an open-ended way. That would be an overly broad delegation of Congressional power. Let's review where we are, what's been accomplished, and what needs to be accomplished before we provide broad trade negotiating authority. I believe that there will be broad bipartisan support on this point.

#### **Upward Harmonization:**

Our first step in reaching new trade agreements must be to require that all signatories enforce their basic laws. We should expect that as we engage in negotiations, the rule of law that a country has on its books — in its Constitution, statutory and regulatory manifestations — be fully enforced.

But this is the starting point, not the end, of our efforts. I commended the Mexicans during the negotiations for many of the laws that they have had on their books — especially those represented in Article 123 of their Constitution pertaining to basic labor rights. The first and most fundamental problem we faced, and continue to face, with Mexico is inadequate enforcement.

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Chile, on the other hand, has not made similar progress in terms of its basic body of labor laws. While Chile's efforts at democratic and political reform deserve our recognition and support, Chile's progress in advancing labor rights has fallen short of the mark. The labor law put in place during the Pinochet dictatorship remains in effect, thwarting organizing efforts. Large groups of Chilean workers are effectively barred from being able to engage in collective bargaining: rural, forestry, construction, and fisheries workers. Where the Chilean labor law even allows contracts to be collectively negotiated, they are limited in scope to plant or enterprise bargaining with a ban on industry-wide organizing.

It's important to recognize that President Frei's government has offered a number of important labor law reforms that would improve Chile's legal foundation. But these reforms have been blocked by business interests and the Pinochet faction in the Chilean Senate. A precondition for reaching an agreement with Chile should be the passage of these and other reforms. As we have demanded that other countries improve their intellectual property protection laws prior to entering into agreements with them, we should require the same approach with regard to labor laws.

There also are improvements necessary in Chile's environmental laws. The most glaring problem is that regulations have yet to be issued to implement Chile's 1994 environmental law. In a resource rich economy where four categories of natural resources — agriculture, forestry, fisheries, and mining — comprise 80% of all exports, this is a fundamental problem.

Clearly Chile has made great strides in advancing democracy — strides that I and many others applaud. We need to work towards further enhancing and deepening the progress that has been made. We have the opportunity to reach a good agreement with Chile. But, before we sit down at the bargaining table, we have an obligation to consider what a "good agreement" really means. And we have a right to say to the people of Chile: we'll start a new trade partnership — but not if it means trading away our values. Not if it means lowering our labor and environmental standards or standard of living, instead of raising yours.

Let's recognize that what we're talking about is comprehensive economic integration between our countries: This is more comprehensive than the average trade agreement which simply don't address these important issues. We're talking about a form of economic marriage. As such, we can, and must, expect to have a comprehensive discussion of these issues. If the agreement is to be a force for progress, it must address more than minimal standards. It has to ensure that the opportunity growth and economic advancement are possible. If we limit the debate by failing to address all the important issues we put our people's standard of living at risk.

During the NAFTA negotiations I and many others were told that we would be able to change the agreement once it had been signed into law. We were told that a process existed that would allow for negotiation and renegotiation of various changes.

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This was essentially a false promise. The ability to achieve results exists during the negotiating phase — not afterwards when our negotiating leverage has been lost. Rather than set an arbitrary deadline for completing negotiations, or being willing to accept a less than desirable result, we should remain at the negotiating table, or be willing to leave that table, if our national interests aren't furthered by the text of the agreement.

But in addition to the changes that should be made as part of any agreement, we need to recognize that further upward harmonization is necessary in labor and the environment and other important areas. We need to find a process that will ensure further progress, over time. A process that ties further trade liberalization — possibly within the context of the agreement — to other important improvements would further our interests in these vital areas.

### **Monetary Flows:**

I pointed out earlier that I and others had raised during the NAFTA debate the threat that a devaluation of Mexico's peso could have on the U.S. and on the potential benefits that could result from any trade agreement with Mexico. Terms to counter major current fluctuations is an appropriate area for negotiation as part of any trade agreement.

During the peso crisis Administration officials pointed out the contagious effect that Mexico's problems could have on world financial markets. They pointed out that currencies and markets around the globe — from the Thai baht to the Italian lire — were effected. The bipartisan leadership on both sides of the Capitol supported the President's call for action.

But that call for action might have been avoided had we been aggressive with Mexico in addressing their economic policies during the course of the NAFTA debate. We must not allow this mistake to be made again. Congress' reluctance to support the peso bailout was a harbinger of future reluctance. The international financial system is not yet fully equipped to deal with a similar threat in the future. New trade agreements must address the issue of capital flight and currency stability.

### **Why must certain issues be covered in the core of the agreement**

Coverage of labor and environmental issues must be included as a chapter in the core agreement, rather than included as side agreements as was done in NAFTA. Given the expansion of the impact of trade disciplines into the realm of domestic standards, coverage of labor and environmental issues is now as important to the success of a trade agreement as "traditional" trade issues.

A number of Republican members have indicated that they are willing to allow the commercial components of a trade agreement to be considered under fast track, but that other issues — labor and the environment and possibly others — might be subject to amendment. We cannot allow for some issues to be considered under procedural rules favoring passage and others under more cumbersome procedures. These Republicans want to try to delink labor and environmental issues from the trade agreement. This is simply unacceptable.

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It's important to understand that any changes to the core agreement would require symmetrical changes in other countries. If we were to accept coverage of labor and environment and other issues under side agreements and these provisions were not agreed to by either the U.S. or other countries, the core of the agreement could still stand. Only by including these issues in the core of the agreement can we ensure that they will either be part of the law, or the entire agreement will fail. The rules of the game must be as fair and effective for our workers as for our patents.

### **Human Rights — Rule of Law**

The adequate protection of human rights should be a basic standard we apply to our trade relations with any country. Our basic values and interests should not be auctioned off to the highest bidder. The moral leadership of the United States has acted to promote change around the globe. We must not debase this basic interest.

It's also important to understand that advocacy of human rights promotes, not undermines, our economic interests. A country that does not protect human rights does not afford its people the ability to demand fair compensation for their efforts. The result is that we fail to lift up the standard of living of people in other countries. This means that we are not expanding the class of consumers who can purchase our exports and we are putting downward pressure on our living standard simply to compete.

Our business community also needs to understand that promotion of human rights is a question of the rule of law. A country that fails to enforce its laws in this important area may refuse to adequately enforce its laws that protect our business interests as well. We have clearly seen this in China where the disdain for the basic rule of law as it relates to human rights has a parallel in China's failure to adequately protect intellectual property, failure to adequately abide by its market access commitments and its failure to follow the rule of law in many other areas.

### **Trade in narcotics**

I believe that we must address narcotics flows as part of any future trade negotiations. As we seek to enhance the flow of goods and services through easier access between and among our trading partners, we must recognize the risk of increased drug trafficking. As we ease the way for products to come to our shores, we increase the ability of drug traffickers to take advantage of relaxed customs procedures.

It's appropriate and, indeed, vital that we address this issue as part of our trade negotiations. Failure to aggressively address this issue will undermine our ability to stem the flow of drugs. We've already seen the impact of the failure to address this issue as part of the NAFTA. Estimates indicate a dramatic rise in the drug trade with Mexico.

Clearly enhancing economic opportunity in other countries through greater trade will help to ease the pressure on the population to engage in drug production and trafficking as growth and opportunity rise. But it would be naive to believe that this will occur quickly and that there will be a wholesale replacement of the financial benefits in the drug trade.

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Drug use by our nation's children is on the rise. While we must do all that we can to reduce the demand for drugs here in this country, we must also take advantage of every opportunity to reduce the supply of drugs. This is not a problem to be swept under the rug.

### Transition

The American people know that our future lies in expanding economic engagement, not shying away from it. Given fair trade rules, American farmers, workers and businesses can out compete anyone.

But even with further economic integration under fair rules, we've got to recognize that there will be a price to pay for some Americans. While observers focus on the big winners, as elected public officials, we've got to focus on making ordinary people winners as well.

During the NAFTA debate I argued strenuously on this point. On two occasions I invited officials from the European Union to meet with me and other members of the Democratic Caucus to learn how they had addressed the integration of Spain, Portugal and Greece into the EU. To this day, the EU continues to focus on structural adjustment issues as a vital public policy issue. Since the integration of these countries into the EU, well over \$100 billion has been spent on integration efforts. The leaders understood the need to seriously address the impact of integration and address any dislocation or disruption in the economy. Clearly, any program we look at would, at best, only spend a fraction of this amount, but it's clear that we just haven't been serious about this issue. We need to have a comprehensive debate about this issue.

To date, over 109,000 people have been certified for NAFTA Trade Adjustment Assistance benefits. Many, many more were disqualified because of the difficulty in qualifying for assistance. And, many others never applied because of inadequate information or understanding about the current program. And, the program needs to be expanded to increase individual eligibility and to cover firms that need assistance as well. Employees should not have to relocate themselves and their families because their firm and community has been adversely affected — we should also find ways of helping firms shift their focus to new product lines and endeavors so that we prepare for change, rather than protect against it.

In the past, transition assistance here in the U.S. has been an afterthought rather than an integral part of our trade policy formulation. This is a fundamental mistake. If we are to build public support for further trade expansion efforts we've got to seriously address this issue.

I believe that now is the time for a comprehensive trade adjustment assistance program to be put in place that will provide the foundation for any future trade expansion efforts. We must not allow future trade agreements to proceed without an adequate transition program being adopted that is directly linked to the consideration of the trade agreement in Congress.

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### Foreign Corrupt Practices

At the Miami Summit of the Americas in December, 1994 the issue of foreign corruption was highlighted. Former Commerce Secretary Mickey Kantor spent a great deal of effort highlighting this issue and seeking to promote positive solutions.

Across the globe U.S. business interests are prohibited from offering bribes or engaging in other corrupt practices, rightfully so, to expand their business interests. Rather than handcuffing our businesspeople as they seek to do business, we need to aggressively seek ways to rein in foreign corrupt practices that seek to pit one business against another to win a contract. Future trade agreements must seek to address this issue.

### Length of authority

If trade negotiating authority is to be granted, it will essentially be a contract with President Clinton as to what powers and authority are delegated to him and his administration by Congress. While I believe that this grant should be as specific as possible, we must recognize that the authority will also depend on the intent and beliefs of the President.

Accordingly, I believe that Congress should be extremely reluctant to grant fast track authority beyond the current term of the President. Each President should have to make his or her case to the Congress and the American people as to how the authority is to be used.

### Conclusion

I know that this letter is long, but the issues are important and complex. And, believe it or not, there are many other trade-related issues that demand attention — the treatment of indigenous peoples, and money laundering to name just two.

We need to have an engaged national debate on these issues in the country, not limit them to the back rooms in Congress. I hope that you will join with me in this debate so that we can ensure that future trade agreements enhance opportunity for all our people.

We must not be bound by arbitrary deadlines or the threat of lost opportunities. The United States is still the most open market in the world. And, it is the most desirable consumer market. We should be willing to use the leverage of access to our market to ensure that the rights and interests of our farmers, workers, businesses, public health and the environment are advanced, not undermined, by economic integration. I'm confident that an open, honest debate can yield positive results here at home and around the world.

Sincerely,



Richard A. Gephardt  
House Democratic Leader