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GENE B. SPERLING

Assistant to the President
for Economic Policy

FAST TRACK
BRIEFING BOOK

SEPTEMBER 1997

October 10, 1997

INFORMATION

MEMORANDUM FOR GENE SPERLING
DAN TARULLO

FROM:

BOB KYLE *Bob Kyle*
LINDA EDDLEMAN
ERIC BIEL *1*

SUBJECT:

Labor/Environment Commitments to Sen. Daschle

Attached is a draft summary of the labor/environment commitments we made to Senator Daschle as part of our discussions in early September. Daschle's staff has asked to meet with us next Wednesday to discuss these and presumably review a draft. Could you please review these before then and give me any thoughts.

We have not discussed how and when this might be rolled out. Therefore, I have not attached a cover letter or other transmittal document. We should discuss these issues soon as well.

ATTACHMENT: ADMINISTRATION INITIATIVES ON ENVIRONMENTAL AND LABOR ISSUES

Environmental Issues

A. World Trade Organization (WTO): Transparency and Openness

This Administration has long been committed to improving the transparency of WTO activities and the openness of WTO proceedings and we will be continuing our active pursuit of these goals in the coming year. First, to demonstrate the significance we attach to this issue, the Administration's fast track bill included a principal negotiating objective of achieving the observance of open and equitable procedures by U.S. trading partners and WTO members. The Ways and Means and Senate Finance bills both contain a similar provision. Second, we will present our transparency objectives at a meeting of the WTO General Council (the WTO's governing body) before the end of the year. Third, we will adopt increased transparency, openness and public participation as priority objectives for the mandated review of the WTO dispute settlement rules and procedures that must be completed by WTO Members by the end of 1998.

The specific objectives that we will pursue in support of greater openness and transparency include:

- Advocating consideration by WTO panels and the Appellate Body of *amicus curiae* submissions from non-governmental interested parties in dispute settlement proceedings that involve environmental and conservation issues.
- Seeking to open WTO dispute settlement panel and Appellate Body proceedings to the public.
- Providing for more timely public access to dispute settlement documents, including through electronic means, to enhance the ability of non-governmental representatives to provide their input and expertise.

In addition, we will work to ensure that similar transparency and openness provisions are included in future trade agreements -- whether multilateral, regional, or bilateral -- that contain dispute settlement provisions.

B. WTO: Eminent Persons Group

We strongly support efforts to improve the understanding of how environmental considerations relate to GATT/WTO rules and principles. We believe that establishment of an "eminent persons group" can advance that process significantly and help establish the groundwork for further initiatives in this area. To that end:

- We will propose that the WTO Director General convene a group of eminent persons, to include independent experts in the fields of trade and the environment, to formulate options for the WTO Committee on Trade and Environment to consider with respect to the issues on its agenda.
- We anticipate that the issues this group could focus on would include: the interpretation of GATT Articles III and XX with respect to environmental matters; the relationship between trade measures in international environmental agreements and WTO rules; and the relationship between trade disciplines and "ecolabeling" provisions and proposals.

C. Improving the Operation of the NADBank and BECC

We are committed to improving the effectiveness of the North American Development Bank (NADBank) and the Border Environmental Cooperation Commission (BECC), established in 1993 to develop and finance environmental infrastructure projects. We are encouraged by plans to approve financing by the end of this year for important wastewater treatment projects for the major border cities of Tijuana and Juarez. We intend to work closely with the BECC and NADBank to ensure implementation of the work plan they have developed to accelerate project development -- under which they have identified more than 30 projects with a total cost exceeding \$500 million.

Secretary of the Treasury Rubin and EPA Administrator Browner are determined to ensure that these institutions effectively address border environmental problems; toward this end they will concentrate on making infrastructure financing affordable to poor communities and on speeding the pace of project development. For example:

- The NADBank is establishing co-financing arrangements with U.S. and Mexican grant programs to address the needs of poor communities along the border, and recently entered into a cooperative agreement with the EPA establishing a Border Environmental Infrastructure Fund to provide access to up to \$170 million in EPA grants.
- The NADBank also is developing a plan, in conjunction with the State Revolving Funds in states along the border, to help smaller communities access the tax-exempt bond market through the establishment of reserve funds for debt servicing.
- In cooperation with the EPA, the BECC is preparing to commit and disburse up to \$10 million to communities by the end of this year under its Project Development Assistance Program. Once existing resources are committed, the BECC and EPA are prepared to infuse additional funding into this program.

- We will pursue additional resources for the NADBank's Institutional Development Program -- which already has approved \$1.8 million and plans to double in size -- to help border communities operate their water, sewage, and solid waste management services more efficiently.
- We will seek additional appropriations of \$100 million annually for the EPA border grant program in FY 1998-2001, with these resources to be combined with NADBank loans to provide affordable financing packages for border environment infrastructure projects.

In addition to the above measures, in an effort to expedite the process of approving small projects proposed by smaller border communities, the following steps will be taken:

- Small projects (typically those costing \$100,000 or less) will be eligible for expedited processing, provided they are sponsored by an appropriate Federal or state agency (e.g., the Texas Water Development Board).
- Similar projects that meet the BECC/NADBank requirements for project quality and review will be considered for certification as a group and financed through a NADBank line of credit with an appropriate Federal or state agency.
- BECC/NADBank will establish a new program to assist residents in poor communities finance residential hook-ups of water and wastewater services by providing lines of credit (through a public utility or other intermediary) to fund the costs of such services.

D. International Financial Institutions (IFIs)

We intend to build upon and expand our efforts to promote incorporation by the IFIs of the full range of environmental issues into their operations and promote a greater flow of resources to environmental projects. In an effort to achieve these goals, the following specific steps will be taken:

- Secretary Rubin will propose that the Inter-American Development Bank (IDB) create an independent advisory committee comprised of senior IDB officials, representatives of non-governmental organizations, and others to examine environmental issues arising from prospective operations and to make specific recommendations to the IDB.
- We will press for significant increases in direct lending for environment and natural resources management projects (in the IDB such funding rose to \$815 million in 1996 due in large part to our advocacy) and for a higher share of lending to be dedicated to these projects.

- We will continue to scrutinize closely the effectiveness of public information disclosure for environmentally sensitive projects to ensure compliance with the Pelosi Amendment, focusing on the required advance consultation with affected and interested persons.
- We will examine closely the practices of the independent inspection panels established to examine alleged non-compliance with established policies and propose improvements to this process, as required.
- We will pursue vigorously international support for our proposal to create a \$250 million fund that would provide below market rate loans to finance environmental initiatives.
- We will continue to urge the IMF, in its program design and annual consultations with members, to consider the link between the environment and economic policy choices.

Labor Issues

In the labor area, the Administration supports a range of initiatives designed to strengthen the respect for internationally-recognized labor standards. We already have taken a number of important steps to broaden international respect for the right to organize and bargain collectively; freedom of association, and prohibitions on forced labor; exploitative child labor; and discrimination in employment. The list of measures that follows illustrates our commitment to address worker rights issues aggressively in a variety of different ways.

A. Benchmark Review of Future Free Trade Agreement (FTA) Partners

The Administration has set out a series of commitments to ensure that we consult closely with the Congress on any plans to initiate future free trade negotiations. One important element of this plan is our commitment to make certain that Members of Congress and the public are informed of the laws, practices, and economic conditions of each prospective FTA partner. To advance this effort:

- We will undertake a “benchmark” review of the laws and policies of each such country when an agreement is brought back for congressional approval. This review will include an evaluation of the country’s legal system, trade laws and practices, labor laws and practices, environmental laws and practices, macroeconomic policies and conditions, and other relevant conditions. We will provide the report to the Congress, and also will make it publicly available.

B. Labor Department Review of the North American Labor Agreement

We believe that a greater understanding of the labor conditions in our NAFTA partners will both build on the work already being done under the North American Agreement on Labor Cooperation (NAALC) and, at the same time, strengthen the NAALC's own effectiveness on addressing relevant labor issues. To aid in this objective:

- The Department of Labor will produce an annual report reviewing the operation of the NAALC, including a survey of major issues arising under the Agreement, the proceedings and actions brought by the parties, and the steps being taken by our NAFTA partners to conform to the findings in any cases brought under the Agreement.

C. International Financial Institutions (IFIs)

The Administration will undertake a series of measures designed to enhance the U.S. leadership role in pressing for incorporation of worker rights issues into the planning and programs of the IFIs. Our goal in this regard is to ensure that program countries take all steps possible to guarantee worker rights and adopt fair labor practices and standards. The following measures will help enhance attention to these issues within the U.S. Government, secure a greater international focus on worker rights issues, and heighten the priority given to worker rights issues by the IFIs:

Ensuring International Focus on Worker Rights Issues

- The Administration believes the U.S. should continue to heighten attention to this issue. To that end, Secretary Rubin highlighted [the need to place greater emphasis on core labor standards] in his recent speech at the World Bank/IMF Annual Meeting in September. He will continue to do so in appropriate fora.
- We will propose a summit meeting of the presidents of the IFIs and the Director General of the ILO to reinforce the commitment of the institutions to working closely together.

Enhanced Focus Within the Administration

- In consultation with Secretary of Labor Herman, Secretary of the Treasury Rubin will propose formation of an interagency team -- including the Departments of Labor, State, and Commerce -- to explore international worker rights issues more broadly and examine ways to incorporate these issues more systematically into the work of the IFIs.

Heightening the Priority given by the IFIs to Worker Rights Issues

- We will actively promote our proposed joint World Bank-IMF conference on worker rights issues to pursue explicit commitments to make tangible progress in the IFIs on these issues. The conference could bring together senior IFI and ILO officials, as well as academics and representatives of non-governmental organizations.
- We will continue to promote vigorously our proposal to develop a screening mechanism -- now under discussion with the multilateral development banks -- to ensure that worker rights issues are taken systematically into account in the institutions' operational planning and programming. We also will explore the best means for ensuring that IFI budgets contain resources sufficient to conduct screening operations and similar analytical functions.
- We will call for the World Bank to establish an office that is dedicated to analysis of labor issues and has direct input into the Bank's program and lending activities, and will encourage regular direct contacts between ILO staff and this office.
- We will urge the multilateral development banks to increase both technical assistance and direct lending to promote the adoption of worker rights and fair labor standards.
- We will urge the IMF to further emphasize the importance of labor issues in its annual reviews of member countries and by examining the link between promotion of core labor standards and long-term macroeconomic performance (for possible inclusion in its new governance policies).
- We will follow up vigorously on the paper completed, at our urging, by the World Bank on child labor issues, including its specific proposals for more active Bank engagement on these issues.
- We will continue to implement the statutory requirement (Frank Amendment) directing the Secretary of the Treasury to urge the IFIs to adopt policies encouraging borrowing countries to protect worker rights and requiring an annual report to Congress on how the IFIs are performing.

D. Export Processing Zones

The U.S. Government has been concerned over the past several years with programs through which certain countries apply lower labor standards and permit less adequate worker protections in special tariff-free export processing zones (EPZs). We are committed to developing a clearer understanding of such programs and, in so doing, exploring the best means for addressing the concerns that already have been identified and any others that may be highlighted through additional study of EPZs. To accomplish this:

- The Department of Labor will update its 1990 study finding that some countries applied different rules in such zones with the intent of restricting certain important labor standards, including the freedom of association and the right to bargain collectively.
- We will continue to encourage work within the ILO to analyze the extent to which differential standards exist in such zones, and will review whether to recommend increased coordination on this issue between the ILO and the WTO.

THE WHITE HOUSE
WASHINGTON

Date: 9-19-97
Mr. Gene Sperling

From: Special Counselor for Fast Track

Please review
Gephardt's
speech

Jay

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Gephardt On President's Renewal of Fast Track Authority

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Source: Congressman Gephardt's office
Summary: This is a speech Gephardt delivered in St. Louis on Thursday, Sept. 18, 1997, on the fast-track trade authority.

Thursday, September 18, 1997

Address of
Congressman Richard A. Gephardt
President's Renewal of Fast Track Authority
September 18, 1997
St. Louis, Missouri

I want to thank Bill Schicker for providing the venue for my here at McMahon speech today. Bill has been a good friend over the years and represents the best qualities St. Louis' business community has to offer.

When the possibility of delivering this speech here today was discussed with me, I was asked whether I minded that there would be some foreign made cars here on the lot. I was assured that those vehicles could be removed -- so as not to provide an "improper" backdrop for my speech.

The question shows a complete misunderstanding of my views on international trade. Like many other issues, there's often far too much heat, but not enough light.

I welcome these imports. The American consumer should have access to the best products made anywhere in the world. The openness of our market is a strength -- it represents the confidence of our people in their ability to compete in the world economy.

So the Ford Escorts you see here on the lot -- made in Mexico -- represent confidence. They're fine products.

And these imports often strengthen, not undermine our economy. Despite the unfairness of Japan's trade policies over the years -- an issue I continue to press on -- in a way Japan's policies actually strengthened our automobile industry. Faced with competitive products the leaders in Detroit responded. Today our automobile industry is back at fighting strength making products that are high quality and that appeal to our consumers. I wish that it wasn't the challenges of Japan's auto industry that brought about these changes, but we're back.

Today I'm here to talk about another trade issue -- the President's request for fast track trade negotiating authority. Despite the time and effort I have put into this issue, I want to shed more light on it today.

Let me, for a moment, provide some context. Far too often people seek to minimize an issue to pigeonhole the debate -- and this is one of those cases. But, like many others, the questions are far more complex. I am confident the American people can separate the wheat from the chaff -- to understand the national issues and to confront them in a clearheaded thoughtful way.

That's why I'm here today addressing the people of St. Louis. The people of my District represent the best this nation has to offer. They are forward looking, hard working people who work hard and play by the rules. They know that we're in a world economy and, far from shying away from it, they're embracing it. They're taking the tough steps necessary to compete in the world economy -- and they're winning. They're helping some of our nation's most competitive companies - Anheuser Busch, Monsanto, Ralston Purina -- win in the world marketplace.

Two days ago, President Clinton formally requested the Congress approve legislation - known as fast track - that he says is necessary for him to negotiate new trade agreements. First expanding the North American Free Trade Agreement, known as NAFTA. Then, concluding other trade agreements as well.

The Administration has tried to couch this debate as a battle between free trade and protectionism. As a debate about whether we build the bridge to the economy of the future or whether we retreat to the past.

Quite frankly, that debate is an old debate and it's over. The United States is the most open economy on the face of the earth. The United States has helped lead the world to promote more open trade. And, the people of the United States are helping to build the economy of the future. No one wants to move backwards.

So these old arguments avoid the new debate that we need.

The new debate - the real debate - is about what America stands for.
What are our goals - for our people, our nation and our world.

Americans have asked what our new organizing principle should be.
From the Presidency of that great son of Missouri, Harry Truman, to
the fall of the Berlin Wall, our purpose, properly, was to contain
communism. Now it must be to extend freedom.

Our guiding principle has, and must continue to be how to promote
democracy, growth and opportunity here at home and around the
world. Others may be scrambling to find their purpose and their way.
While they may question their path, America never has.

America stands for something more than money. We are still be the
beacon of democracy, of hope, of opportunity. We must not auction
off our future or our values to make a quick buck. And the irony is
that a quick buck made in this way may be very costly down the road.

That fight must continue, just as it did in the days when we confronted
communism and fought fascism.

In December 1940, President Roosevelt declared in a fireside chat that
America "must be the great arsenal of democracy." Then, President
Roosevelt was talking about planes, boats, arms and munitions.

Today, ideas are the ammunition in the arsenal of democracy. And we
must promote the idea of free but fair trade as the weapon of choice.
We must send a signal to the world that communicates the architecture
of a world trading system based on proper values and standards that,
over time, create compatibility between all nations and a higher
standard of living for all people.

In my public life, I have always believed that first hand knowledge and
examination of an issue is vital to a reasoned policy. I have spent a
great deal of time and energy not just listening to the academics, and
the theorists, but talking to real people - the people whose problems
we are seeking to address and solve. I have traveled to examine, first
hand, what the problems are and to try to understand how proposed
solutions might address these problems.

That's why I visited Mexico on seven separate occasions during the
NAFTA negotiations to see for myself exactly what was happening. I
have never been content to hear about the facts from others.

That's also why I traveled to South America in August - visiting
Argentina, Brazil and Chile. And, that's why last Friday I made my
second trip this year to our border with Mexico.

In South America I visited with the Presidents of each of the countries

and their principal ministers. I met with labor and environmental leaders. And, I went out to the local communities to hear firsthand from the people.

I was struck by the fragility of their democracies. Each of the countries has rejected military rule only in the last 20 years. I heard from mothers in Chile about family members lost forever. I learned of the so-called "dirty war" in Argentina that claimed the lives of thousands and thousands who dared to disagree with their government. Just last week a reporter had his face disfigured by those seeking to quiet the voices of dissent.

Every week, hundreds of Argentine woman march below the balcony where Eva Peron once spoke. These mothers are demanding that their country must never forget the sons, daughters, husbands and friends who were murdered by the forces of tyranny.

In Chile, the women I met with also spoke of "the fingerprints" of the Pinochet government that remain indelibly etched in their minds. Time may heal some wounds, but they will never forget.

I was also alarmed at the economic disparity. Of the stratification of the economy that left those at the top very, very well off but left to many struggling at the bottom. And the disparity is growing. The top 20% of Chileans control 61% of the GDP. The bottom 20% controls only 4% of the nation's GDP. This inequality exists despite the tremendous expansion of trade in the region.

Commerce with Latin
Trade - US
republic?
n. gov
flowing
down?

We must not fuel this inequity - but that's exactly what our current trade policy is doing. A United Nations report describes the same phenomenon on a wider stage: "As trade and foreign investment have expanded, the developing world has seen a widening gap between winners and losers... The greatest benefits of globalization have been garnered by a fortunate few." And, President Clinton's former Secretary of Labor, Bob Reich said echoed this same analysis arguing for an approach "to improve the lot of workers; not only in this country but also in other countries." We must remember severe inequality and democracy have proven to be moral enemies.

Here in America, our economy is also yielding very uneven results. Despite macroeconomic figures that deserve praise, economic inequity is growing. Our inner cities are crying for attention. Far too many families are finding it necessary to send additional family members into the workforce, to work more hours and more jobs simply to pay the bills. Far too many Americans feel like they're running in place or falling behind.

Our trade policy should promote change, not ratify the status quo.

In 1961, President Kennedy announced "The Alliance for Progress." His bold plan was tempered by concern. He said:

"unless we broaden the opportunity for all of our people - unless the great mass of Americans share in increasing prosperity - then our alliance, our revolution, our dream, and our freedom will fail." He went on to say, "our greatest challenge comes from within - the task of creating an American civilization where spiritual and cultural values are strengthened by an every-broadening base of material advance - where, within the rich diversity of its own traditions, each nation is free to follow its own path towards progress."

Our current trade policy is taking us in the wrong direction. We are in danger of promoting economic growth that divides rather than unites. We are rewarding corruption and tyranny. And, if we are not careful, we are in danger of sowing the seeds of democracy's demise.

Today I would like to outline an approach to trade policy that expands the arsenal of democracy to include trade policy. An approach that can further our spiritual and cultural values as President Kennedy called for. And, as important, it will broadly advance our material well being.

At its core I am advocating a trade policy that enhances, not undermines human rights. Among these human rights are the ability to share in the fruits of ones labor - to know that if you work hard and play by the rules, you'll have a chance to succeed. The ability to enjoy a clean, healthy and safe environment. The ability to enjoy a childhood that opens up to a vista of opportunity and joy not that looks upon a destiny and legacy of work and lost hope. The ability to practice ones religion. The ability to look to a world free from the threat of weapons of mass destruction.

There are many who argue that there are costs to the trade policy I am advocating. At times, they're right. Doing what is right often exacts a price. But, there may be a far higher price in the long term if we do not act.

Earlier this year we had a debate about extending most-favored-nation trade status, known as MFN, to China. There, in all its glory, we graphically saw how our trade policy undermines our countries most basic goals.

China's government tramples upon its peoples most basic human rights. It persecutes Christians and other believers. It degrades the environment - looking upon it as simply a dumping ground of economic development. It trades in weapons of mass destruction to regimes that are bent on destroying free peoples. It looks upon prison labor as a tool of competition.

I opposed extending MFN status to China. Access to the U.S. market is a privilege, not a right. I believe that the communist government in Beijing has forfeited that privilege. It is time we revoke China's Most Favored Nation status.

China and every other country must know that unlimited access to the U.S. market comes with certain responsibilities.

Now we are presented with the question of whether to grant the President fast track trade negotiating authority.

Fast track is an extraordinary grant of Congressional power. The Constitution gave Congress the power over international trade. That authority must only be delegated if Congress is assured that its goals and objectives are to be followed. Congress must not abdicate its responsibility to its constituents or the country.

I have supported fast track authority in the past. In 1991, after lengthy discussions, I supported President Bush's request for authority. At the time I referred to President Kennedy's admonition that we should "never fear negotiate out of fear, but let us never fear to negotiate."

Today, I regret to say that I can not support President Clinton's request. Rather than promoting change and opportunity, I believe that it will undermine it.

The President's request actually does less on labor rights and the environment than provided for under the fast track authority given to President Bush. Congress owes the President and our trading partners a clear statement of what we expect in future agreements. We must not mislead anyone as to what our expectations are. And, agreements reached under the President's request would not meet the expectations of the American people. It would not raise our standard of living or that of our trading partners - it would undermine it.

I want the President to negotiate new trade agreements. We're in a global economy - we're not going to build walls around the United States. Americans welcome the competition.

But the premise of President Clinton's request is that we have no choice, we can not advocate a progressive trade policy - either because of the Republican majority in Congress or the advocates of the status quo in academia, the press, and among our trading partners.

Change never comes easily. It requires leadership.

I also question whether we are, as President Kennedy warned, negotiating out of fear. Fear that others will reach agreements quicker. That others will enter markets before our companies do.

number of workers in these plants than when NAFTA began. And these workers are making 25% less than they did at the time. The average workers I met takes home about \$30 a week. This is not a living wage virtually anywhere in the world.

Last year we saw our trade deficit with our NAFTA partners - Canada and Mexico - reach more than \$35 billion. Half of that was with Mexico. Let's remember that we had a trade surplus when NAFTA started.

Again, we're told that this analysis is unfair. But for the peso crisis, everything would be fine. Here, they're wrong. These trends were in place prior to NAFTA. And, as I and others argued, the peso crisis was looming on the horizon during the negotiations. Financial issues should have been dealt with just like drugs and other issues that were either inadequately addressed or swept under the rug.

But the question today is how do we learn from our mistakes? How do we reach new agreements that improve upon NAFTA not just expand it?

The President's request only continues the status quo.

We can, and must, do better. We've figured out the supply side of trade. And, just like Reaganomics, a trickle-down trade policy won't work. We've got to figure out the demand side of trade as well.

Henry Ford knew that unless he paid his workers a decent wage, they couldn't afford the products they were producing. We need to take this lesson and apply it to our trade policy.

During my trip last week to Juarez, workers laughed at the question of whether their unions would help them. Unions, if they exist, are sham organizations - like the company unions that once existed in this country. Our companies who set up shop there are given a union contract at the same time - a union contract that they can show the workers who complain about unsafe working conditions or inadequate pay.

A central component of our trade policy must be the enforcement of workers rights. In most cases I'm talking about the enforcement of the laws that a country has on its books. In Mexico, for instance, the law is quite good - it's just rarely enforced. And the failure to enforce workers rights should be treated just like the violation of our intellectual property rights. For workers rights is a trade issue as well.

It's the right thing to do. It's also in our deep self interest. If worker pay rises they can afford to buy their products and ours. And, as a study done for the Department of Labor documented earlier this year,

Let's also recognize that there were a lot of commitments made to achieve NAFTA's passage. Before the Administration begins making new promises, they should fulfill the ones of the past.

Now we're told that the appropriate place to deal with these issues is at the World Trade Organization, the International Labor Organization and in other venues. This is an effort to wrap the Administration in the right rhetoric without doing much of anything.

First if you believe, as I do, that the success of a trade agreement requires that we deal with all of these issues, then you wouldn't leave these issues to some later time. That's like signing a contract to buy a house but saying you'll agree to the price later. The leverage of the trade agreement, the "Good Housekeeping" seal of approval that a country gets by signing an agreement with the U.S. should be used to reach a comprehensive, not an incomplete, agreement.

And, as we all know, the business community wouldn't leave intellectual property or the protection of their investments to some later agreement or alternative forum.

Second, the President has had time - and for the first two years of his Administration a Democratic Congress - to fight for these issues. Little, if anything has been done. The law requires that the President fight for a working party - just a working party, not an agreement - at the WTO and that hasn't been done. Not one core ILO convention has been sent to the Senate for ratification. It's a little late to argue that now is the time to act.

Conclusion

Since coming to Congress, I have fought for a trade policy to open markets, expand opportunity and promote our country's basic ideals. In the 1980s, I fought for market access and was called a protectionist. I simply wanted our farmers, workers and businesses to have the same opportunity to sell their products in foreign markets as other countries had here.

That debate here at home is largely over. Republicans and Democrats, liberals and conservatives now know that market access is an important and worthwhile objective. While we may fight for this objective in different ways, we largely agree on the goal.

Now the fight is a larger one. One that connects our economic interests with our goals and ideals. While selfless, it is also self-interested. For the approach I am advocating is in our best long-term economic interest.

America is - and must always be - the arsenal of democracy. But we have always done more than manufacture munitions; we have also forged freedom's foundations.

The principles and practices of democracy that we have helped to develop here in the United States have stirred the souls and inspired the actions of freedom-fighters around the world.

The daily drama of political debate; the union movement that brings a measure of decency, dignity, and democracy into the work place; and the struggle to clean and conserve our natural environment - these, too, must be America's exports, along with our cars and our computers.

In Poland, the only heavy equipment in the arsenal of democracy were the mimeograph machines we sent over. Today, Poland is free because we stood with the Polish people for what is right.

In South Africa, we helped wage an economic war against the evil apartheid regime. The business community fought against this effort -- they said no one would join us. Initially, they were right as others sought to profit from tyranny and repression.

But, we stood for what is right and apartheid has been defeated. Nelson Mandela was able to walk out of his jail cell to the Presidency of his country. And, our businesses are now back in force profiting from a free and open economy and a people that feel a debt of gratitude to those who stood with them. They knew the people of America were on their side.

Fighting their fight because it is our fight too.

In Chile, a country that is next in line for a free trade agreement, there is a boulevard named after President Kennedy. I walked on this street just a few weeks ago. President Kennedy is a hero throughout South America because he understood that economic security and democracy go hand-in-hand. That America stood for something more than just money.

It's time that we renew our fight for our values. The principles that built not only our prosperity, but our democracy. Dictators abroad and cynics at home have always underestimated the inherent idealism of the American people. At every crucial moment in history they have been proven wrong.

President Wilson said: "Sometimes people call me an idealist. Well, that is the way I know I am an American. America, my fellow citizens -- I do not say it in disparagement of any other great people -- America is the only idealistic nation in the world."

Today, let us renew our idealism and, in so doing, renew our prosperity. Let us expand our minds while we expand our markets, our

...opportunity and promote democracy.

We must not put rhetoric before reality - this debate is not only about dollars and cents, it is about what is right and what is wrong.

We can do it all. It's the right thing to do.

THE WHITE HOUSE
WASHINGTON

MEMORANDUM TO:

CHARLENE BARSHEFSKY, SANDY BERGER, GENE SPERLING, DAN
TARULLO AND ROBERT KYLE

FROM:

VICTORIA L. RADD *VR*

DATE:

OCTOBER 17, 1997

RE:

DRAFT FAST TRACK REPORTS FROM TREASURY AND STATE

Attached are two draft fast-track reports -- one prepared by the Department of Treasury on how expanding trade with fast track will raise American incomes and the second prepared by the State Department on the impact on American leadership in the world.

These drafts have been previously circulated by the Departments. I wanted to make sure that each of you is satisfied with the drafts before the Departments proceed with releases next week. Please give me a call no later than noon on Monday, October 20.

Thanks.

Expanding Trade Through Fast-Track Will Raise American Incomes

United States Treasury
Office of International Affairs

October 8, 1997

New trade agreements negotiated under fast-track will expand trade by reducing tariffs and other barriers to trade. They will cut the taxes that foreign governments impose on U.S. products, making our products more attractive to foreign consumers and fueling continued growth in American exports. By allowing the United States to maintain the momentum generated by previous trade liberalizations, new fast track agreements could contribute to an almost \$400 billion increase in total U.S. trade, relative to what it otherwise would be, in the year 2010. Faster export growth is important. Studies show that jobs in export industries pay about 15% more on average than other jobs.

Fast-Track Cuts Taxes on U.S. Products

The benefits of fast-track agreements for the United States are clear. U.S. tariffs are already quite low—only about one-third of the average rates applied by the major countries in Latin America and Asia with whom we are most likely to attempt to negotiate trade liberalizing agreements over the next decade. Fast-track agreements will cut barriers to U.S. exports to these countries far more than our barriers to their products.

In 1996, foreign governments collected approximately \$31 billion from tariffs on U.S. exports. Countries in Latin America, who imposed an estimated \$6.2 billion tax on U.S. exports, and in APEC, whose Asian members imposed an estimated \$13.4 billion tax, account for most of these tariffs. *If an agreement had been in place to cut these foreign taxes on American products by even*

one-half, taxes on U.S. exports would have been reduced by nearly \$10 billion in 1996.

Average Tariff Rates¹

Thailand	26.1%
China	23.0
Philippines	19.0
Peru	14.6
Uruguay	14.6
Venezuela	12.4
Brazil	11.7
Chile	11.0
Colombia	10.9
Indonesia	10.7
Argentina	10.3
Australia	8.9
Korea	7.7
Malaysia	6.9
New Zealand	6.8
Japan	2.8
Singapore	1.3
Hong Kong	0.0
Weighted Ave. of Above	7.5
United States	2.8

Fast-track negotiations will reduce trade barriers in some of the most rapidly growing markets in the world; they will also allow the negotiated reduction of trade barriers on a global basis in sectors where the United States has a comparative advantage.

¹ World Bank. Effective applied tariff rates on total merchandise imports, weighted by 1996 U.S. exports. For China, the arithmetic average of tariff rates.

The United States hopes to negotiate agreements in: agriculture, a global market of \$536 billion; services, a market of \$1.2 trillion; government procurement, a market estimated to be worth \$1 trillion in Asia alone in the next decade; medical equipment; and environmental technology. It also hopes to expand the scope of the successful information technology agreement.

Here again, foreign countries will be reducing barriers against American products that are typically higher than the United States' own barriers.

Average Tariff Rates on U.S. Exports

Agriculture	37.6
Electric Machinery	4.9
Chemicals	4.9
Wood Products	1.3
Merchandise Trade	3.8

U.S. Exports (\$ billion)

Services	237
Agriculture	61
Chemicals	71
Wood and Paper	26
Medical Equipment	11

Focusing on the gains from reducing average tariffs understates the gains from fast-track agreements in two ways. Average tariff rates can mask higher tariffs in products where the United States is extremely competitive. For example, many Asian APEC countries impose tariffs on transportation equipment and electrical machinery that are nearly twice as high as their average tariffs. Fast-track agreements also provide one of the most effective ways to address Non-Tariff Barriers (NTBs) to trade, to reduce barriers to trade in services and to improve the protection of

intellectual property rights.

Lower Barriers Mean More Trade

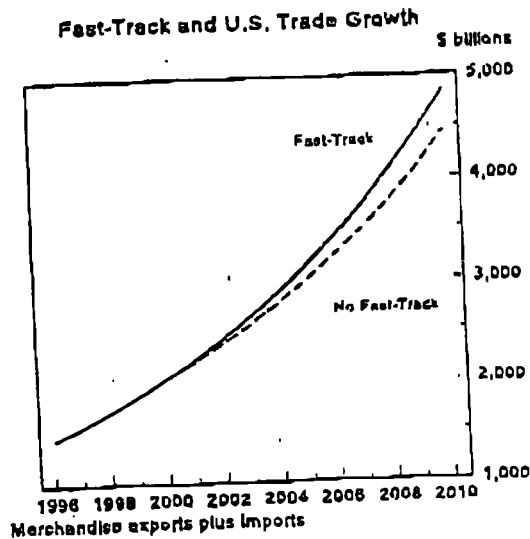
During the post-World-War-II period, trade has expanded rapidly--more rapidly, in fact, than overall economic activity. This expansion is not just a product of lower transportation costs and technological innovation. Trade as a share of economic activity actually fell when trade barriers rose sharply after World War I. Trade as a share of economic activity only recently returned to the levels experienced 100 years ago because of the reduction of trade barriers after World War II.

During the past 10 years global trade has grown at an average rate of 10% per year -- much faster than global GDP, which has grown by 6% per year. The Uruguay Round agreement, the most recent set of tariff reductions negotiated under fast-track authority, has contributed substantially to the recent growth of trade. In addition to creating new GATT limits on barriers to trade in agricultural products and to trade in services, the Uruguay Round reduced average tariffs by around 30%.

Fast Track Needed to Sustain Momentum

In order to calculate the effect of new trade agreements on U.S. exports, we assume that U.S. trade will continue to grow by 9% per year--its average over the past 10 years -- between 1996 and 2000 because of the ongoing benefits from the Uruguay Round. Our calculations also assume that with new fast track agreements to dismantle barriers to U.S. exports, U.S. trade will continue to grow by 9% per year between 2000 and 2010.²

² The deadline for free trade in the proposed Free Trade Agreement of the



Without continued U.S. leadership and fast-track agreements to assure that the U.S. captures a growing share of key export markets, U.S. trade will grow more slowly. We optimistically estimate that U.S. trade would still grow at 8% per year over this period even without new fast track agreements.

Even this small 1% deceleration in trade growth would lower total U.S. trade by almost \$400 billion in the year 2010. Export and import growth rates over the past 10 years suggest that just over half of the increased trade flows, about \$200 billion or roughly 1.2% of estimated U.S. GDP in 2010, would represent higher U.S. exports.

More Trade Means Higher Incomes

Increased trade raises American incomes in many ways. Trade allows America to concentrate on producing the goods and

Americas is 2005; for APEC industrial countries, 2010; and for APEC developing countries, 2020. 2010 was selected as an intermediate date.

services that we produce best. This increases the income of U.S. workers; studies show that jobs in export industries pay around 15% more than jobs in the rest of the economy.³ Trade provides workers with better jobs and lets consumers benefit from greater competition, lower prices, and a wider selection of products.

It is very difficult to quantify all of the beneficial impacts of expanded trade on U.S. income. However, a substantial body of statistical evidence does demonstrate that countries that trade more are better off than countries that trade less. The results of a recent study that tries to control for other factors in order to better isolate the impact of trade on income suggests that the extra trade associated with fast-track trade agreements will raise the average incomes of Americans substantially by the year 2010.⁴ *In terms of 1997 purchasing power, the \$400 billion in additional trade is estimated to generate between \$720 and \$1440 in additional income for a typical American family of four in 2010.*

³ David J. Richardson and Karin Rindahl (1996), Why Exports Matter: More! Institute for International Economics and Manufacturing Institute; Lester Davis (1996), U.S. Jobs Supported by Growth in Services Exports, 1983-94, Department of Commerce.

⁴ Jeffrey Frankel and David Romer, NBER Working Paper No. 5476; Jeffrey Frankel, David Romer and Teresa Cyrus, NBER Working Paper No. 5732. Frankel and Romer examined a cross section of a 100 countries and found that trade, along with investment in human and physical capital, is a key determinant of a country's growth rate.

The Cost of Inaction

Many countries of the world, including many of the most dynamic emerging markets, are moving to expand trade in preferential agreements that do not currently include the United States. Canada already has reached an agreement with Chile -- an agreement which is causing U.S. firms, like the Quaker Fabric Company of Massachusetts, to lose business to Canadian competitors simply because U.S. products face a 11% tariff in Chile and Canadian products do not. The European Union is exploring a preferential deal with Mercosur, a customs union that includes both Argentina and Brazil, that would give European products an edge over American products in the two largest markets in South America.

American leadership is needed to assure that the United States continues to exercise a dominant voice in the development of the global trading system. If we choose to sit on the sidelines, other countries will proceed without us, both undermining the world trading system that the U.S. has worked hard to create during the past 40 years and hurting U.S. exporters.

Fast Track: An Imperative for American Leadership



U.S. Department of State:

Bureau of Economic and Business Affairs

&

The Policy Planning Staff

October 1997

The upcoming Congressional decision on Fast Track authority will determine whether the United States will be able to open markets and shape international trade patterns to America's advantage. The United States must sustain its half century of leadership on behalf of an increasingly open global trading system because it is in our clear economic interest to do so.

Exports are an increasingly important component of U.S. job growth. In the last four years, exports have accounted for one out of every three jobs created in the U.S. economy. Thus, the United States must continue to expand export opportunities for American workers in order to sustain prosperity at home.

Fast Track: More than Dollars and Cents...

Fast Track is a foreign policy imperative. As the sole remaining superpower, the United States has a fundamental interest in enhancing security and prosperity around the world. The trade agreements of the post-Cold War era will be equivalent to the security pacts of the Cold War -- binding nations together in a virtuous circle of prosperity with a

common stake in stability.

Following the Second World War, a generation of American leaders from both parties recognized the need to contain Soviet expansionism and to recast a world economy which had

"Fast Track is about more than dollars and cents. It is a foreign policy imperative. It is indispensable to U.S. economic leadership and that leadership is indispensable to U.S. influence around the globe."

Secretary of State Madeleine Albright

been shattered by two decades of depression and war.

They had the political courage and foresight to forge alliances such as NATO, institutions such as the World Bank, and initiatives such as the Marshall Plan to defend freedom and build prosperity. Their determination set the stage for an unprecedented era of economic growth which has raised living standards in the United States and around the world.

The choices we make today have the same potential to determine our future in the next half-century. Passing Fast Track will signal to the world

Fast Track: What is it? The authority which Congress grants the President to negotiate trade agreements. Congress may accept or reject a trade pact, but not amend it. So important because our trading partners won't negotiate twice: first with the president and then with the Congress.

Why do we need it? To pursue market opening agreements with the WTO, to open up key sectors globally in which we're competitive, to enter into regional agreements with emerging economies.

that the United States will continue to exert leadership on behalf of an open global economy and will defend its basic national interests. The alternative course would be to withdraw from the world out of fear of competition. But even if we fail to participate in shaping the global trading system, we will nevertheless be shaped by it. Thus, American leadership and involvement is an absolute imperative.

The United States: Well-Positioned for the New Global Economy

The United States is well-positioned to succeed in a more economically integrated world. Our economy -- now blessed with the lowest combined rates of unemployment and inflation since the 1960s -- is the most productive and competitive in the world. The President, working with the Congress on a bipartisan basis, has helped to put the U.S. economy on its strongest footing in three decades. At home, we have cut the deficit and put a balanced budget within reach, while preparing Americans to adapt to change by investing in education and training.

The President has also worked aggressively to open markets abroad by concluding 230 trade agreements including the NAFTA -- the world's largest regional free trade area -- and the Uruguay Round -- the most far-reaching trade agreement in history. During the past four years, one-third of our economic growth has come from increased exports as we have enjoyed an unprecedented boom in trade. At

the same time, imports have helped the economy by holding down inflation and providing greater choice to consumers.

The United States has been the number one exporting nation in the world for six years in a row, and has strengthened its position as the global leader in key sectors such as

**No Fast Track. No Negotiations.
(for a Free Trade Area of the
Americas)**
Jose Botelho, Brazilian Ministry of Commerce

agriculture, services, and high technology. Over the past four years, exports have created 1.7 million new American jobs, and the jobs of about 11 million Americans now depend on exports of goods and services. These jobs tend to be higher paying than those not related to exports. But to counter this trend, the United States needs to continue to open markets abroad. Without Fast Track our negotiators' hands will be tied.

The United States Needs the Right Tools to Open Markets

To continue creating good jobs in the export sector, however, the United States must have the tools to negotiate further market-opening trade deals. Despite the openness of our own market to imports, too many other markets still remain closed to our exports. American workers stand to gain from new market-opening trade agreements, which will require far more from our trading partners than

from us.

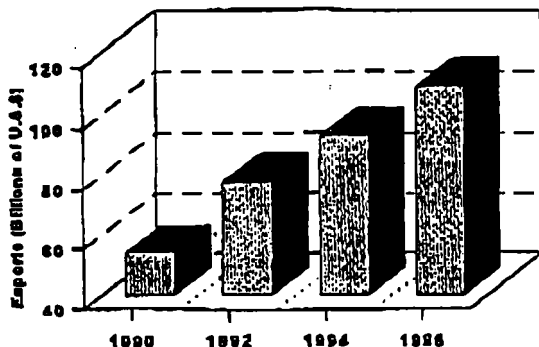
For example, under NAFTA, Mexico has lowered its tariffs five times as much as we have had to lower our own. Similarly, a Free Trade Area

U.S. exports will be removed. As Latins purchase more from the United States, our economic growth will be enhanced, and more high-paying jobs created for our people.

Cost of Inaction

Failure to move ahead on Fast Track would eliminate our most effective tool for opening foreign markets. Failure to move ahead could have even more damaging consequences for U.S. interests as other nations move forward with plans for preferential trade agreements while the United States sits on the sidelines without Fast Track.

U.S. Exports to Latin America (Including Mexico)



of the Americas would give a major boost to U.S. exports to Latin America, where average tariffs on industrial goods are four times higher than ours.

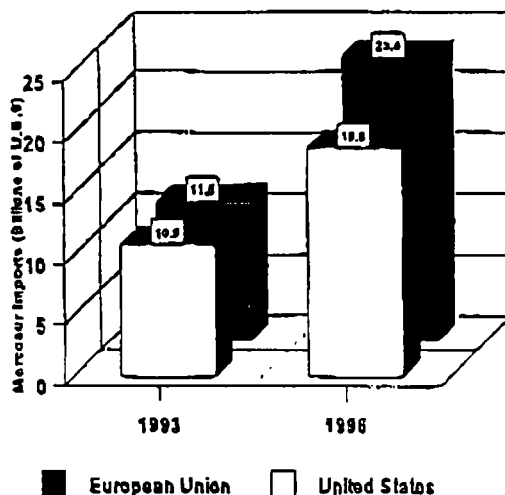
Latin America represents a market of more than half a billion consumers, with growing middle classes whose rising incomes are increasingly spent on U.S. goods and services -- despite high tariffs or other trade barriers.

If we are successful in creating a free trade zone, billions of dollars in tariffs as well as barriers on

Already trade agreements are being concluded without U.S. imprint or involvement -- with more than 20 trade agreements signed in the Western Hemisphere and in Asia since 1992 excluding the United States. The

European Union recently announced its intent to negotiate by 1999 a free trade agreement with Mercosur, the growing regional bloc of four nations in South America, including the two largest economies -- Brazil and Argentina. Our negotiations will not even start until 1998.

Mercosur Imports from U.S. & EU



Source: International Monetary Fund

EU Outpaces U.S. in Mercosur Market

Between 1993 and 1996, Mercosur imports from the United States increased by an impressive 72 percent, but the EU's exports

grew even faster at percent. This illustrates that the United States is engaged in a tough competitive battle.

Rejecting Fast Track is the equivalent of raising a white flag. The United States would concede important markets to our trading partners -- not because of the quality of our products or the competitive edge of our firms, but simply because of a failure of our political resolve. Without the authority to negotiate, American exporters will have to pay higher tariffs, and thus lose their competitive edge.

In several important areas, European countries have been quicker to understand the calculus of the new global marketplace. Rather than agonize over the risks posed by expanded trade, they have recognized that a reciprocal free trade agreement with Mercosur would give their firms a decisive leg up on their American competitors.

Fast track would permit the President to advance our commercial and foreign policy interests across the Americas, enabling U.S. workers to compete in the global economy. The current situation in Chile serves as a warning of what might happen to the U.S. competitive position in Latin America if the United

States does not enter into meaningful negotiations.

The United States is already beginning to feel the effects of not having Fast Track authority. Every major economy in this hemisphere -- with the exception of the United States -- has gained duty free access to the Chilean market. This is putting U.S. workers at a competitive disadvantage as American companies in textiles, construction equipment, and other sectors have lost sales.

Fast Track: In Support of U.S. Goals Abroad

For decades, U.S. Presidents from both parties have encouraged leaders around the world to open

markets, privatize state-run enterprises, and to unleash the entrepreneurial spirit of their citizens. During the past decade, more and more countries have begun to follow the path toward economic and political openness.

Today, for the first time ever,

every Latin American country except Cuba is democratic. In Eastern Europe, countries once under Soviet control have made considerable progress toward establishing democratic government and market

The Cost of Inaction: Massachusetts-based Quaker Rabbit Company, which employs 1,750 workers, recently lost an opportunity for new sales of \$1.5 million annually in Chile. Because of Chile's trade pact with Mexico, a Mexican competitor was able to supply a Chilean customer tariff-free. Quaker's goods are assessed Chile's 11% tariff because the United States, without Fast Track, has not been able to reach such a deal with Chile.

economies. Similar trends toward democracy are also occurring in East Asia.

The United States cannot be complacent about the current trend toward democratic governments and free market economics in these emerging market countries. If the United States fails to pass Fast Track, it will embolden opponents of economic reform throughout the world who believe that market freedom is to be feared and avoided. We would be seen as abandoning the very principles we have so long espoused, undermining the ability of governments to sustain the hard march toward reforms and greater openness.

It is in America's national interest for developing countries and countries-in-transition to prosper and build strong democratic institutions. Sustained economic growth and the opening of markets abroad contribute to rising incomes, growing middle classes, and stronger democratic institutions.

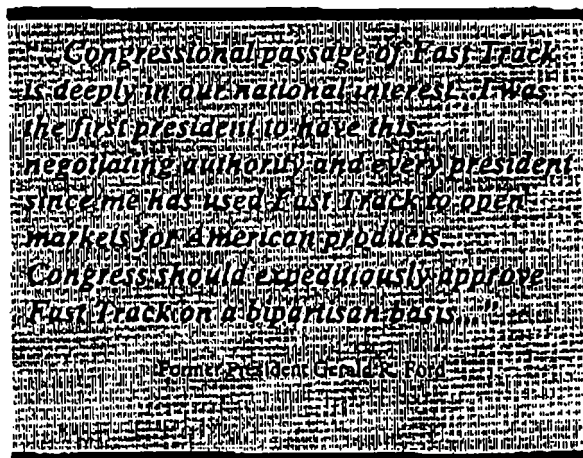
Market-opening trade pacts reinforce our efforts to create a common global stake in freedom, stability, and prosperity. They knit together countries whose prosperity depends upon each other, creating a mutual commitment to preserving peace and stability.

American Leadership is not Divisible

If we fail to lead on trade, our influence with key countries and regions around the world -- especially

those with rapidly emerging markets -- will be diminished across the board. The United States has strong national interests in working with other countries to eradicate drugs, stop the spread of weapons of mass destruction, and clean up environmental pollution around the world. If the United States fails to engage with other countries as a leader on economic issues, it will not be able lead in other critical areas. Thus, strong economic ties are the foundation for cooperation on other matters of direct importance to America's interests.

In the Asia-Pacific, our efforts to expand investment and trade have helped to deepen understanding among our partners of their shared stake in security.



In Europe, economic integration is a major contributor to our strategic goal of a continent that is becoming -- for the first time in history -- wholly united, wholly at peace and fully free.

In Latin America and the

Caribbean, U.S. trade initiatives are a vital part of a larger process of cooperation that includes working together to fight narcotics trafficking, crime, pollution, illegal immigration and other threats to the well-being of our citizens.

Defeating Fast Track would undermine American leadership and interests in this hemisphere -- at a time when opportunities for progress are greater than ever. By contrast, successful negotiations for a Free Trade Area of the Americas would bring us much closer to realizing President Clinton's vision of a hemisphere united by shared values and interests from Alaska to Patagonia.

We are stamping all over their backyard just as they have done over ours for the last 50 years.
- Peter Gabor, European Union official
- quoted in Wall Street Journal
- about Europe's forays into the American market

Labor, the Environment and Trade

Further delay in granting Fast Track authority will not only diminish our global economic opportunities and leadership, but it will also deny the President a tool that can help improve labor and environmental standards around the world.

Expanded trade is fully compatible with improving worker rights and increasing environmental protection. At home, jobs related to exports pay more than others. Abroad, expanded trade helps develop higher

living standards and wages, creating middle class consumers more able to buy U.S. products and more sensitive to environmental degradation.

Trade and economic growth also promote good governance in the developing world and the former Communist states. As economies prosper, respect for civil and human rights improves, and citizens demand a greater voice in making decisions.

Addressing labor and environmental issues in a trade context has been complex and controversial. The United States cannot negotiate another country's wage levels or environmental standards anymore than the United States would permit them to determine our own. Raising the world's consciousness about the environment and good labor practices is a gradual process, requiring perseverance and commitment.

U.S. influence on labor and environmental issues will certainly be greater if the United States can build economic relationships where our partners have a vested stake in close cooperation with the United States. Furthermore, by helping build middle classes and enhancing prosperity in every region, trade agreements can help lift labor and environmental standards worldwide.

Despite difficult obstacles, the Administration has made significant progress in obtaining commitments on core labor standards in international trade organizations and improving living standards for workers around the

world. If the United States refuse to sit down at the table when international trading rules are being negotiated, the United States will have less -- rather than more -- influence in setting international standards in other areas.

President Clinton negotiated the first trade agreement to include explicit environmental provisions. The NAFTA environmental side agreement has strengthened cooperation among U.S., Canadian, and Mexican officials on a broad range of environmental issues and has helped improve enforcement of Mexico's domestic environmental laws. The President has also fought for and won important advances on the environment on the WTO, including the establishment of a permanent WTO forum to address the link between trade and the environment.

Preserving America's Global Leadership

At stake in the vote on Fast Track is nothing less than America's

**Renewal of Fast Track Authority Is
seen as a litmus test by leaders around
the world of the United States' intention
to maintain its leadership role. Should
it falter, other countries would be
quick to fill the void.**

**From Secretaries of State Christopher
Baker, Eagleburger, Shultz, Haig, Kissinger, and**

and economic -- and it will reinforce post-Cold War progress toward peace and stability. All former Secretaries of State, as well as Presidents Carter, Ford, and (BUSH?), support Fast Track.

When the United States makes progress on the international economic front, it makes progress on all fronts. A growing, prosperous world will be less prone to conflict and more likely to cooperate. Nations that have embraced economic reform are more likely to move ahead with political reform. And as history informs us, prosperity is a parent to peace.

With Fast Track and continued American leadership, the United States can take advantage of the empowering evolution in technology and trade to bring the world closer together around basic principles of democracy, open markets, law, and a commitment to peace. By doing so, the United States can ensure that our economy will continue to grow, our workers will have access to better jobs, and our influence will be felt wherever U.S. interests are at stake.

|||||

continuing willingness to engage and lead. Passing Fast Track will reaffirm America's global leadership -- political

9/30/97 Fast Track / My Room

8 Remount in

~~lower~~ POW and pre-bury of line -

3 ways to address local

plan filed 1) drive tanks

2) crypt statue, 500

3) lower tanks

aggressive
open-mind pt.

Lowey: why not move
remount - Bauer & Libon
wine + fight

Jefferson: key in TAA

Ponery: need for Remount Angle

Rebusi: upset at Charles for saying that
Bauer + Libon only could
care of POWs

[Border Enviro Cooperat Commal BECC]

BECC 16 project centers
+ project approval

not set up to do low-cost / users

└─ paired up EPA

water treated sand

[Commal Agent + 2-lead Progs]

Interagency charmed by Tony
Prest Adm W-

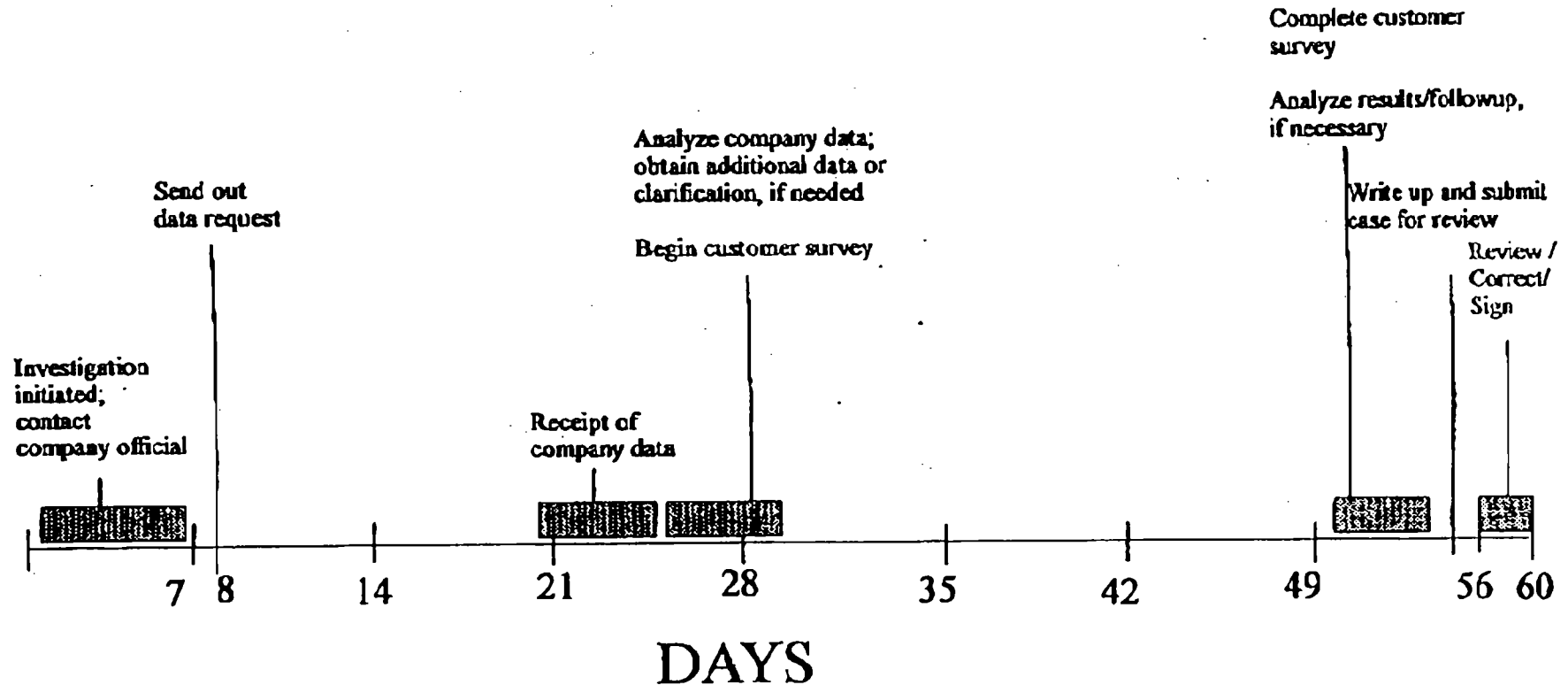
Lesson money: provide guidance for existing
agency work pr

L.A. offly - over-what

35 Citra el. U
Prest Fing Unit

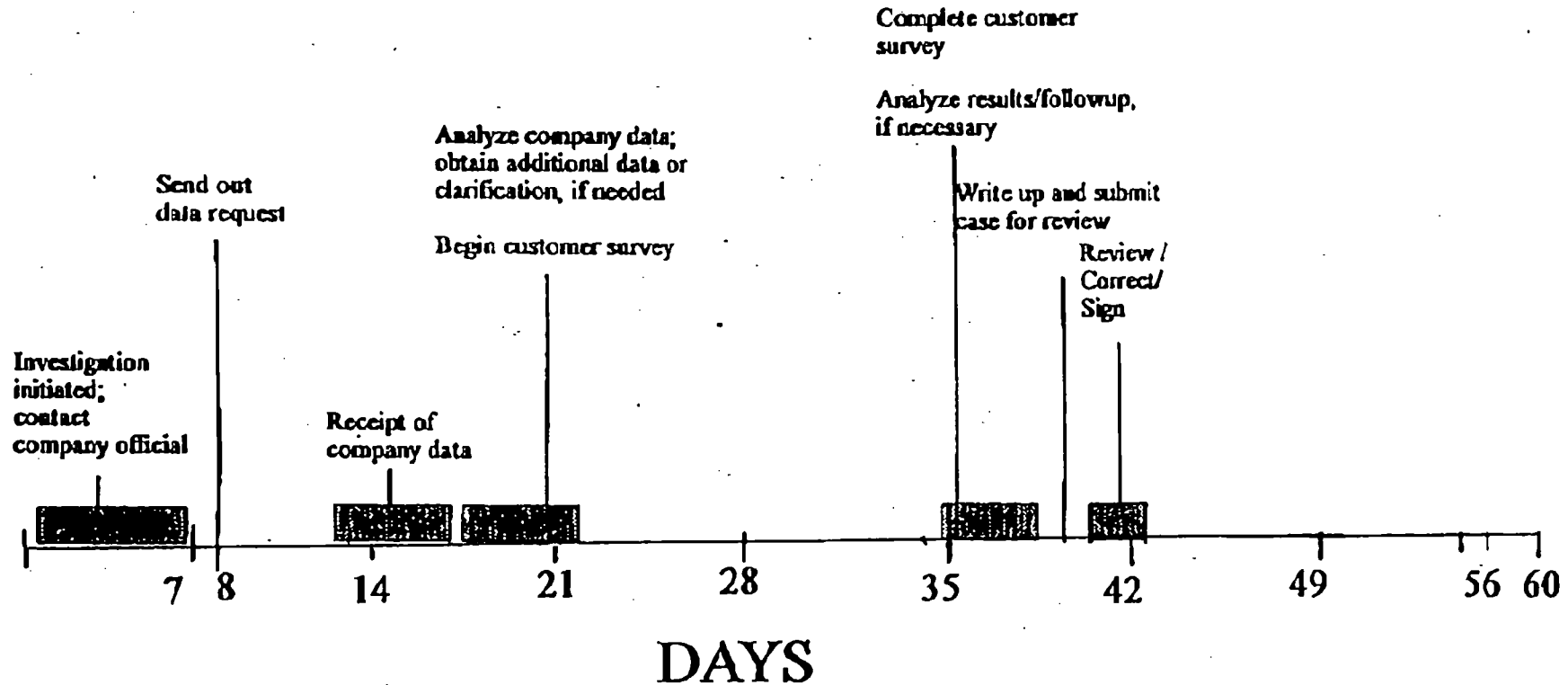
Timeline for TAA Investigative/Determination Process

CURRENT:



Timeline for TAA Investigative/Determination Process

PROPOSED



September 3, 1997

MEMORANDUM FOR GENE SPERLING

FROM: YOUR STAFF

RE: Fast Track Briefing Book

Guthrie Johnson

- A. Draft of proposed fast track bill
- B. Copy of Section 151 of 1974 Trade Act
- C. Section by section analysis of proposed bill
- D. Primer on Fast Track Trade Negotiating Authority
- E. Talking points: Cabinet Member Hill Consultations
- F. Talking points for Archer, Dreier (GOp)
- G. Talking points for Matsui, Rangel, Whip Group (Democrats)
- H. Q&A: Non-Labor/Environment Terms of the Fast Track Legislation
- I. Q&A: "Trade-Related"
- J. NAFTA Labor Agreement: The Facts
- K. NAFTA on Labor Cooperation: A Primer
- L. Programs for Dislocated and Low Wage Workers
- M. NAFTA on Environmental Cooperation: A Primer
- N. NAFTA Environmental Agreement: The Facts

- O. NAFTA/Fast Track and Food Safety
- P. "Benefits of Trade with Low-Wage Countries: Remarks by Larry Summers
- R. "The United States in the World Economy" ERP
- S. Testimony of Ambassador Barshefsky on Trade and the U.S. Economy
- T. "What Should Trade Negotiators Negotiate About?" Paul Krugman
- V. Country Comparison Tables

Tab CHC Concerns

Environ

1993

pollution on border

Swartz + now been enough money
find larger to get more fund for border

1993

Zones - public finance +
we want country up

Paul-Hughes

US E on Policy B
2015

conflict with Environ infrastructure

more public
municipal cannot raise money
therefore

Development Bank

Felix - Noted Infra Bank

NAP Bank

NAP Bank

Legislation:

\$15 billion capital
\$225 million production

Zero scoring rule on other Development Bank
each joined

\$450 million

NAP Bank Environ Bank: loan guarantee
credit risk

Border Environmental Cooperation Commission (BCEC)

community outreach

Screen projects + credit L
panel of NAP Bank for fin

(1) NAD Bank

do not let DBCC cert. to

DBCC - can be forced

→ validation

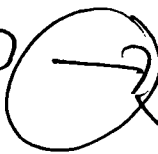
took awhile

→ 16 projects cert. to

→ 4 projects approved

Brandy, Cal. F
Westerick

(2)



not set up to do low-cost loans

gone out paired up with
Grant-making

\$170 mil. EPA (with interest) Grants
offer subsidies
to

(3)

None of Submissions May Banquet

State environment

- Creation of Comm. CEC
Barr
Cooper

- Cooperative staff: state env. projects

- Complaint process: "Citizen, Complaint
process"

- can be
fined for

persisted failure to enforce

(trade sanction to back up
the fines)

7. report

3 elements (BCE process)
logistics

part of export
ministerial consultation
→ BCE - to Fin

10 submission: no case has it

gone to high level - its been worked out

enforcement has gone

3/10 - 12000

majority

9 years of what

2001 - 100% could be sold

fund to export

Submission process: no particular - mainly
10 submission
exactly the way set up

(1) WAD + BGEC

Logistics 10 cent

→ 7 firms - constant begin
no longer - secret prob

(2) not address: poor benefit,
collecting w/ grant and
\$170 million World Bank

(3) Submission: particular

majority complain up 45%

35 cites: eligible.

⊗ Intense outreach

Direct Finway Window →

Focus Admin Unimemo

NAFTA-7AA

Stop suffer disproportionately in flexible + spare

NAFTA 7AA not same well

↳ Basic english train

↳ occupational train

↳ extended train

Package: faster → special needs
+ occupational skills

LEI Passes

→ 1.9 million jobs work

→ 2000 1 job growth

unemployed

CSC mostly only 1 source
- Report

Sectors

W70 Built-in agents
As Services

W70 Agent Crucial Ref

Infant. APAC Medal agent
agents: publicly
pry in W70 Asia Pacific

Unilateral: Auto deal Japan

- Japan opens

② Push Motorola

open up cellular phones

③ Kill Apple

impose strict need - framework

Section
301

Memory: Great number → P. Buchanan
people to say

Dems second victory
much better for labor + env
because of Dems

Buchanan:

Fast Track 8/10/97 EBB

Passive De-Deal

8

Several requests:

— intensive consultation process

2 meetg for today +

Process:

2 for tomorrow

— Be in response: Go up on Tuesday
+ say here is

Substance:

not even ask for same authority that

(A) G. Bush had

— 88 provision w/ labor rights

(B) Shift 1 Admin priorities + Decide
Before

a pre-emptive generic strategy
of what we FT for

(C) Very Dark System

(D) Proposition Suggestion: ask our delegate to
ZLO — must report
ab. l. to monitor
world-wide

Oct 8-13-17-News

Let's: "ready from script" Watch out for
Archer language if "directly trade related"

last: Approp
NIA 7BA
First 7BA ← C.f. priority

Joe Gorman

David's report
Labour objections — 1988 — says no job
it will
— m

multiple meetings:
Get (Gorman)

9 or 10

① Speech looked

② Press this week

③ Democrats sign letter

④ Final ltr on Bill (Patent idea) ① Dir
Council
new or
existing

① Final
② Labour objects
③ outside

⑤ Consultations on House S.d
With Regulator
With Parliament
Single Firm Regulator

⑥ Timing of introduction

⑦ Sect 108 Report — who we are
say to reject F7A, with (due 3 months, 20)

⑧ Sept 17 Section from Henry

⑨ Wendy

2 way ⑩ inside Bill (new or appropriate)

⑪ Not share Bill (anyone full Friday)

① ILO: asky for
② Joe Goodman 1857 if (asky)
③

Fast 7000

8/9/97

San Remo 2000 Finance \$301

1:30 Wednesday

[4 groups]

consult
agreement
Lobby

EU
Process/consult

> evolving

People
Maurice: Rights are evolving

(M) American worked

BY: Demonte messy

need be that trade
rules still / L

- must re-look
Universities

- obvious to do that lose out
but are part of our force

- purpose: Domestic Policy
that works
until like - pressure

Trade - left all good

Demonte: Republic bill
- option in Senate

(perhaps)

Democratic Message:

→ more rule of law
→ not backed up by law

→ Do we want Fast track

Brexit works + benefits

→ starts as two but road
→

Magna Carta 210 oldest

Polish.

Free of Ass

to of Dore

Free of association

Brexit: new + better jobs improve →

(1975 - 1990 - 1995) - sign over in 1998

~~1998~~

Magna Carta: old law ended. trade had just
ended with other just fully new jobs

1962 Trade

Brexit TAA: consolidate NAFTA
→ consolidate

Consolidate: Consolidation - Consolidation
Consolidation (how to fix)
Currency (exchange rate)

NAFTA - can free trade →

Consultations: not enough
what are negotiated

MOA TR + Free Comm. Dec
with 1 agreement
+ sign
Should be to be passed if
what still can still

Brux: [initially is still subject to
consultation w/ Congress]

Graham: Rematch Message: by applying competitive
→ advantage interactive you
friendly allies

Morgan: Should not have free trade w/ country not free

Brown: Side-agreements: might be
addressed by way of labor/business
discussed

only side agreement ~~NAFTA~~ ^{Canada} enf
labor tensions ~~business~~
- what would be in side agreement

Chile/Canada coop
NAFTA side Agmt w/ Finis

Q: legal consequence of
not abiding by Side Agmt:

A: Civil Fines: imposed by Gov as sanction

Fast Track
9/8/77

Dashley - Labor
- enviro
- Agricul
- process

> groups

⑥ Legislation

Need to communicate to D. Prior what strategy is

→ Issue of what Dennis + Arden will go forward?

→ 2MF

→ Worth Bank - ICO

Daryl: Rs under this event - under power
to put his head on line

Risk of
Not to

Labor + enviro be inside
bells + whistle

→ have now feel included enough

Separate title

① aggressively on Dardle

② All possible uses

③ more work to do

07²⁰ m. 11
801.700.260
5001-410,000

.0001%

Fast Track
9/11/97



Rangel will introduce a bill

Study point

① Menu from which want to add

② Options: clean bill

repair open

Added to bill

- ① negotiate objectives on labor + eu
- ② some def. of trade-related
- ③ Bind ourselves: what will do under writing

General objectives
- D

A) Brecher Order

- ① Double's Staff
- ② outside the bill

- ① ZLO:
- ②

Dassault 1988 layout on Workers' rights

General objectives

Proper objectives: Directly related
can be in bill

→ Directly related to C+G

→ Core issues

Directly related to trade

ILO: Find Global best around

→ Hypocrite

Good language to US negotiations:

2nd party take up object
on one until liberal ends

new equity object
+ US
+ gov

② Smoke deal

③ Legal U.S. object
- not + 7
- new
- take time

Druck

① 1988 Symbol

② W70 + other not 220

Fast Track

9/17/97

① Integrated message:

② Coordinated msg to Bone Com. /

③ Assume Substant Issue:

④ Small
⑤ Command
⑥ Policy group

⑦ David Gandy
⑧

Substant next week

Democratic D

① Charles (Ben Com. /)

② Roger

① Letter to: Hupm Com
② Resp to Gnd
③ State by State

State by State
2200

Clinton Presidential Records Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Becerra

Divider Title: _____

To: Ann Lewis, NEC
From: Deirdre Martinez, Congressman Becerra's Office
RE: NAFTA-TAA/Secondary Workers
Date: October 6, 1997

The following is a summary of the changes you and I have discussed based on the ten-point action plan you shared with us a week ago. If I have missed anything or have gotten anything wrong, please let me know as soon as possible.

- Under (II.), sub-bullet one, you said \$10 million dollars from FY 1997 will be used to fund 5 projects of \$2 million each, which would be similar to the CET model. The awards would be given by around March of 1998 and providers would be in place by June. Programs will address bilingual and literacy training strategies.
- Guidelines mentioned in (IV) and (V) will be promulgated in the next two months.
- The public service campaign mentioned in (VI) would take place in the next 3-4 months. Outstanding questions include: How much money will be set aside? What is the pool of possible recipients of the contract(s) involved? How can we be sure the firm(s) are culturally sensitive and know the target audience?
- You suggested that full data collection, including ethnicity and education levels would be necessary to implement (X), which pertains to performance measures.
- You suggested we could expect a written commitment to meet four times a year to evaluate progress.
- You are further developing the possibility of creating an elite office, similar to the Office of Economic Adjustment created in response to base closings, which would be composed of federal level individuals who would assist specific communities with a comprehensive community response to dislocations. This would require approximately 10 FTEs and would involve approximately \$10 million from FY 1999 appropriations.
- We expect a strong commitment from the Administration regarding the need for new appropriated funds; Congressman Becerra suggested in our last meeting with Gene Sperling and yourself that this commitment be in writing.

Thank you for the time you have taken to address our concerns; I appreciate your attentiveness and look forward to a continued productive working relationship.

THE WHITE HOUSE

OFFICE OF LEGISLATIVE AFFAIRS
HOUSE LIAISON
--FAX COVER SHEET--

DATE:

10/6

TO:

Gene / Melissa

FAX #:

62878

FROM:

☒ JANET MURGUIA
☐ AL MALDON
☐ DAN TATE
☐ LUCIA WYMAN
☐ PETER JACOBY
☐ STACEY RUBIN

☐ ANDY BLOCKER
☐ JEFF FORBES
☐ ELISA MILLSAP
☐ JESSICA GIBSON
☐ PETER GREENBERGER

(202)456-6620 (TELEPHONE)
(202)456-2604 (FAX)

SUBJECT:

This was sent for review and feedback
this morning. Pls. let me
know as soon as possible
Thank you.

XAVIER BECERRA
DISTRICT, CALIFORNIA

Congress of the United States
House of Representatives
Washington, DC 20515-0530

Fax Cover Sheet

To: JANET MURPHY

Fax: 476 2604

Pages (including this cover sheet): 2

From: Deirdre Martinez, Legislative Director
Office of Congressman Xavier Becerra
Phone: (202) 226-3746
Fax: (202) 225-2202

Comments:

THANKS.

To: Janet Murguia
From: Deirdre Martinez
RE: Priorities for NADBank
Date: October 3, 1997

Could you please share this with appropriate staff -- I would like to get a sense as to the feasibility of these requests as soon as possible.

- Range of federal programs leveraged through NADBank should include virtually all federal direct lending and guarantee programs related to job creation and economic and community development (EDA, EPA, DOL, HUD)
- Criteria for direct lending are not well developed and poorly disseminated. Advisory Committee and Finance Committee oversee CAIP. Members of Congress and advocates have provided recommended language.
- Additional grantmaking authority is needed. Establish a CAIP "grant window" or some other ability to leverage other federal grant funds. (authorization of \$1 billion; 10% administered through the CAIP). We would like to see a commitment to make this statutory change.
- A Puerto Rico window with an initial capitalization of \$4 billion should be established.

Barry White
09/30/97 12:02:20 PM

Record Type: Record

To: Rodney G. Bent/OMB/EOP, Philip A. DuSault/OMB/EOP, Kenneth L. Schwartz/OMB/EOP, Louisa Koch/OMB/EOP

cc: Larry R. Matlack/OMB/EOP

Subject: Fast Track, adjustment assistance, Sperling/Becerra meeting

See the attached. I'm sending you separately the hard copy draft that Larry and I got last night of the referenced, supposedly cleared-by-OMB letter from the President addressing your programs as well as mine. I have our correspondence control unit trying to track down who in OMB may have signed off, if anyone.

[Rodney, I've seen your e-mail exchanges on NADBank.]

The Director has talked to me a couple of times about where this package of issues is heading, but last night was the first time it got very specific, in terms of the Becerra meeting for today. You may want to discuss with your PADs letting him know directly what you know of the state of play in your worlds. [There are some benefits to not having a PAD].

Talk to Larry Matlack for additional details.

----- Forwarded by Barry White/OMB/EOP on 09/30/97 11:51 AM -----

Barry White
09/30/97 11:50:53 AM

Record Type: Record

To: Franklin D. Raines/OMB/EOP, Jacob J. Lew/OMB/EOP, Jill M. Blickstein/OMB/EOP, Janet Himler/OMB/EOP

cc: Larry R. Matlack/OMB/EOP, Maureen H. Walsh/OMB/EOP, Carole Kitt/OMB/EOP, Wayne Upshaw/OMB/EOP

Subject: Fast Track, adjustment assistance, Sperling/Becerra meeting

Attached to the attached e-mail from Sperling's staffer is a draft of the paper Gene would work from (or hand out) when he meets with Rep. Becerra later today (sometime in the p.m.). Becerra is reportedly only interested in secondary workers, but see below on other adjustment assistance issues that you may hear about from other divisions.

The Becerra paper has some relatively minor technical corrections needed that we have passed on, but otherwise it is consistent with what Larry and I told Jack last night was Gene's offer, and that Jack was comfortable with:

1. Agreement by the Secretary to set-aside \$40 million/year (5 years: \$455 m, discretionary spending) from her discretionary fund (now \$277 m per year) to serve secondary workers under JTPA title III. Last night, Gene was at \$50 m, so its likely that DOL talked him down a bit.
2. Agreement by the Administration to seek \$50 m per year in additional title III money for secondary workers (5 years: \$250 m over the "base" FY 1998 appropriation: \$1,350 million, and we have routinely asked for \$50 to \$100 m more each year, and gotten it.)
3. Agreement to a host of administrative improvements that will cost some S&E, but well within the bounds of what we can reasonably predict the FY 1999 budget will cover.

Other adjustment assistance issues:

There was a letter from the President to Becerra last week that NEC staff say was cleared through OMB, but we can't find out who cleared it (Jack hadn't seen it, nor Jill B., nor Josh). It does not include significant spending commitments in my area, but does refer to a host of administrative process improvements in TAA/NAFTA/TAA, and to community adjustment and NADBank issues that we did not know were resolved. I'm sending it to the other affected divisions.

Within trade adjustment assistance, there are two other significant spenders on Gene's plate:

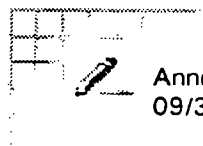
approving benefits for workers affected by "shifts in production" (i.e., firms moving to another country) under TAA (this is already covered under NAFTA/TAA: FY 1999: \$69 m; 1999-2003: \$345 m. Mandatory.

Covering service workers in both TAA and NAFTA/TAA: FY 1999: \$59 m; 5 year: \$295 m. Mandatory.

There are also still the range of minority, urban and other notions that he may want to use that involve various kinds of education grants. Multi-hundreds of millions are possible here, primarily discretionary.

Gene also still likes (as did FDR) the potential of having an emergency-like authority in place that could trigger spending on a Presidential determination, but not score up front. We are still working on ways to structure that.

----- Forwarded by Barry White/OMB/EOP on 09/30/97 11:18 AM -----



Anne H. Lewis
09/30/97 10:13:17 AM

Record Type: Record

To: Barry White/OMB/EOP, Larry R. Matlack/OMB/EOP

cc:

Subject: PLS REVIEW ASAP



fastrk.pol tHIS IS GOING TO GENE NOW. PLS HOLLAR IS PROBELM

5-3888

Dear Xavier:

I understand that Secretary Rubin, Secretary Herman, Administrator Alvarez and National Economic Adviser Sperling had a productive exchange with you and other members of the Hispanic Caucus last week on NAFTA.

Since that meeting, Gene Sperling has been working with Cabinet members to provide you with a written document specifically detailing the efforts we are committed to taking to strengthen the implementation of NAFTA. Although I recognize the steps outlined in the attached document are not the full answer to the concerns voiced by your constituents, I am committed to continuing to work with you to make sure that our trade initiatives fulfill their promise for all Americans, as are my Cabinet members and senior advisors.

During last week's discussions, several members of your Caucus pointed out that the challenges posed by the new economy are broader than those associated directly with trade, and consequently that we must look to broader solutions. I could not agree more. I am confident that the numerous discussions that are taking place under the joint leadership of members of the Hispanic Caucus along with Education Secretary Riley and White House senior officials Maria Echaveste, Mickey Ibarra, and Gene Sperling, will identify significant actions we can take to help more young Latinos reach their full potential.

Globalization presents us all with challenges and opportunities. This week, I transmitted to Congress legislation on fast track trade negotiating authority, to give us the tools we need to shape the global economy in America's best interests. I will need your help building support for future trade agreements that help America compete in the global economy and contribute to improved living standards and environmental protection.

I hope that we can continue this dialogue.

Sincerely,

The Honorable Xavier Becerra
Congress of the United States
Washington, D.C. 20510

NAFTA-TAA

Secretary Herman is strongly committed to addressing the challenges faced by low-skilled workers in the global economy. Her discussions with you and her recent visit to El Paso have provided important insights into needed improvements to the NAFTA-TAA:

Reducing Certification Times: The Department of Labor will cut by one-third the amount of time required for a determination on a Trade Adjustment Assistance petition.

Early Response: The Department of Labor will strengthen outreach and early intervention services provided to workers even before an assessment of the trade impact has been made.

Outreach to Secondary Workers: It is important to increase awareness among workers experiencing secondary trade impacts that they are eligible for the full range of benefits and services available to primary workers under NAFTA-TAA. The Department of Labor is strengthening efforts to reach secondary workers by calling attention to the explicit secondary worker provisions on NAFTA-TAA petitions and utilizing information from primary certifications to identify secondary workers. They will provide technical assistance to the states to help identify secondary workers.

Involving Workers and Local Communities: The Department of Labor will work with the states to encourage the establishment of worker transition committees in planning the delivery of comprehensive services and collaboration with local elected officials, economic development agencies, and community-based organizations to address the needs of trade-impacted workers, including secondary workers.

Measuring Outcomes: In order to ensure that the effectiveness of NAFTA-TAA improves as it develops, the Department of Labor will begin to collect outcome-based performance data for workers who receive adjustment assistance.

6/16

Community Adjustment

Secretary Rubin and Administrator Alvarez are confident that the recent designation of 35 eligible areas and approval of three loans under the NADBank Community Adjustment and Investment Plan (CAIP) are only the first steps in developing an innovative program to address the needs of local communities challenged by trade and production shifts. Future plans include:

El Paso Meeting of the Presidential Advisory Committee: The CAIP will hold a public meeting of the Presidential Advisory Committee in El Paso, Texas to hear first-hand from members of a trade-impacted community.

Additional Areas: This month, the CAIP Finance Committee expect to announce approximately twelve additional communities that will be eligible for assistance.

Coordination with NAFTA-TAA: The Departments of Labor and Treasury will establish formal links in the administration of NAFTA-TAA and CAIP, including on marketing and outreach, in order to magnify the effectiveness of both programs in assisting individual workers and communities affected by trade.

Full-time Staffing: Both the Department of Agriculture and the Small Business Administration are currently in the process of selecting staff that will be dedicated full-time to administering the CAIP program.

Significant New Lending from the Small Business Administration (SBA): SBA estimates that the new CAIP/SBA program could increase SBA's loan volume by about \$146 million over the duration of the program. With this increased funding capacity, SBA could guarantee loans to over 1,000 small firms. CAIP/SBA will afford greater access to capital, and eligible small firms will not be charged a guaranty fee. 7

Increased Outreach and Marketing by SBA: SBA will significantly increase marketing and outreach efforts this fall. This will include extensive briefings of SBA resource partners such as SCORE and the SBDCs to help them provide management assistance to CAIP borrowers.

Environmental Protection along the Border

Secretary Rubin and Environmental Protection Agency (EPA) Administrator Carol Browner have worked hard to make sure that the NADBank and its sister organization, the Border Environment Cooperation Commission (BECC), are effectively addressing border environmental problems. They will concentrate future efforts on making infrastructure financing affordable for poor communities, expanding technical assistance, and accelerating the pace of project development.

Making Environmental Infrastructure Affordable: To address the needs of poor border communities, the NADBank is establishing cofinancing arrangements with U.S. and Mexican grant programs. NADBank has recently entered into a cooperative agreement with EPA for a Border Environment Infrastructure Fund that will provide access to up to \$170 million in EPA grants. NADBank is working on a proposal that would help smaller U.S. communities to access the tax exempt bond market by working with the State Revolving Funds in the U.S. border states to establish reserve funds for debt servicing.

Assisting Communities in Project Development: In cooperation with the EPA, the BECC is establishing a Project Development Assistance Program (PDAP) that will begin committing and disbursing up to \$10 million in funds to communities by the end of the year.

Upgrading Management Capabilities: NADBank has established an Institutional Development Program (IDP) to help communities on both sides of the border achieve effective and efficient operation of their water, sewage and solid waste management services. So far, NADBank has approved \$1.8 million in technical assistance for 12 projects under this program, and it now plans to double total IDP resources to \$4 million.

Accelerating Project Development: The NADBank and BECC have developed a work plan for accelerating project development. They have identified more than 30 projects and potential projects with a total cost of more than \$500 million as the core of their 1997-99 work plan.

Expand the finance
committee to include
DOL & EDA

3¢/4 = 40 million
a year - need
it to be net need
money (to EDA)
Tech assistance Tech
assistance

• Direct lending

\$22.5M

2.5 adm

20

- 5 direct (take it to 10)

75 agencies

• staffing

* have the CAIP administrator
the program on a contract
basis

- increase staff in LA office
to underwrite a loan

need
Mex-US
to approve

Forman 4/150

1) Torres wanted the
master plan - do we
need it

2) who pays for it.
various domestic agencies

Mazelle draws a distinction
between creative financing &
grants.

JACK's
call

1) - need new auth rate. Senate foreign
relatn
- appropriate.

If treasury postal could
get 10% in the base, treas
could contract w/ CAIP

\$20M CAIP/NAD

do we have the 10%
problem.

2) Can Daley's give money to CAIP
have CAIP as a contractor to administer
then lending. To administer
the harder stuff
3-4 dem & money

THE WHITE HOUSE

WASHINGTON

September 21, 1997

Dear

I understand that Secretary Rubin, Secretary Herman, Administrator Alvarez and National Economic Adviser Sperling had a constructive exchange with you and other members of the Hispanic Caucus last week on NAFTA.

Since that meeting, Gene Sperling has been working with Cabinet members to provide you with the attached written document specifically detailing the efforts we are committed to taking to strengthen the implementation of NAFTA. Although I recognize the steps outlined in this document are not the full answer to the concerns voiced by your constituents, my top advisers, Cabinet members, and I are committed to continuing to work with you to make sure that our trade initiatives fulfill their promise for all Americans, as are my Cabinet members and senior advisors.

During last week's discussions, several members of your Caucus pointed out that the challenges posed by the new economy are broader than those associated directly with trade, and consequently that we must look to broader solutions. I could not agree more. I am confident that the numerous discussions that are taking place under the joint leadership of members of the Hispanic Caucus along with Education Secretary Riley and White House senior officials Maria Echaveste, Mickey Ibarra, and Gene Sperling will identify

2

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I hope that we can continue this dialogue.

Sincerely,

Rui

House of Representatives
Washington, D.C. 20515-4315

Washington, D.C. 20510

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- **El Paso Meeting of the Presidential Advisory Committee:** The CAIP will hold a public meeting of the Presidential Advisory Committee in El Paso, Texas to hear first-hand from members of a trade-impacted community.
- **Additional Areas:** This month, the CAIP Finance Committee expect to announce approximately twelve additional communities that will be eligible for assistance.
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- **Significant New Lending from the Small Business Administration (SBA):** SBA estimates that the new CAIP/SBA program could increase SBA's loan volume by about \$146 million over the duration of the program. With this increased funding capacity, SBA could guarantee loans to over 1,000 small firms. CAIP/SBA will afford greater access to capital, and eligible small firms will not be charged a guaranty fee.
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- **Assisting Communities in Project Development:** In cooperation with the EPA, the BECC is establishing a Project Development Assistance Program (PDAP) that will begin committing and disbursing up to \$10 million in funds to communities by the end of the year.
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- **Accelerating Project Development:** The NADBank and BECC have developed a work plan for accelerating project development. They have identified more than 30 projects and potential projects with a total cost of more than \$500 million as the core of their 1997-99 work plan.

THE WHITE HOUSE
WASHINGTON

September 4, 1997

ACTION

'97 SEP 4 PM12:25

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL R. BERGER (A)
KATIE MCGINTY
GENE SPERLING
DANIEL K. TARULLO
MARIA ECHAVESTE
JOHN HILLEY

SUBJECT: Response to the Hispanic Caucus Regarding NAFTA
and Fast Track Authority

Purpose

To answer a letter from the Hispanic Caucus expressing reluctance to support fast track authority until NAFTA's flaws are remedied.

Background

Members of the Hispanic Caucus, citing a Latino Coalition study, allege that NAFTA has not adequately protected the interests of their constituents. They cite disproportionate job dislocation experienced by Hispanic workers, inadequate assistance under NAFTA-TAA, weak implementation of NADBank's environmental operations, and unacceptable delays in implementation of the NADBank Community Adjustment and Investment Program.

The proposed response details a number of areas where NAFTA has strengthened protections for labor and the environment. It also acknowledges improvements are necessary, especially in our community adjustment efforts. The response notes that Secretary Herman travelled to El Paso last month and Treasury will hold meetings in El Paso in November to identify improvements to the NAFTA-TAA and NAFTA community adjustment. The proposed response further notes that you are designating Gene Sperling to coordinate Administration efforts to address the concerns raised by the Hispanic Caucus.

RECOMMENDATION

That you sign the letter at Tab A.

Attachments

Tab A Response to the Hispanic Caucus
Tab B Incoming Correspondence

cc: the Vice President
the Chief of Staff

THE WHITE HOUSE

WASHINGTON

September 4, 1997

Dear Joe:

Thank you for sharing with me your observations regarding implementation of the North American Free Trade Agreement (NAFTA).

The expansion of trade associated with NAFTA and other agreements has contributed significantly to the dynamism of our economy over the past several years. Your support for fast track trade negotiating authority will be critical in maintaining that dynamism by tearing down foreign barriers and helping American workers compete abroad.

At the same time, you and I recognize that increased international competition brings challenges for some workers, especially those in the low-wage industries already vulnerable because of technological and other economic changes. That is precisely the reason we worked hard together to ensure NAFTA includes special provisions to protect the most vulnerable. In assessing the first three years of NAFTA's implementation, I believe these provisions have proven their value. However, as you point out, many challenges remain. I am committed to ensuring NAFTA fulfills its promise for all Americans.

NAFTA is building a solid record on addressing environmental challenges which are unique to the U.S.-Mexico border. Of course, many of the border environmental problems were decades in the making and will take many years to resolve. As you suggest, there are significant obstacles to financing environmental infrastructure, which the North American Development Bank (NADBank) is working to overcome. NADBank is now working closely with the Border Environment Cooperation Commission and federal and state officials on both sides of the border to identify and develop projects in the border region. NADBank is also establishing co-financing mechanisms with the Environmental Protection Agency and other grant programs to

provide affordable financing for poor border communities. In addition, the NAFTA process for citizen submissions on environmental enforcement appears to be working effectively. The Commission for Environmental Cooperation has evaluated all submissions and pursued their resolution in accordance with the North American Agreement on Environmental Cooperation.

NAFTA is helping to protect the rights of trade-affected workers. The North American Agreement on Labor Cooperation breaks new ground in providing for oversight of national labor law enforcement. We have achieved a high measure of success in the review of the complaints that have been submitted. In one case, a Mexican labor tribunal granted recognition to the petitioning union, reversing an earlier decision, and afforded a new hearing for workers dismissed for union activity. In other cases, workers were permitted secret ballot elections, a practice not common in Mexico. Mexico has also made important legal advances on labor rights since NAFTA was signed.

Recognizing that some workers require assistance in adjusting to new patterns of trade and production, the NAFTA Transitional Adjustment Assistance (NAFTA-TAA) program provides expanded retraining and income support benefits. Overall, the program is proving its worth. However, concerns have been raised regarding the disproportionate impact on some communities. My Administration is committed to addressing these concerns. Secretary Herman recently travelled to El Paso, Texas to assess the economic impact on this border community. She conveyed to me her assessment that El Paso has strong economic prospects, but needs specialized job retraining for displaced workers.

Both the Transitional Adjustment Assistance (TAA) and NAFTA-TAA programs must be reauthorized before they expire on September 30, 1998. Secretary Herman will work closely with you and other members of the Hispanic Caucus and relevant committees to make both programs more effective for Latino trade-affected workers. In addition, it is essential that we intensify outreach to trade-affected workers, as well as affected secondary workers, to help them take advantage of existing services.

NAFTA breaks new ground in including financing through NADBank's Domestic Window for communities adversely affected by trade, reflecting concerns raised by the Hispanic Caucus. Although it has taken time to create a viable financial framework for the first U.S.-supported development bank within U.S. borders,

NADBank's Domestic Window has been operating in Los Angeles since early 1996 and is now fully operational. Last month, the Department of Treasury announced the designation of 35 sites around the country as eligible for financing, and additional sites should be identified within the next month. In these areas, the NADBank, the Departments of Treasury and Agriculture, and the Small Business Administration are engaged in extensive outreach and marketing to help communities take advantage of loan guarantees, and the Los Angeles Office is working with borrowers interested in direct lending. Treasury plans to convene a public meeting of the Presidential Advisory Committee for Community Adjustment and Investment in El Paso in November to gain greater knowledge of the problems confronting trade-affected communities.

I firmly believe the institutions created by NAFTA are strengthening labor and environmental protections in North America -- and I hope you agree. However, this is a long-term process, requiring perseverance and continual improvement. It will be useful for Secretary Rubin and Secretary Herman to hear your concerns first-hand when you meet next week. I have asked my National Economic Adviser, Gene Sperling, to take the lead from the White House in coordinating Administration-wide efforts and to work closely with you and other members of the Hispanic Caucus to address your concerns.

I hope you will work with me in support of future trade agreements that help America compete in the global economy and contribute to improved living standards and environmental protection.

Sincerely,

Rubin

The Honorable José E. Serrano
House of Representatives
Washington, D.C. 20515-3216

AGENDA

Discussion with the Congressional Hispanic Caucus on Federal Early Childhood Education/Development Programs

July 28, 1997

- | | | |
|------|-------------------------------------|--|
| I. | Introduction | Bob Shireman, Senior Policy Advisor,
National Economic Council |
| II. | Follow-up from previous
meeting. | Delia Pompa, Director, Office of Bilingual
Education
and Minority Language Affairs, U.S. Department of
Education |
| III. | Head Start and Child Care | Olivia Golden, Principal Deputy Assistant Secretary,
Administration for Children and Families, U.S.
Department of Health and Human Services

Joan Lombardi, Associate Commissioner, Child
Care Bureau

Helen Taylor, Associate Commissioner, Head Start
Bureau |
| IV. | IDEA Pre-School | Libby Doggett, Office of Special Education
Programs, U.S. Department of Education |
| V. | Even Start Family Literacy | Patricia McKee, Office of Elementary and
Secondary Education, U.S. Department of
Education |
| VI. | Research Agenda | Naomi Karp, Office of Educational Research and
Improvement, U.S. Department of Education |
| VII. | WIC | Ronald Vogel, Acting Deputy Administrator,
Special Nutrition Programs, U.S. Department of
Agriculture |

TRADE AND THE ENVIRONMENT UNDER PRESIDENT CLINTON

President Clinton is committed to ensuring that trade expansion and increased international competition contribute to environmental protections at home and abroad. The President fought to ensure that NAFTA comprehensively addressed environmental concerns contained mechanisms to address the unique environmental problems that have long challenged communities along the 2000-mile shared border with Mexico. President Clinton fought for and won important advances on the environment in the WTO Agreement, including a permanent forum to address the link between trade and the environment in the World Trade Organization (WTO). He has strongly and effectively implemented U.S. environmental laws to obtain improvements in other countries' environmental practices, including using, where called for, the threat of trade sanctions.

PRESIDENT CLINTON HAS DONE MORE TO ADVANCE ENVIRONMENTAL INTERESTS IN INTERNATIONAL TRADE FORA THAN ANY OTHER U.S. PRESIDENT.

- **Advancing Environmental Protections in the WTO:** The Administration fought for and won important environmental advances in the Uruguay Round of trade negotiations, including recognition in the Preamble of the WTO Agreement of sustainable development as a key objective of the WTO; strengthened agreements on Sanitary and Phytosanitary Measures and the Agreement on Technical Barriers to Trade to protect legitimate environmental measures from challenge under the Agreements; improvements to the Dispute Settlement Understanding to provide for the use of environmental experts in disputes and to make the process more transparent by allowing disputing parties to make their submissions public and requiring that a public version be provided of all panel submissions; and securing the creation of a Committee on Trade and Environment in the WTO, for the first time creating a permanent forum for addressing the linkage between trade and the environment.
- **Improved Environmental Practices Worldwide:** The Administration has aggressively implemented U.S. environmental laws, using the threat of trade sanctions where appropriate to obtain improvements in other countries' environmental practices. For example, President Clinton imposed trade sanctions on Taiwan for its failure to curb illegal trade in rhino horn and tiger bone. These sanctions were lifted when Taiwan made demonstrable progress in halting this trade.
- **Proposed an APEC Environmental Technologies and Services Sector Liberalization Initiative:** The Administration is working to advance APEC-wide sector liberalization in an industry ignored by previous administrations. High tariffs and disguised barriers to trade have limited the ability of developing countries to use the most advanced and useful technologies and services to address environmental problems from basic water and wastewater treatment needs to the need for the most advanced bioremediation technologies.
- **Forged Agreement to Negotiate Global Phaseout of Persistent Pollutants:** The Clinton Administration is leading the way on a negotiation to withdraw 12 dangerous, persistent organic pollutants, such as PCBs and DDT, from the global marketplace.

THE NORTH AMERICAN AGREEMENT ON ENVIRONMENTAL COOPERATION (NAAEC) HAS LED TO UNPRECEDENTED REGIONAL ENVIRONMENTAL COOPERATION AND IMPROVED ENFORCEMENT OF MEXICO'S ENVIRONMENTAL LAWS. THE INTERNATIONAL PUBLIC SCRUTINY ASSOCIATED WITH THE NAFTA SUBMISSION PROCESS HAS BEEN AN IMPORTANT IMPETUS FOR CHANGE IN MEXICO.

- **Cleaning Up the U.S.-Mexico Border:** NAFTA's environmental institutions are addressing critical environmental infrastructure needs.
 - **\$2-3 Billion in Lending:** Over time, the North American Development Bank (NADBank) will be able to leverage its capital into \$2 to \$3 billion in lending. To date, 16 projects have been certified with a combined cost of nearly \$230 million, and construction has already begun on seven projects.
 - **Border Cleanup Projects:** The NADBank, together with the NAFTA Border Environment Cooperation Commission (BECC) and federal and state officials on both sides of the border, have identified more than 30

environmental projects along the border with a total cost of about \$500 million for their 1997-99 work plan.

- **Affordable Water Cleanup for Poor Border Communities.** NADBank is establishing co-financing mechanisms with U.S. and Mexican grant programs to provide affordable financing for poor border communities. A recent agreement will enable NADBank to combine its loans with up to \$170 million in grants from the Environmental Protection Agency for border water and wastewater projects.
- **Border XXI:** The United States and Mexico have established a five-year blueprint for achieving a clean border environment. We are already cooperating to abate emissions from vehicles at border crossings, tracking transboundary shipments of hazardous wastes, and operating a U.S.-Mexico Joint Response Team to minimize the risk of chemical accidents, to name just a few activities.
- **Submission Process on Environmental Enforcement:** The NAAEC submission process -- which subjects member governments to public and international scrutiny for alleged violations of environmental laws, and can also lead to economic sanctions -- is working as intended. Under NAFTA, Mexico's enforcement of its environmental laws has improved and there has been an unprecedented amount of cooperation between the United States and Mexico on environmental enforcement.
- **Oversight of Enforcement:** The NAFTA Commission for Environmental Cooperation's (CEC) review of citizen submissions alleging nonenforcement of environmental laws has led to an investigation of the adequacy of environmental reviews of a cruise ship pier in Cozumel, Mexico and a report on water use in the Fort Huachuca, Arizona area.
- **Improved Mexican Enforcement:** Mexico has increased the number of environmental enforcement actions from roughly 3,100 in 1991 to between 12,000 and 13,000 annually since NAFTA was signed. Mexico reports a 72% reduction in serious environmental violations in the maquiladora industry and a 43% increase in the number of maquiladora facilities in complete compliance.
- **Cooperating to Clean up North America:** Through the CEC, Mexico has agreed to join the United States and Canada in banning the pesticides DDT and chlordane, ensuring that these long-lived, toxic substances no longer cross our border.

TRADE AND LABOR PROTECTIONS UNDER PRESIDENT CLINTON

President Clinton is committed to ensuring that trade expansion benefits all American workers and international competition is consistent with internationally accepted labor standards. Internationally, he has done more than any other President -- advancing core labor standards through the North American Free Trade Agreement (NAFTA), the World Trade Organization (WTO), the International Labor Organization (ILO), and the Organization of American States (OAS), and encouraging the voluntary adoption of codes of conduct through Model Business Principles and the Apparel Industry Partnership. At home, he has fought to expand opportunities for dislocated and low wage workers through increases in training, the security of pension and health benefits, the minimum wage and the Earned Income Tax Credit (EITC).

PRESIDENT CLINTON HAS DONE MORE TO PROMOTE LABOR STANDARDS IN INTERNATIONAL TRADE THAN ANY OTHER PRESIDENT. GAINING INTERNATIONAL RECOGNITION OF THE LINK BETWEEN TRADE AND LABOR ISSUES WILL BE A GRADUAL PROCESS, REQUIRING PERSEVERANCE AND COMMITMENT. DESPITE SIGNIFICANT OBSTACLES, THE CLINTON ADMINISTRATION HAS MADE SIGNIFICANT PROGRESS ON LEVELLING THE PLAYING FIELD FOR AMERICAN WORKERS, OBTAINING COMMITMENTS ON CORE LABOR STANDARDS IN INTERNATIONAL TRADE ORGANIZATIONS, AND IMPROVING THE STANDARD OF LIVING FOR WORKERS EVERYWHERE.

- **Winning International Recognition of Core Labor Standards:** At the UN Summit for Social Development in 1995, the Administration succeeded in obtaining a commitment by over one hundred heads of State and government -- for the first time in history -- to recognition of those "core" worker rights that the Administration believes should be protected in every country, regardless of the level of economic development.
- **Protecting Labor Rights in the Hemisphere:** At the OAS Labor Ministerial in 1995, the Administration obtained a commitment from all countries in our hemisphere recognizing the importance of protecting worker rights as we negotiate the Free Trade Area of the Americas.
- **Advancing Labor Standards in the WTO:** At the Singapore Ministerial Meeting of the WTO in 1996, the Administration fought for and won -- for the first time in the GATT/WTO's existence -- a formal commitment by 128 nations to the observance of core labor standards. The WTO also endorsed collaboration with the ILO to advance this agenda.
- **Encouraging Private Sector Codes of Conduct:** In 1994, the Administration developed and disseminated Model Business Principles protecting core worker rights and encouraged private sector adoption through conferences and a best practices award. In 1996, President Clinton helped launch the Apparel Industry Partnership: a collaboration between labor, business and nongovernmental organizations to encourage adoption of a code of conduct prohibiting exploitative child labor and encouraging humane working conditions through external monitoring and consumer awareness.
- **Suspension of Trade Benefits:** The Administration suspended full trade preferences for Burma, Sudan, Mauritania, and Syria and partial preferences for Pakistan for inadequate observance of basic worker rights.
- **International Monitoring of Labor Standards:** In 1997, Administration support was decisive in the adoption of an ILO proposal to establish a mechanism to monitor countries' implementation of core labor standards. The Administration has supported examination of labor standards implementation through the Organization for Economic Cooperation and Development (OECD), conferences on core labor standards in developing economies in Asia and Latin America, and ILO Programs to combat child labor in Pakistan, Bangladesh, Thailand, and Brazil.

NAFTA IS THE FIRST TRADE AGREEMENT TO INCLUDE PROTECTIONS FOR WORKERS. THE NORTH AMERICAN AGREEMENT ON LABOR COOPERATION (NAALC) HAS ENHANCED OVERSIGHT AND ENFORCEMENT OF NATIONAL LABOR LAWS AND CREATED NORTH AMERICAN COOPERATION ON FUNDAMENTAL LABOR ISSUES -- FOR THE FIRST TIME. THE INTERNATIONAL PUBLIC SCRUTINY ASSOCIATED WITH THE NAFTA SUBMISSION PROCESS HAS BEEN AN IMPORTANT IMPETUS FOR CHANGE IN MEXICO.

- **Union Recognition and Secret Ballots:** The NAALC submission process subjects member governments to public and international scrutiny for alleged violations of labor laws; it can also lead to economic sanctions. To date, the United States has received seven submissions against Mexico, and Mexico has reviewed one submission against the United States. The review of these submissions has yielded concrete remedies. In one case, a Mexican labor tribunal granted recognition to the petitioning union, reversing an earlier decision, and afforded a new hearing for workers dismissed for union activity. In other cases, workers were permitted secret ballot elections, a practice not common in Mexico. In addition, a number of Mexican labor disputes have been settled by companies wishing to avoid the negative publicity associated with the NAFTA review process.
- **Legal Advances:** Important legal advances on labor rights have taken place in Mexico since NAFTA was signed. In 1996, the Supreme Court of Mexico issued two decisions finding state statutes restricting freedom of association unconstitutional. Mexico's Department of Labor has issued recommendations providing for greater autonomy and professionalism of tripartite labor tribunals and making the union registration process a purely administrative decision.
- **Stronger Mexican Enforcement:** Since NAFTA was signed, Mexico's Secretariat of Labor and Social Welfare reports a nearly 250 percent increase in funding for enforcement and a 30 percent reduction in the number of workplace injuries and illnesses.

PRESIDENT CLINTON HAS CONSISTENTLY FOUGHT TO ENSURE THAT THE NEW ECONOMY BENEFITS ALL WORKERS. INDEED, NO PRESIDENT CARES MORE ABOUT THE CONCERNS OF LOW-WAGE AND DISLOCATED WORKERS.

- **NAFTA Transitional Adjustment Assistance (NAFTA TAA).** The President fought for and won a special NAFTA-TAA program that for the first time provides retraining and reemployment assistance and income support to workers displaced by production shifts as well as trade, and provides income support for "secondary" workers.
- **Dislocated Worker Training.** President Clinton has doubled funding for the Dislocated Worker assistance program helping an additional 300,000 workers get training and job search assistance.
- **HOPE Scholarships and Tuition Tax Credits.** To help workers enhance their skills throughout their working lifetimes, the President fought for and won both a \$1,500 two-year HOPE Scholarship and a 20% tuition tax credit.
- **Health Benefits for Job Changers.** The 1996 "Kassebaum-Kennedy" law ensures that as many as 25 million more Americans will no longer have to fear that they will lose their access to health insurance if they lose their job or change jobs.
- **One-Stop Career Centers.** To help workers make a rapid transition between jobs, the Administration is transforming a fragmented array of employment and training programs into a "One-Stop" coordinated information and delivery system. The President's budget proposed \$150 million in funding to expand One-Stop Career Centers to all states in 1998.

MEMORANDUM

To: Gene Sperling
From: Bob Shireman
Date: September 9, 1997
Subject: **Hispanic Education Update**

Appropriations

The President's Budget includes substantial increases for programs that serve Hispanic Americans. Congress has followed through on a number of those requests.

- **Bilingual Education:** The President proposed a 27% increase, from \$157 million to \$199 million. *This is specifically protected in the budget agreement.* (75% of those served are Hispanic). **Both the Senate and House bills (now on the floor) include the full increase. In addition, they have agreed to allow \$25 million for teacher training, which Republicans opposed last year.**
- **Immigrant Education:** The President proposed a 50% increase, from \$100 million to \$150 million. *This is specifically protected in the budget agreement.* (56% of those served are from Spanish-speaking countries). **Both the Senate and House bills (now on the floor) include the full increase.**
- **Title I for high-poverty school districts:** The President proposed \$350 million for this targeted fund (which has not been funded since it was created in the 1994 reauthorization. **The House put in \$400 million (as part of meeting the Administration's overall increase in Title I); the Senate has nothing (as part of level-funding Title I).**
- **[Adult Education:** The President proposed a 12% increase on top of last year's 38% increase, from \$250 million in FY96, to \$344 million in FY97, and a request of \$382 million for FY98. 34% of those served are Hispanic. **House and Senate bills do NOT provide the increase for FY 1998, but do maintain last year's increase.]**
- **[Migrant Education:** The President proposed a 5% increase, from \$305 million to \$320 million (though this is less than last year's request of \$360 million). (74% of the students served are Hispanic). **The House and Senate level-fund the program at the FY 1997 amount.]**
- **Hispanic-Serving Institutions:** The President proposed an 11% increase, from \$10.8 million to \$12 million. (FYI, funding for HBCUs is \$109 million this year, and the Budget requests \$113 million). **The House and Senate provide the**

increase. In addition, Secretary Riley has announced that he would propose a separate part in the Higher Education Act for HSIs. We have been working internally on *Adarand* issues for the past several weeks (NEC has called Education-Justice meetings to move things along) and Justice has now cleared Education's proposal.

- **HEP-CAMP:** The President proposed an inflation adjustment. (A previous Clinton budget had proposed elimination of these programs). HEP would increase from \$7.441 million to \$7.634 million, an increase of \$193,000. CAMP would increase from \$2.028 million to \$2.081 million, an increase of \$53,000. **The increase is included in both the House and Senate bills.**

In addition:

- **Head Start** is fully funded in both the House and Senate at the President's request.
- **Job Corps** is fully funded with the President's \$92 million increase (to \$1.246 billion). *70% of participants are minorities.*
- **Charter Schools:** Hispanic students have strong participation -- *25% of the students in charter schools are Hispanic.* The Administration proposed doubling funding to \$100 million. The House is at \$75 million, the Senate has level-funded the program.
- **Youth Opportunity Areas:** The President proposed \$250 million. The House has forward-funded \$100 million, the Senate has advance appropriated \$250 million to FY 1999.
- **America Reads:** Many of the best examples involve LEP children and parents. Includes Parents-as-First-Teachers, which, like Even Start, has high Hispanic participation. President requested \$200 million for National Service and \$260 million for the Education Department.

Discussions with the Hispanic Caucus and staff

- In March, you met with several members of the Caucus to discuss the issue of Hispanic education. In April, a letter from Congressman Becerra's staff identified some specific areas to explore (Head Start, TRIO, HSIs, HEP-CAMP, and Migrant JTPA).
- In May, Congressman Hinojosa (EE-na HO-sa) hosted a meeting at which he pressed the idea of a "White House Conference" on the dropout problem.

- Your staff met with constituency groups and Congressional staff in April and May to go over the issues raised by Becerra and other issues that affect Hispanic Americans in education.
- At a June 3 meeting in Hinojosa's office, **you suggested a series of meetings** where the Caucus could discuss different issues with Administration officials.

The promised meetings happened. I put together **three two-hour discussions** with high-level policy officials covering:

- Higher Education (David Longanecker, Assistant Secretary for Postsecondary Education, and White House and Education Department staff).
- Elementary and Secondary Education Programs (Gerry Tirozzi, Assistant Secretary for Elementary and Secondary Education, and others).
- Early Childhood Education (Officials from HHS, Education, USDA -- see attached agenda).

Those discussions have been helpful to us in finding what is working already, and determining where we can do more. **The next step is for us to go back to the Caucus with some ideas for action and filling some of the holes that we have found through this process.**

Taking the Becerra list from April and other issues brought up by Caucus members, we have already seen action:

- Teacher Training (big Reyes issue at March meeting). At NEC request, Education officials sat down with appropriations staff to work out a plan to allow the \$25 million to be used for bilingual teacher training.
- TRIO: At WH insistence, the Education Department's draft reauthorization proposal includes some controversial language to encourage fair geographic distribution of grants.
- HEP-CAMP. The increase is in the House and Senate bills.
- Head Start. The briefing helped to sort out some of the data issues about Hispanic representation and the best ways to address that issue.
- Adult Education. We saw an opportunity to better targeting of funds (based on LEP adults in a State) and included that in our proposal. (No one in Congress is pushing it, however).

- **America Reads.** We strengthened the bill to ensure that States include LEP students.

Range 1

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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
 WASHINGTON, DC 20515-6348

September 11, 1997

A.L. SINGLETON, CHIEF OF STAFF

JAMICE MAYE, MINORITY CHIEF COUNSEL

The Honorable Charlene Barshefsky
 United States Trade Representative
 600 Seventeenth Street, N.W.
 Washington, D.C. 20506

Dear Madam Ambassador:

As the President and his Administration make final decisions on a fast track proposal, I thought I should share with you my current thinking about this issue in light of recent intense public and Congressional debate. As you know, there are many Democratic Members who are extremely concerned about how the President's fast track proposal addresses labor and environmental issues. Indeed, the votes of many Democrats on fast track hinge in large part on how these issues are handled. In light of these Democratic concerns, I am now considering introducing a fast track proposal of my own that would address these concerns in a way that could garner broad Democratic support.

While labor and environmental issues are important, I believe, unfortunately, that in the debate on fast track inadequate attention has been given to how we as a nation can ensure that good, productive jobs are available for all Americans. While expanding international trade is one part of the solution to creating good jobs in this country, it is not enough since not all Americans will have the opportunity or the skills to benefit from the new jobs created by more trade. At the same time, other Americans will lose their jobs because of such trade.

In light of this, it is my personal view that we should do all we can to provide the President with the authority he needs to increase our trading opportunities, provided that this is accompanied by a domestic jobs initiative that reaches out to all Americans. Such a jobs initiative should be targeted initially on rebuilding our nation's infrastructure, particularly in urban

The Honorable Charlene Barshefsky
September 11, 1997
Page 2

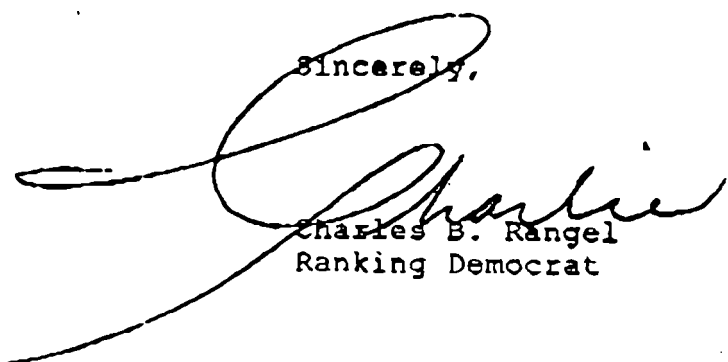
areas. A sound infrastructure in our cities can provide an anchor for, and is indeed essential to, expanding international trade.

I previously have discussed these ideas with you, Jay Berman, and John Hilley, but wanted to draw them to your attention again because I feel so strongly about them. I believe that incorporating a vision on jobs for all Americans into fast track proposals moving through Congress is essential for building strong bipartisan support on fast track. Such support, particularly on the Democratic side, appears to be lacking at this time.

I intend to raise these matters in a Ways and Means Democratic caucus on Tuesday and will also be discussing them with the House Democratic leadership to seek their views and guidance before proceeding further. I would hope that the Administration could give additional attention to these ideas in the days ahead.

I would be pleased to discuss these matters with you at any time.

Sincerely,



Charles B. Rangel
Ranking Democrat

CBR/bwc

cc: The Honorable William J. Clinton
The Honorable Robert E. Rubin
The Honorable William M. Daley
Mr. Erskine Bowles
Mr. Jay Berman

THE WHITE HOUSE
WASHINGTON

September 11, 1997

Dear Congressman Rangel:

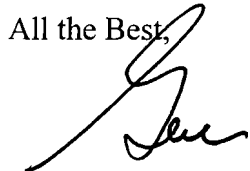
As we discussed, there is a program in the FY98 budget called Opportunity Areas for Out of School Youth which is very much a type of program which you have been pushing us to do.

It is aimed exclusively at out of school youth between the ages of 16-24. As you can see in the attached material, this program will provide youth services this year in Boston, Kentucky, Chicago, Houston, Los Angeles and New York City in the Haven/Port Morris sections of the Bronx.

We now have a significant opportunity to expand it. This program could really help with future education and empowerment zones initiatives. It is currently appropriated \$25 million in FY98 with an additional \$100 million forward funded for FY99 in the House. Even if we could only get \$25 million for this year, if we could secure \$250 million forward funded for FY99 as in the Senate Bill but without the requirement for a new authorization, this would be significant progress.

Please call me if you have any questions.

All the Best,



Gene B. Sperling
Assistant to the President
for Economic Policy

This is funds that could really help
with the goals you have laid out.
We should go hard for it. Call if
you have any questions or have your staff
call. Thanks,



OPPORTUNITY AREAS FOR OUT-OF-SCHOOL YOUTH (YOA)

- **1998 Budget Policy:** The FY 1998 request of \$250 M would provide first-year grants to 15-20 high poverty urban and rural areas, including EZ/ECs. Grants would average \$14 M for each of 5 years, serving about 50,000 youth annually. The program's goal is to boost the employment rate of out-of-school youth in each target area to 80% from its current rate of about 45%. DOL would conduct YOA under JTPA demonstration authority. YOA pilots are operating in 6 sites with \$16 M in JTPA funds. The YOA program is one of 17 in the Training and Employment Services (TES) account. TES is one of the 13 "Protected Domestic Discretionary Priorities" in the Balanced Budget Agreement.
- **Latest House Action:** The House committee-reported bill provides a FY 1999 Advance Appropriation (AA) of \$100 M, to be available for the Program Year (PY) beginning on July 1, 1999 "only if [the program is] specifically authorized by subsequent legislation." The committee report also indicates that \$25 M is available for YOA within JTPA's \$43 M demonstration appropriation.
- **Administration Position:** The July 28th Statement of Administration Policy on H.R. 2264, the Labor/HHS/Education appropriation bill, urges the House to provide FY 1998 resources for YOA and notes the program may be carried out under existing legislation (as pilots are now). The SAP also urges the House to fully fund the request for TES programs, in order to be consistent with the BDA.
- **Latest Senate Action:** The Senate committee bill provides a FY 1999 AA of \$250 M, to be available on October 1, 1998, "if job training reform legislation authorizing this or similar at-risk youth projects is enacted by April 1, 1998." The Senate also provides \$25 M for YOA demos.
- **Analysis:** Senate action -- without the requirement that authorizing legislation must be enacted -- would delay funding availability only for three months (the FY 1998 request finances a PY beginning on July 1, 1998). YOA funding should not be contingent on the highly uncertain outcome of training reform legislation. Similar legislation met constituent opposition and failed to emerge from a contentious conference committee in the 104th Congress. Also, in May 1997, the House passed H.R. 1385, a training reform bill that does not include an authorization for YOA. The Senate companion draft bill does authorize YOA, but introduction has been delayed.
- **FY 1997 Appropriations Action:** Both the House and Senate denied the YOA request of \$250 M in the President's 1997 Budget.

August 28, 1997

Opportunity Areas for Out-of-School Youth

Proposed in the President's FY 1998 Budget, the Youth Opportunity Areas (YOA) initiative would provide \$250 million in "seed capital" grants to Empowerment Zones, Enterprise Communities (EZ/EC), and other high poverty areas to boost the employment rate among out-of-school youth to 80 percent. Congress denied a similar request in the FY 1997 Budget.

- **Five-year grants.** The \$250 million request would provide competitive grants of about \$14 million in the first of five years to each of 15 to 20 current and future EZ/ECs. The federal investment would total \$1.3 billion over the FYs 1998-2002.
- **Matching requirement.** Grantees would be required to enlist support of schools, business, training programs, and community groups in the target area, and include a 100 percent State/local match in the first year. The matching requirement would rise over the five-year life of the grant; at the end of the grant cycle, the program would be sustained without federal funds.
- **Grant competition.** A "leading edge" competitive grant strategy would be used to distribute grant funds, as in the Administration's School-to-Work and One-Stop Career Center initiatives.
- **Administrative entity.** JTPA Private Industry Councils or local workforce development boards would be the local governing body for the YOA grants.
- **Program features.** YOA would serve about 50,000 youth annually. Its features include:
 - Immediate job placement, work-based learning opportunities, and strong links to the school system. Community involvement would occur in program planning, design, and implementation.
 - Requiring responsible behavior on the part of youth as a condition of continued participation.
 - Concentrating funds in a small "target neighborhood" within an EZ/EC of about 10,000 to 20,000 persons in an effort to saturate areas and produce positive peer pressure.
- **YOA pilots.** In Summer 1996, the Labor Department used \$9 million in existing JTPA demonstration funds to launch YOA pilots of \$3 million each in Chicago, Houston, and Los Angeles. Pending funding availability, the grants will be extended for two additional years.

● News Release



U.S. Department of Labor

Office of Public Affairs
Washington, D.C.

Employment and Training Administration

CONTACT: Meg Schryver
OFFICE: (202) 219-8211

USDL: 97-214
FOR RELEASE: Immediate
Wednesday, June 25, 1997

LABOR DEPARTMENT AWARDS THREE NEW GRANTS TOTALING \$6.7 MILLION TO SERVE OUT-OF-SCHOOL YOUTH IN HIGH-POVERTY AREAS

1998 Funding Expected to Reach \$250 Million

One rural and two urban communities will each receive over \$2 million to serve youth in high-poverty areas, Secretary of Labor Alexis M. Herman announced today. The 1997 Opportunity Areas for Out-of-School Youth Pilot Project grants have been awarded to Boston, New York and the Lake Cumberland Area in Kentucky.

"I am pleased that my Administration can provide these funds to ensure that young people are able to receive needed education and job training assistance," said President Clinton. "This support will be a positive step in preparing them not only for successful careers but also for rewarding futures."

The bi-partisan budget agreement recently reached between the President and Congressional leaders provides for \$250 million for an Out-of-School Youth initiative in 1998 and is critical to provide seed funds to high-poverty urban neighborhoods and rural areas--current and prospective Empowerment Zones and Enterprise Communities (EZ/ECs)--to help them increase employment among out-of-school young people as an alternative to welfare and crime.

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Creating Opportunities for Out-of-School Youth

U.S. Department of Labor
June 1997

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On June 25, 1997, the U.S. Department of Labor awarded three new grants -- to the Boston Mayor's Office of Jobs and Community Services, the New York City Department of Employment, and the Lake Cumberland Area Development District in Kentucky. These grants provide for comprehensive services to raise the employment rates for out-of-school youth aged 16-24 in high-poverty areas -- Empowerment Zones and Enterprise Communities Empowerment Zones and Enterprise

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The grants use federal money as a catalyst to spur long-term community investments in out-of-school youth. The grant's design is based on what has worked best among the nation's education and training programs to prepare high-risk, low-income youth for better jobs.

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1. Need in the target area.
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The three 1996 recipients of Opportunity Areas for Out-of-School Youth Pilot Project Grants are getting their programs started toward their ambitious goals of cutting out-of-school youth unemployment rates from as high as 80 percent to 20 percent within three years:

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The grants announced today will operate for 18 months. It is anticipated that funding will be extended for two additional years. The 1996 Opportunity Areas for Out-of-School Youth Grants totaled \$8.9 million and were awarded to communities in Chicago, Houston and Los Angeles.

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THE WHITE HOUSE

WASHINGTON

September 19, 1997

Dear Congresswoman Waters:

It was great talking to you this evening. I'm sorry it took so long to hook up today, but I am very excited that you are interested in pushing for this initiative. I think it is very close to the types of initiatives you have been advising the Administration to do for several years now. We could take a big step towards helping a lot of out of school youth if we could expand this program. Your help and advocacy would be critical to this endeavor.

The program is aimed exclusively at out of school youth between the ages of 16-24. As you can see in the attached material, this program will provide youth services this year in Boston, Kentucky, Chicago, Houston, New York City and Los Angeles in South Central's Watts community.

We now have a significant opportunity to expand it. This program could really help with future education and empowerment zones initiatives. It is currently appropriated \$25 million in FY98 with an additional \$100 million forward funded for FY99 in the House. Even if we could only get \$25 million for this year, if we could secure \$250 million forward funded for FY99 as in the Senate Bill but without the requirement for a new authorization, this would be significant progress.

Please call me if you have any questions.

Sincerely,



Gene B. Sperling
Assistant to the President
for Economic Policy

OPPORTUNITY AREAS FOR OUT-OF-SCHOOL YOUTH (YOA)

- **1998 Budget Policy:** The FY 1998 request of \$250 M would provide first-year grants to 15-20 high poverty urban and rural areas, including EZ/ECs. Grants would average \$14 M for each of 5 years, serving about 50,000 youth annually. The program's goal is to boost the employment rate of out-of-school youth in each target area to 80% from its current rate of about 45%. DOL would conduct YOA under JTPA demonstration authority. YOA pilots are operating in 6 sites with \$16 M in JTPA funds. The YOA program is one of 17 in the Training and Employment Services (TES) account. TES is one of the 13 "Protected Domestic Discretionary Priorities" in the Balanced Budget Agreement.
- **Latest House Action:** The House committee-reported bill provides a FY 1999 Advance Appropriation (AA) of \$100 M, to be available for the Program Year (PY) beginning on July 1, 1999 "only if [the program is] specifically authorized by subsequent legislation." The committee report also indicates that \$25 M is available for YOA within JTPA's \$43 M demonstration appropriation.
- **Administration Position:** The July 28th Statement of Administration Policy on H.R. 2264, the Labor/HHS/Education appropriation bill, urges the House to provide FY 1998 resources for YOA and notes the program may be carried out under existing legislation (as pilots are now). The SAP also urges the House to fully fund the request for TES programs, in order to be consistent with the BBA.
- **Latest Senate Action:** The Senate committee bill provides a FY 1999 AA of \$250 M, to be available on October 1, 1998, "if job training reform legislation authorizing this or similar at-risk youth projects is enacted by April 1, 1998." The Senate also provides \$25 M for YOA demos.
- **Analysis:** Senate action -- without the requirement that authorizing legislation must be enacted -- would delay funding availability only for three months (the FY 1998 request finances a PY beginning on July 1, 1998). YOA funding should not be contingent on the highly uncertain outcome of training reform legislation. Similar legislation met constituent opposition and failed to emerge from a contentious conference committee in the 104th Congress. Also, in May 1997, the House passed H.R. 1385, a training reform bill that does not include an authorization for YOA. The Senate companion draft bill does authorize YOA, but introduction has been delayed.
- **FY 1997 Appropriations Action:** Both the House and Senate denied the YOA request of \$250 M in the President's 1997 Budget.

August 28, 1997

Opportunity Areas for Out-of-School Youth

Proposed in the President's FY 1998 Budget, the Youth Opportunity Areas (YOA) initiative would provide \$250 million in "seed capital" grants to Empowerment Zones, Enterprise Communities (EZ/EC), and other high poverty areas to boost the employment rate among out-of-school youth to 80 percent. Congress denied a similar request in the FY 1997 Budget.

- **Five-year grants.** The \$250 million request would provide competitive grants of about \$14 million in the first of five years to each of 15 to 20 current and future EZ/ECs. The federal investment would total \$1.3 billion over the FYs 1998-2002.
- **Matching requirement.** Grantees would be required to enlist support of schools, business, training programs, and community groups in the target area, and include a 100 percent State/local match in the first year. The matching requirement would rise over the five-year life of the grant; at the end of the grant cycle, the program would be sustained without federal funds.
- **Grant competition.** A "leading edge" competitive grant strategy would be used to distribute grant funds, as in the Administration's School-to-Work and One-Stop Career Center initiatives.
- **Administrative entity.** JTPA Private Industry Councils or local workforce development boards would be the local governing body for the YOA grants.
- **Program features.** YOA would serve about 50,000 youth annually. Its features include:
 - Immediate job placement, work-based learning opportunities, and strong links to the school system. Community involvement would occur in program planning, design, and implementation.
 - Requiring responsible behavior on the part of youth as a condition of continued participation.
 - Concentrating funds in a small "target neighborhood" within an EZ/EC of about 10,000 to 20,000 persons in an effort to saturate areas and produce positive peer pressure.
- **YOA pilots.** In Summer 1996, the Labor Department used \$9 million in existing JTPA demonstration funds to launch YOA pilots of \$3 million each in Chicago, Houston, and Los Angeles. Pending funding availability, the grants will be extended for two additional years.

News Release



U.S. Department of Labor

Office of Public Affairs
Washington, D.C.

Employment and Training Administration

CONTACT: Meg Schryver
OFFICE: (202) 219-8211

USDL: 97-214
FOR RELEASE: Immediate
Wednesday, June 25, 1997

**LABOR DEPARTMENT AWARDS THREE NEW GRANTS TOTALING \$6.7 MILLION
TO SERVE OUT-OF-SCHOOL YOUTH IN HIGH-POVERTY AREAS**

1998 Funding Expected to Reach \$250 Million

One rural and two urban communities will each receive over \$2 million to serve youth in high-poverty areas, Secretary of Labor Alexis M. Herman announced today. The 1997 Opportunity Areas for Out-of-School Youth Pilot Project grants have been awarded to Boston, New York and the Lake Cumberland Area in Kentucky.

"I am pleased that my Administration can provide these funds to ensure that young people are able to receive needed education and job training assistance," said President Clinton. "This support will be a positive step in preparing them not only for successful careers but also for rewarding futures."

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AH: LA

Mike Marase

Fax: 757-7854

757-9506
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Clinton Presidential Records Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Tariff Rates

Divider Title: _____

TARIFF RATES

Country	Post-Uruguay Round Tariffs Faced by U.S. Exporters Could Be Raised As High As (Bound-Rates):	Applied Rates	
		Pre-Uruguay	Post-Uruguay
Jamaica	56.3%	28.0%	15.5%
India	52.2	47.4	30.9 5
Tunisia	48.7	31.7	24.8
Romania	45.1	13.5	11.7
Colombia	39.7	14.5	10.9
Sri Lanka	38.9	40.4	28.6
Indonesia	38.4	21.8	10.7 8
Zimbabwe	35.3	10.3	4.5
El Salvador	34.2	14.5	10.7
Peru	33.7	27.4	14.6 9.9
Turkey	33.3	32.8	26.3
Venezuela	31.6	15.0	12.4
Argentina	31.0	14.5	10.3
Uruguay	29.4	24.0	14.6 6.5
Brazil	29.0	12.8	11.7
Thailand	27.5	41.0	26.1 12
Chile	25.0	11.0	11.0
Philippines	21.9	26.9	19.0 5
Senegal	16.6	11.8	11.8
Korea	16.4	16.2	7.7 6
Iceland	12.6	18.7	2.9
Poland	12.3	11.1	6.9
Australia	11.1	16.9	8.9 5.1
New Zealand	10.8	14.6	6.8 5
Malaysia	9.3	13.7	6.4 4.4
Austria	7.3	7.8	3.3
Singapore	7.1	16.2	1.3 12
Hungary	6.6	9.6	6.8
Finland	6.2	12.2	5.9
Norway	4.2	4.4	1.0
Czech & Slovak	4.0	5.2	3.8
Japan	3.7	5.5	2.8
UNITED STATES	3.3	5.7	2.8
European Union	3.2	5.9	2.8
Sweden	2.9	3.5	1.4
Switzerland	2.0	3.1	1.7
Hong Kong	0	0	0
Macau	0	0	0

Note: Tariff averages based each country's trade with world in Uruguay Round base year, 1988/89.

Response to AFCCIO

- ① Prot 4 times
- ② not Low
- ③ ~~Heckler~~ ~~Heckler~~
Stop the program
- ④ President reject Authority

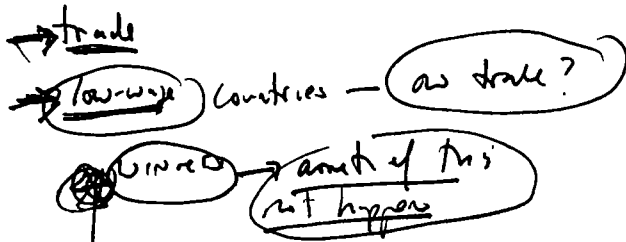
✓ More Power

funghoed

① Economic Strategy working - positive news

② No question - curious times - some insecurity some job loss due to change

③ let me explain why overall is a winners + imperative + why address concern



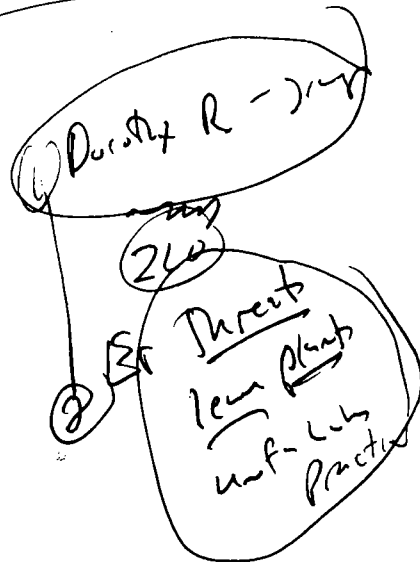
winners: not happen if not lower trade barrier

270: not happen if not

losers: Fair trade

1. Headed 74 points
2. Battle dist. by dist.
3. Le 1318
- 4.

of experts not will work



RESPONSE TO AFL-CIO CLAIMS ON NAFTA

Claim 1: THE ADMINISTRATION CLAIMS NAFTA HAS CREATED 700,000 JOBS, BUT ACTUALLY "ON NET, 420,000 JOBS HAVE BEEN LOST DUE TO THE UNFAVORABLE SWING IN OUR NORTH AMERICAN MERCHANDISE TRADE BALANCE."

The Facts: ANY WAY YOU LOOK AT IT, NAFTA HAS BEEN A JOB CREATOR FOR AMERICA.

- **Increased Exports to Our NAFTA Partners Have Created Over 300,000 Jobs:** Exports to Mexico have grown 37 percent and exports to Canada have grown 34 percent under NAFTA, creating over 300,000 jobs (not 700,000). The jobs created by exports to Mexico are on track to surpass 200,000 in 1997 -- in line with Administration projections. And export jobs are good jobs, paying 13 to 16 percent more than the national average. [Study on the Operation and Effects of NAFTA, 1997]
- **NAFTA Boosted Net Exports:** Even if you adopt our critic's methodology and look at net exports, NAFTA was a job creator. Several outside studies have concluded that when you isolate the effects of the peso crisis and America's strong economy, NAFTA itself caused an increase in the trade surplus with Mexico. For instance, DRI estimates that NAFTA boosted real net exports to Mexico by \$7 billion in 1996, controlling for Mexico's financial crisis.
- **Most Imports Do Not Displace Jobs:** It is wrong to assume imports displace U.S. jobs. History shows that the U.S. trade deficit increases most when our job growth is highest because our demand for imports rises as our income grows

Claim 2: "THE WAGES IN INDUSTRIES THAT COMPETE WITH MEXICAN IMPORTS ARE ALMOST IDENTICAL TO THE WAGES IN INDUSTRIES THAT EXPORT TO MEXICO. SECOND, IT IS WRONG TO DISMISS A LARGE CLASS OF JOBS AS "DISPOSABLE..."

The Facts: THE FACTS COULD NOT BE CLEARER: TRADE BENEFITS AMERICAN WORKERS OF ALL TYPES. TRADE HAS CONTRIBUTED TO AMERICA'S STRONG ECONOMIC EXPANSION OVER THE PAST 4 YEARS, GENERATING ONE THIRD OF OUR OVERALL ECONOMIC GROWTH AND OVER 2 MILLION NEW JOBS. AND EXPORT JOBS ARE GOOD JOBS, PAYING 12 TO 16 PERCENT ABOVE THE NATIONAL AVERAGE FOR JOBS AT ALL SKILL LEVELS (WAGES EARNED BY WORKERS IN INDUSTRIES THAT ARE COMPETING MOST DIRECTLY WITH IMPORTS PAY 13 PERCENT BELOW THE NATIONAL AVERAGE FOR SIMILAR SKILL REQUIREMENTS). BUT THE NEW ECONOMY ALSO POSES CHALLENGES, AND PRESIDENT CLINTON HAS WORKED HARD TO ADDRESS THE CONCERNS OF LOW-WAGE AND DISLOCATED WORKERS. [Summers & Katz]

- **NAFTA Transitional Adjustment Assistance (NAFTA TAA).** The President fought for and won a special NAFTA-TAA program that for the first time provides retraining and reemployment assistance and income support to workers displaced by production shifts as well as trade, and provides income support for "secondary" workers.
- **Dislocated Worker Training.** Since President Clinton came to office, funding has doubled for the Dislocated Worker assistance program -- which covers all displaced workers, regardless of the cause of their displacement.
- **HOPE Scholarships and Tuition Tax Credits.** To help workers enhance their skills throughout their working lifetimes, the President fought for and won both a \$1,500 two-year HOPE Scholarship and a 20% tuition tax credit.

- **Health Benefits for Job Changers.** The 1996 "Kassebaum-Kennedy" law ensures that as many as 25 million more Americans will no longer have to fear that they will lose their access to health insurance if they lose their job or change jobs.
- **One-Stop Career Centers.** To help workers make a rapid transition between jobs, the Administration is transforming a fragmented array of employment and training programs into a "One-Stop" coordinated information and delivery system. The President's budget proposed \$150 million in funding to expand One-Stop Career Centers to all states in 1998.

Claim 3: "IT IS IMPOSSIBLE TO SEPARATE THE IMPACT OF NAFTA FROM THAT OF THE PESO CRISIS. NAFTA WAS SOLD AS PART OF A PACKAGE DEAL THAT ALSO INVOLVED REWARDING PRESIDENT CARLOS SALINAS AND HIS ECONOMIC REFORMS. THAT SET OF REFORMS -- INCLUDING NAFTA -- DID CAUSE THE PESO CRISIS."

The Facts: MANY COUNTRIES HAVE EXPERIENCED CURRENCY CRISES -- IN SOUTHEAST ASIA IN 1997, IN EUROPE IN 1994, IN LATIN AMERICA IN 1982, TO NAME JUST A FEW EXAMPLES. THE SHARED FEATURES AMONG THESE CRISES IS UNSUSTAINABLE EXCHANGE RATES, BUDGET IMBALANCES AND GAPS BETWEEN A COUNTRY'S FOREIGN BORROWINGS AND ITS ABILITY TO MEET ITS PAYMENTS -- NOT NAFTA. MEXICO ITSELF EXPERIENCED SEVERE CRISES LONG BEFORE NAFTA. IF ANYTHING, NAFTA PROTECTED THE MEXICAN ECONOMY -- AND AMERICAN EXPORTS -- FROM THE FINANCIAL CRISIS BY LOCKING IN MEXICO'S ECONOMIC REFORMS AND PROVIDING SAFEGUARDS FOR FOREIGN INVESTORS.

- **NAFTA Helped Mexico Recover Faster:** Following Mexico's 1982 financial crisis, it took seven years before international investors were sufficiently confident to resume lending to Mexico; in 1995, it took 7 months. Following the 1982 crisis, Mexican output did not recover to pre-crisis levels for five years, while following the 1995 crisis, Mexican output rebounded to pre-crisis peaks in less than 2 years. [Study on the Operation and Effects of the NAFTA, 1997]
- **NAFTA Locked in Preferential Access for American Products.** Following Mexico's 1982 financial crisis, Mexico raised tariffs by 100 percent, and American exports to Mexico fell by half and did not recover for seven years. In 1995, Mexico continued to implement its NAFTA obligations even as it raised tariffs on imports from other countries. As a result, American exports recovered in 18 months and were up 37 percent by the end of 1996 relative to pre-NAFTA levels. [Study on the Operation and Effects of the NAFTA, 1997]

Claim 4: "U.S. EXPORTS FELL LESS AFTER THE 1994 CRISIS THAN AFTER THE 1982 CRISIS FOR A SIMPLE REASON: MAQUILADORAS...THE U.S. TRADE DEFICIT WITH MEXICO WAS ABOUT TWICE AS HIGH IN 1995 AS IN 1983, AND THE DROP IN MEXICAN GDP WAS GREATER IN 1995 THAN IN THE TWO YEARS FOLLOWING THE 1982 DEBT CRISIS."

The Facts: IN FACT, UNDER NAFTA, THE IMPORTANCE OF MAQUILADORAS IN U.S. TRADE WITH MEXICO HAS DECLINED. IT IS TRUE THAT THE U.S. CONTENT IN IMPORTS FROM MEXICO REMAINS MUCH HIGHER THAN THE IMPORTS FROM ASIA AND ELSEWHERE THAT THEY ARE REPLACING -- BUT, IF ANYTHING, THIS SHOULD BE A NET POSITIVE FOR THE AMERICAN WORKER.

- **Maquiladora Share is Down Under NAFTA:** Since NAFTA was signed, the share of U.S. imports from Mexico accounted for by maquiladoras has dropped from 49 percent to 38 percent. And the share of U.S. imports comprised of U.S. exports processed by maquiladoras has fallen by one-fifth.
- **NAFTA Reduces Maquiladora Role:** NAFTA contains explicit provisions expanding the share of

maquiladora production that can be sold directly to Mexican consumers rather than to U.S. consumers from 0 in 1993 to 70 percent in 1996 and to 100 percent in 2001.

- **Mexican Imports Displacing Imports with Lower U.S. Content:** In many industries, Mexican imports have largely come at the expense of imports from other regions, which have lower U.S. domestic content. In the apparel industry, the share of U.S. imports supplied by Mexico rose from 4.4 percent in 1993 to 9.6 percent in 1996, while the share supplied by China, Hong Kong, Taiwan and Korea fell from 39 percent in 1993 to 30 percent in 1996. Close to 2/3 of the value of U.S. apparel imports from Mexico in 1996 was comprised of U.S. content compared with 5 percent from Asia [CK].

Claim 5: IT IS WRONG TO CLAIM THAT IF WE DON'T NEGOTIATE A TRADE DEAL WITH LATIN AMERICA, OTHER COUNTRIES WILL GET THERE FIRST. "IN FACT, SIGNING NAFTA DID NOT GUARANTEE THE UNITED STATES EXCLUSIVE ACCESS TO THE MEXICAN MARKET. THE EU AND JAPAN RAN TRADE SURPLUSES WITH MEXICO IN 1995, AS THE U.S. TRADE DEFICIT BALLOONED."

The Facts: THERE IS NO QUESTION THAT THE 10 PERCENTAGE POINT TARIFF ADVANTAGE NAFTA HAS GIVEN U.S. SUPPLIERS OVER THEIR FOREIGN COMPETITORS HAS HELPED OUR FIRMS CAPTURE A 75.5 PERCENT SHARE OF MEXICO'S IMPORT MARKET -- UP BY 6.2 PERCENTAGE POINTS IN ONLY THREE YEARS.

- **EU and Japan Trade Balances Fell Dramatically Following Peso Crisis:** In fact, the EU's trade balance with Mexico deteriorated by two-thirds following Mexico's peso crisis and Japan's trade balance fell by over a quarter. The fact that Japan and the EU maintained small trade surpluses with Mexico reflects the large overall trade surpluses in both countries associated with their weak growth.
- **Our Exports Fell Less than Other Trade Partners:** Because of NAFTA, our exports to Mexico fell substantially less following the peso crisis than those from other countries. European exports to Mexico fell by 25 percent, Japanese exports by 24 percent, and Korean exports fell by 64 percent -- compared to a short-lived 9 percent drop for the United States.
- **Other Countries Are Concluding Agreements Without Us:** The facts are clear: if we do not move ahead with trade expansion, we will get left behind. Chile has already negotiated a free trade agreement with countries such as Canada and Brazil. If we do not move forward with trade negotiations, our exporters will face a cost disadvantage of 11 percent in Chile's fast-growing market. American telecommunications suppliers have already suffered from that cost disadvantage, losing contracts to their Canadian competitors.

Claim 6: "IT IS TRUE THAT THE UNITED STATES HAS LOW TARIFFS RELATIVE TO THOSE IN MANY OTHER COUNTRIES. BUT THIS IS NO GUARANTEE THAT WE WILL SELL MORE PROPORTIONALLY THAN OUR TRADE PARTNERS AFTER SIGNING TRADE AGREEMENTS. IF ANYTHING, THE OPPOSITE TENDS TO HAPPEN."

The Facts: PRESIDENT CLINTON HAS NEGOTIATED TOUGH TRADE AGREEMENTS THAT ARE BRINGING DOWN FOREIGN TRADE BARRIERS MUCH MORE THAN OUR OWN -- AND RESULTING IN MEASURABLE GAINS. THE FACT THAT WE ALREADY HAVE RELATIVELY LOW TRADE BARRIERS MEANS THAT WE HAVE NOTHING TO LOSE FROM MARKET OPENING AGREEMENTS -- AND EVERYTHING TO GAIN.

- **Mexico's NAFTA Tariff Cuts Five Times Greater:** Since NAFTA went into effect, Mexico has cut tariffs on U.S. exports five times more than the U.S. With a 10 percentage point advantage over their foreign competitors, U.S. suppliers have expanded their share of Mexico's import market by 6.2

percentage points to 75.5 percent.

- **Share Gains in Key Sectors:** Since NAFTA was signed, the U.S. share of Mexican imports is up 19.2 percentage points to 83.1 percent in the transportation equipment sector, where Mexican tariff cuts are more than 9 times greater than U.S. cuts. And the U.S. share is up 5.7 percentage points to 74.3 percent in the electronic goods and appliances sector, where Mexican tariff cuts are more than 4 times greater than U.S. cuts.

Claim 7: "IT CERTAINLY SEEMS AS THOUGH U.S. COMPANIES ARE ENJOYING PRETTY GOOD ACCESS TO LATIN AMERICAN MARKETS, EVEN WITHOUT OUR OWN REGIONAL AGREEMENT."

The Facts: PRETTY GOOD IS NOT GOOD ENOUGH. OUR EXPORTS COULD BE GROWING FASTER -- CREATING MORE HIGH-WAGE JOB OPPORTUNITIES FOR AMERICAN WORKERS -- IF WE HAD FAST TRACK AUTHORITY TO LEVEL THE PLAYING FIELD WITH FAST-GROWING FOREIGN MARKETS.

- Although it is true that U.S. exports to South America and the Caribbean grew by 20 percent last year, U.S. exports to Mexico grew by 23 percent, with the help of NAFTA's preferential access. [Census]
- American fresh fruit producers have a respectable 39 percent share of Venezuela's market. But we could increase our share to 67 percent if we didn't face a tariff disadvantage relative to countries such as Chile that have a free trade agreement with Venezuela

Claim 8: IN 1995 AND 1996, U.S. JOB GROWTH WAS CONCENTRATED IN THE NON-TRADED SECTORS OF THE ECONOMY. THE FACT THAT THE OVERALL ECONOMY WAS GROWING PREVENTED MORE UNEMPLOYMENT FROM BEING VISIBLE. BUT MANY WORKERS LOST THEIR JOBS FROM THE GROWTH IN THE TRADE DEFICIT WITH MEXICO. SOME SHOW UP IN THE NAFTA-TAA CERTIFICATIONS, MANY MORE SHOW UP AS NEW EMPLOYEES IN OTHER INDUSTRIES.

The Facts: ACTUALLY, TRADE WAS A MAJOR SOURCE OF DYNAMISM IN THE U.S. ECONOMY IN 1995 AND 1996, AND JOBS SUPPORTED BY EXPORTS GREW RAPIDLY -- DESPITE MEXICO'S PESO CRISIS. AND ALTHOUGH THE MAJORITY OF AMERICAN JOBS ARE IN TRADITIONALLY NONTRADED SECTORS, IN FACT MANY OF THESE JOBS ARE NOW SUPPORTED BY TRADE -- EITHER INDIRECTLY OR DIRECTLY.

- **Export Jobs Are Growing Fast:** In 1995, jobs supported by exports grew by 8.3 percent and trade contributed 31 percent of our overall growth -- despite Mexico's financial crisis.
- **Majority of Trade Jobs are in Service Sector:** Fully 56 percent of the 12.1 million jobs supported by exports are in services sectors -- which are traditionally categorized as the "nontraded" part of the economy.

Claim 9: "THE ADMINISTRATION CAN AND DOES NEGOTIATE TRADE AGREEMENTS WITHOUT FAST TRACK AUTHORITY. ALL THIS MEANS IS THAT THE AGREEMENTS ARE SUBJECT TO AMENDMENT AND INPUT FROM CONGRESS."

The Facts: MAJOR OPINION LEADERS AND OUR FOREIGN NEGOTIATING PARTNERS BELIEVE OTHERWISE. FAST TRACK IS VITAL FOR SUSTAINING AMERICAN LEADERSHIP IN THE INTERNATIONAL ECONOMY AND GIVING THE PRESIDENT THE CREDIBILITY TO NEGOTIATE TOUGH DEALS. EVERY PRESIDENT FOR OVER 20 YEARS HAS HAD FAST TRACK AUTHORITY.

Clinton Presidential Records Digital Records Marker

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Composition of Jobs

Divider Title: _____

August 10, 1997

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

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

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

Part-time employment as percent of total employment

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

* Change in survey. Source: BLS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TABLE 4.15

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

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

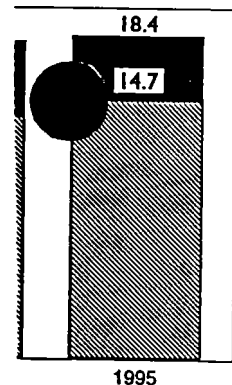
Source: Authors' analysis of Department of Labor (1994).

us, 1973-95

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

survey changes.

employment,



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

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

TABLE 4.14

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

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

Source: Authors' analysis.

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

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

All Employees: Nondepository Institutions (S	361	67	428	548	120	28.04	0.9
All Employees: Mortgage Bankers & Brokers	151.6	49.4	201.0	246.7	45.7	22.74	0.35
All Employees: Security and Commodity Bro	437	16	453	596	143	31.57	1.10
All Employees: Insurance Carriers (SA, Thou	1436	70	1506	1511	5	0.33	0.04
All Employees: Insurance Agents, Brokers a	647	13	660	720	60	9.09	0.46
All Employees: Real Estate (SA, Thous)	1283	20	1303	1423	120	9.21	0.93
All Employees: Holding and Other Investmen	219	0	219	221	2	0.91	0.02
All Employees: Hotels and Other Lodging PI	1578	2	1580	1748	168	10.63	1.30
All Employees: Personal Services (SA, Thou	1069	63	1132	1188	56	4.95	0.43
All Employees: Business Services (SA, Thou	4806	734	5540	7667	2127	38.39	16.42
All Employees: Services To Buildings (SA, T	786	29	815	893	78	9.57	0.60
All Employees: Personnel Supply Services (	1416	340	1756	2744	988	56.26	7.63
All Employees: Help Supply Services (SA, T	1183	349	1532	2404	872	56.92	6.73
All Employees: Computer & Data Process	711	158	869	1356	487	56.04	3.76
All Employees: Auto Repair, Services and P	863	42	905	1139	234	25.86	1.81
All Employees: Miscellaneous Repair Servic	366	-10	356	388	32	8.99	0.25
All Employees: Motion Pictures (SA, Thous)	355	58	413	546	133	32.20	1.03
All Employees: Amusement and Recreation	1015	209	1224	1556	332	27.12	2.56
All Employees: Health Services (SA, Thous)	7315	1318	8633	9715	1082	12.53	8.35
All Employees: Offices & Clinics of Medical	1238	251	1489	1742	253	16.99	1.95
All Employees: Nursing & Personal Care Fac	1334	217	1551	1765	214	13.80	1.65
All Employees: Hospitals (SA, Thous)	3385	395	3780	3887	107	2.83	0.83
All Employees: Home Health Care Services (	232	197	429	685	256	59.67	1.98
All Employees: Legal Services (SA, Thous)	864	54	918	960	42	4.58	0.32
All Employees: Educational Services (SA, Th	1632	36	1668	2074	406	24.34	3.13
All Employees: Social Services (SA, Thous)	1601	413	2014	2507	493	24.48	3.81
All Employees: Child Day Care Services (SA	370	92	462	597	135	29.22	1.04
All Employees: Residential Care Services (S	408	143	551	705	154	27.95	1.19
All Employees: Museums and Botanical and	60	14	74	88	14	18.92	0.11
All Employees: Membership Organizations (	1785	230	2015	2207	192	9.53	1.48
All Employees: Engineering and Managemen	2328	171	2499	3032	533	21.33	4.11
All Employees: Engineering & Architectural	758	-10	748	882	134	17.91	1.03
All Employees: Management & Public Relati	545	131	676	973	297	43.93	2.29

CLAIM ON MULTIPLE JOB HOLDING

CLAIM:

14% or 2%
Since January 1994, 20 percent of the new jobs created have gone to people taking their second, third, or even fourth jobs.

THE FACTS:

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

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

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

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

Multiple Jobholders: Percent of Total Employed

NSA, Percent

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

Multiple Jobholders, Total

NSA, Thous

	Month			Quarter	Year
1994	6756	7026	7176	6986	
	7300	7316	7110	7242	
	7172	7079	7525	7259	
	7648	7475	7539	7554	7260
1995	7156	7740	7610	7502	
	7710	7952	7853	7838	
	7779	7565	7666	7670	
	7970	7617	7700	7762	7693
1996	7127	7861	7905	7631	
	7500	7846	7692	7679	
	7642	7525	7808	7658	
	8369	8494	8219	8361	7832
1997	7572	7869	7862	7768	
	7874	8197	8214	8095	
	8053	7583	---	---	
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**Job Creation and Employment Opportunities:
The United States Labor Market, 1993-1996**

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

April 23, 1996

INTRODUCTION

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

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

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

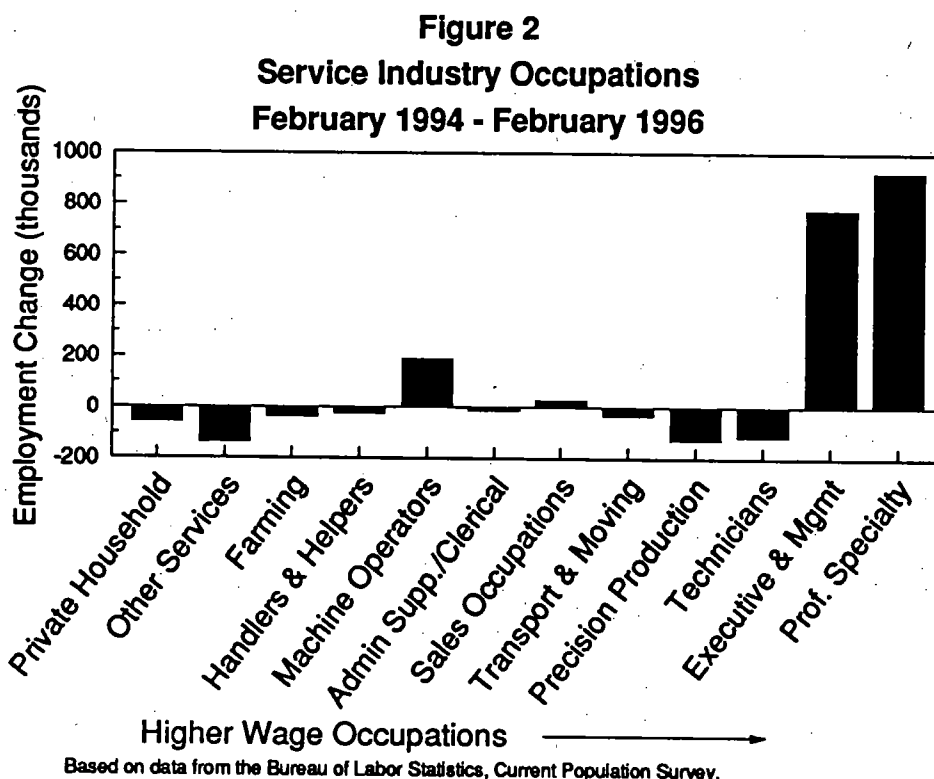
JOB CREATION

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

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

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

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

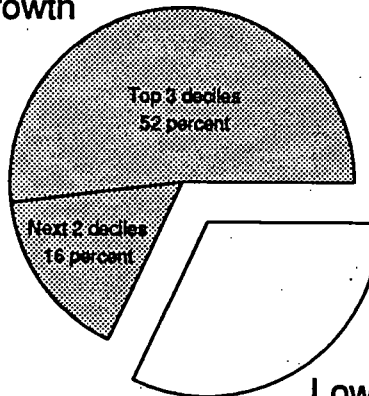


Thus, the conventional wisdom suggesting that the growth in service sector employment is disproportionately concentrated in low-wage job categories is wrong.

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

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

Higher paying job categories
 68 percent of growth

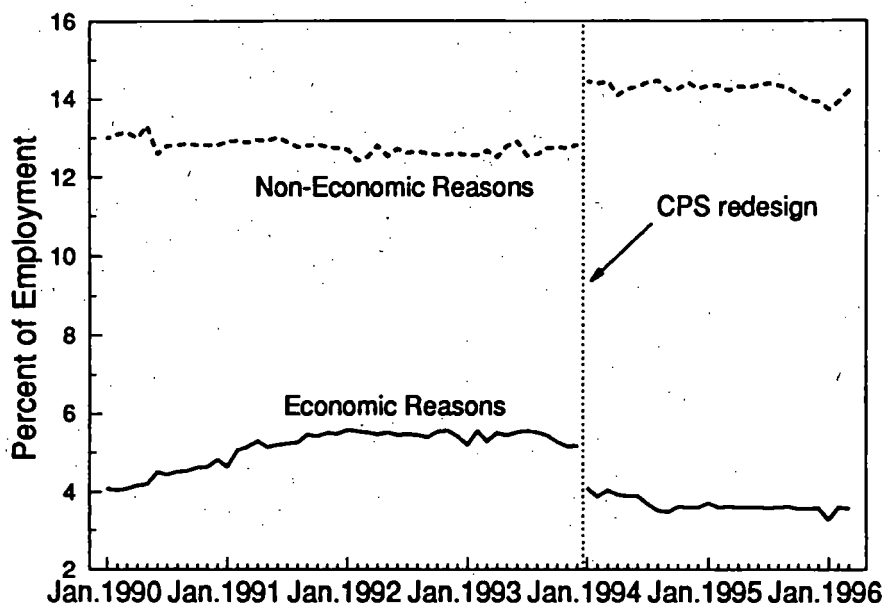


Lower paying job categories
 32 percent of growth

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

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

Figure 4
Part-Time Workers



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

Employment and Hours Worked at Nonfarm Establishments

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

Based on data from the Bureau of Labor Statistics.

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

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

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

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

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

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

Based on data from the Bureau of Labor Statistics.

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

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

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

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

CONCLUSION

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