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A

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TO THE CONGRESS OF THE UNITED STATES:

I am pleased to transmit a legislative proposal entitled the "Export Expansion and Reciprocal Trade Agreements Act of 1997." Also transmitted is a section-by-section analysis.

This proposal would renew over 60 years of cooperation between the Congress and the Executive Branch in the negotiation and implementation of market-opening trade agreements for the benefit of American workers and companies.

The sustained, robust performance of our economy over the past five years is powerful proof that Congressional-Executive cooperation works. We have made great strides together. We have invested in education and in health care for the American people. We have achieved an historic balanced budget agreement. At the same time, we have put in place trade agreements that have lowered barriers to American products and services around the world.

Our companies, farms, and working people have responded. Our economy has produced more jobs, more growth, and greater economic stability than at any time in decades. It has also generated more exports than ever before. Indeed, America's remarkable economic performance over the past five years has been fueled in significant part by the strength of our dynamic export

sector. Fully 96 percent of the world's consumers live outside the United States. Many of our greatest sales opportunities today lie outside our borders. The future promises still greater opportunities.

Many foreign markets, especially in the developing world, are growing at tremendous rates. Latin American and Asian economies, for example, are expected to expand at three times the rate of the U.S. economy over the coming years. Consumers and industries in these countries prize American goods, farm products, and services, and the many expressions of American ingenuity and culture. While America is the world's greatest exporting nation, we need to do more if we want to continue to expand our own economy and produce good, high-wage jobs for our children.

We have made real progress in breaking down barriers to American products around the world, particularly in developed countries like those in Europe. But many of the nations with the highest growth rates are in the developing world, and they almost invariably impose far higher trade barriers than we do. We need to level the trade playing field with those countries. They are the nations whose markets hold the greatest potential for American workers and firms.

Today, the United States is the world's strongest competitor. The strength of the U.S. economy over the past several years is testimony to the creativity, productivity, and ingenuity of American firms and workers. We cannot afford to squander our great advantages by retreating to the sidelines and watching other countries conclude preferential trade deals that shut out our goods and services. Over twenty such agreements have been concluded in Latin America and Asia since 1992. The United States must continue to shape and direct world trade to our advantage, and to foster democracy and stability around the world.

I have pledged my Administration to this task, but I cannot fully succeed without the Congress at my side. We must work in partnership, together with the American people, in securing our country's future. The United States must be united when we sit down at the negotiating table. Our trading partners will only negotiate with one America -- not first with an American President and next with an American Congress.

The proposal I am sending you today ensures that the Congress will be a full partner in setting negotiating objectives, establishing trade priorities, and in gaining the greatest possible benefits through our trade agreements. The

proposal goes well beyond any previous fast-track legislation in ensuring that the Congress is fully apprised and actively consulted throughout the negotiating process. I am convinced that this collaboration will strengthen both America's effectiveness and leverage at the bargaining table.

Widening the scope of consultations will also help ensure that we will take all of America's vital interests into account. That is particularly important because today our trade agreements address a wider range of activities than they one did. As we move forward with our trade agenda, we must continue to honor and reinforce the other values that make America an example for the world. I count chief among these values America's long-standing concern for the rights of workers and for the environment. The proposal I am transmitting to you recognizes the importance of those concerns. It makes clear that the trade agreements we conclude will complement and reinforce those values.

Ever since President Roosevelt proposed and the Congress enacted America's first reciprocal trade act in the heart of the Great Depression, the Congress and the President have been united, on a bipartisan basis, in supporting a fair and open trading system. Our predecessors learned from direct experience the path to America's prosperity. We owe much of our own

prosperity to their wisdom. I urge the Congress to renew our long-standing partnership by approving the proposal I have transmitted today.

Section-by-Section Analysis

Section 1. Short Title.

Section 2. Negotiating Objectives.

Section 2 of the proposal sets out the "overall" and "principal" objectives that will guide the President in negotiating future trade agreements covered by the proposal. This format parallels that of section 1101 of the Omnibus Trade and Competitiveness Act of 1988, which in turn was based on a similar structure in the Trade Act of 1974.

In order for a trade agreement to qualify for fast-track treatment, it must make progress toward one or more of the principal objectives set out in section 2(b). These objectives address, among other subjects, agricultural exports, intellectual property, the protection of worker rights and the environment under the World Trade Organization, trade in services, U.S. foreign investment, and specific barriers to trade, including foreign government policies and practices directly related to trade.

Section 2(c) calls on U.S. negotiators to take important domestic policy objectives, such as the protection of human health and the environment and national security, into account when negotiating fast track trade agreements. Negotiators are also instructed to ensure that the United States will retain the ability to vigorously enforce U.S. trade laws and that official Congressional advisors are kept fully informed during the course of trade negotiations.

Section 3. Proclamation Authority and Fast-Track Implementing Proposals.

Section 3(a) provides the President with authority to reduce U.S. tariff rates -- without seeking further approval from the Congress -- in return for concessions from U.S. trading partners. Much of the language on this subject is derived from earlier versions of tariff proclamation authority, with antecedents dating back to the mid-1930s. The proposal adds a provision that will allow the President to implement new sectoral tariff harmonization or elimination agreements under the World Trade Organization, subject to a Congressional notice and layover

requirement. The proposal also permits the President to carry out tariff elimination and harmonization agreements, subject to notice and layover, concluded as an interim step towards a regional free-trade arrangement.

Section 3(b) provides that the President may negotiate and bring back to the Congress for approval and implementation under the fast track procedures set out in section 151 of the Trade Act of 1974 certain trade agreements addressing non-tariff barriers or both non-tariff and tariff barriers. Those procedures call for the Congress to vote on agreements and their implementing legislation without amendment and within a fixed period. Changes in U.S. law required to carry out a trade agreement may be included in fast track implementing legislation only if the changes are both necessary or appropriate to implement the agreement and are trade-related. For an implementing bill to be subject to fast-track Congressional review, the President must adhere to numerous notice and consultation requirements included in the proposal.

Under the proposal, the President's tariff proclamation authority, as well as fast track procedures for implementing legislation, will be in effect until October 1, 2001. On request from the President, proclamation authority and fast track procedures may be extended until October 1, 2005, subject to disapproval by either House of Congress.

Sections 4 and 5. Notice, Consultations, and Implementation.

Sections 4 and 5 contain a number of provisions requiring the President to notify and consult with the Congress before and during trade negotiations. These provisions ensure that the Congress is fully integrated into the formulation of U.S. goals, strategies, and decision-making for each trade negotiation. Section 5 establishes an expedited procedure for Congress to withdraw fast track if it finds that the Administration is not adequately consulting the Congress on trade negotiations.

A number of the notice and consultation requirements included in sections 4 and 5 are drawn from equivalent provisions in the Omnibus Trade and Competitiveness Act of 1988. For example, the President must provide advance notice to the Congress before initiating a negotiation and must consult with the Congress

before an agreement is concluded. The President must also describe in detail at the time he submits implementing legislation to the Congress how he intends to use existing regulatory and administrative authority to carry out the agreement.

The proposal also provides for Congress and the President to receive advice from the relevant private sector advisory committees concerning any agreement that the President has negotiated -- before it is signed. The advisory committees cover a broad range of sectors and policy matters, including manufactured goods, agricultural commodities, services, intellectual property, labor, and the environment. Under existing law, the President must also consult with these committees regarding his objectives and bargaining positions in the negotiations. In addition, in advance of the negotiations, the President must solicit advice from the United States International Trade Commission, as well as views from the public, concerning any U.S. tariff reductions contemplated in the negotiations.

The proposal adds new consultation requirements to further enhance Congressional oversight of the negotiation process. For example, the President must spell out for the Congress before negotiations begin his principal negotiating objectives and is required to consult with the Congress over the course of the negotiations. In addition, the President must inform the Congress of any other agreements he intends to conclude and must state whether the trade agreement will require implementing legislation in addition to that subject to fast-track procedures.

Section 6. On-going Negotiations.

The proposal waives the requirement for the President to provide advance notification to the Congress of certain negotiations initiated prior to enactment of the proposal. These include negotiations commenced in 1995 with the Government of Chile on a comprehensive trade agreement and certain negotiations currently in progress under the auspices of the World Trade Organization.

Section 7. Conforming Amendments.

The proposal makes changes to other statutes necessary to ensure that provisions of law applicable to fast track trade agreements continue to apply. For example, these amendments ensure that the public and private sector views are solicited regarding any trade negotiations initiated under the proposal.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

The Export Expansion and Reciprocal Trade Agreements Act of 1997

Today, President Clinton transmitted to the Congress the "Export Expansion and Reciprocal Trade Agreements Act of 1997." This proposal is designed to renew "fast track" procedures for trade agreements requiring Congressional approval and implementation as well as to renew the President's authority to proclaim tariff reductions pursuant to reciprocal commitments by U.S. trading partners.

The proposal reactivates a partnership between the President and the Congress that dates back over six decades. Recognizing that the high protective U.S. tariff walls it established in 1930 had only served to deepen the Depression, Congress four years later enacted the first reciprocal trade agreements act. In that act, Congress gave the President authority to negotiate mutual tariff reductions with our trading partners. Congress renewed that authority repeatedly over the years, and successive Presidents used the authority to dramatically reduce tariff barriers around the world.

"Fast track," first put in place under the Ford Administration, is further expression of partnership between the President and the Congress in bringing down barriers to U.S. exports. Fast track is a procedure under which the Congress and the President work together to ensure that the United States can effectively negotiate away non-tariff barriers -- such as quotas, protectionist product standards, and subsidies -- that foreign governments have increasingly substituted for tariffs to exclude U.S. products.

Fast track has been used to negotiate five major trade agreements, beginning with the Tokyo Round of GATT negotiations, signed in 1979. Fast track lapsed along with most of the President's tariff reduction authority three years ago.

The President's proposed legislation serves to reunite the Congress and the President in trade negotiations. The President's proposal, ensures that the Congress is fully integrated into the formulation of U.S. goals, strategies, and decision-making for each trade negotiation subject to fast track procedures. Because the Congress and the President are united under the proposal, it tells U.S. trading partners that they can trust the United States not to reopen trade deals after they are struck.

The proposal also renews the President's long-standing tariff authority. The proposal adds provisions specifically directed at eliminating tariffs in sectors of greatest economic interest to U.S. exporters. It also provides the President authority to carry out reciprocal tariff elimination agreements on a regional basis as a first step towards a regional free-trade arrangement.

The proposal calls for the President's renewed tariff authority and for the new fast track procedures to remain in effect until October 1, 2001. The President may request an extension of the proclamation authority and "fast track" procedures through September 30, 2005. The extension will take effect unless disapproved by either House of the Congress.

Key provisions of the proposal are as follows:

- The proposal sets out "overall" and "principal" trade negotiating objectives for the President. The objectives call on U.S. negotiators to seek, for example:
 - to reduce foreign government barriers that discriminate or impose unreasonable regulatory barriers on services providers.
 - to obtain adequate and effective protection for U.S. intellectual property rights and increased access to foreign markets for U.S. businesses that rely on intellectual property.
 - To secure fairer and more open conditions of trade for U.S. food products.

- To make the proceedings of international trade bodies more open to public view.
 - To promote through the World Trade Organization internationally recognized worker rights and sustainable development so that trade reinforces and complements labor rights and environmental protection.
 - To reduce specific foreign trade barriers that reduce market opportunities for U.S. exports or that distort U.S. trade.
- The President may negotiate and bring back to the Congress for fast track Congressional approval and implementation trade agreements addressing non-tariff barriers or both tariff and non-tariff barriers.
 - Thus, fast track could be used to carry out agreements concluded as part of the trade negotiating agenda set out in the Congressionally-approved agreements administered by the World Trade Organization -- for example, further reductions in tariff and non-tariff barriers to agricultural trade.
 - The President could use the renewed "proclamation authority" to carry out an agreement like the recent "Information Technology Agreement," which is reducing tariffs that foreign governments impose on billions of dollars of U.S. computer, electronic, and semiconductor products sold around the world.
 - Finally, fast track could be used for bilateral or regional free-trade arrangements.
 - In order for an implementing bill to qualify for fast-track procedures, the President must comply with numerous notice and consultation provisions designed to ensure that the Congress is a full partner with the President in critical trade negotiations. These provisions enable the Congress to set priorities, provide advice, and exercise oversight at all stages of the negotiations, and after the agreement is concluded. That means Congressional views will be fully reflected both in the final agreement and in the manner in

which the agreement is to be carried out. Moreover, if the Congress concludes that the President has not adequately consulted the Congress regarding a proposed agreement, the proposal creates an expedited procedure for the Congress to refuse to apply fast-track procedures.

- The proposal adds to existing law in ensuring that the public is fully informed of the negotiations and that the President receives advice from both the private sector and the public concerning the negotiations.
- Among the requirements that the President must carry out in connection with fast-track negotiations are the following:
 - The President must provide written notice to the Congress before initiating negotiations and must spell out in writing his principal objectives for the negotiations.
 - The President must solicit views from the public, and the United States International Trade Commission, before making an offer in a trade negotiation to reduce U.S. tariffs. Under the proposal, the President must in addition issue a public notice of any agreement in advance of signing it.
 - The President must consult with the Congress as negotiations progress and again before an agreement is concluded. The proposal calls on U.S. negotiators to keep official Congressional advisors fully informed regarding the negotiations.
 - Before signing an agreement, the President must inform the Congress of any other agreements he intends to conclude with the countries concerned. He must also state his plans for implementing the trade agreement and whether the agreement will require additional legislation beyond that subject to fast-track procedures.
 - Any fast-track agreement that the President concludes must make progress towards one or more of the principal trade negotiating objectives set out in the proposal.

- The proposal adds to the existing requirement that the President must seek the views of Congressionally-authorized private sector advisory committees during the course of the negotiations. These groups include advisory committees on goods, services, agriculture, intellectual property, labor, intergovernmental affairs, and the environment, among others. The proposal ensures that these committees also examine and provide their views to the Congress and the President on any proposed agreement -- before it is signed.
- The proposal requires the President to describe at the time he submits implementing legislation to the Congress how he intends to use existing regulatory and administrative authority to carry out the agreement. He must also explain in writing how the agreement meets Congressionally-mandated negotiating objectives and serves U.S. economic interests.
- Under well-established practice, the President collaborates with the Congress in drafting the implementing legislation and the legislation is subject to informal public hearings and "mark-ups" by all Congressional committees of jurisdiction before its introduction.
- Agreements for which the President has observed each of the proposal's notice, consultation, and other procedures are subject to fast-track consideration in the Congress. Fast track rules call for the Congress to vote on qualifying trade agreements and implementing legislation without amendment within 60 "legislative days" -- typically a period in excess of several months.
- Under the President's proposal, new statutory provisions or other changes in U.S. law required to carry out a trade agreement may be included in fast-track implementing legislation only if the changes are both: (1) necessary or appropriate to implement the agreement; and (2) related to trade. This requirement prevents fast-track bills from being used to enact non-trade provisions.

- Under the renewed "proclamation authority" the President would be authorized to carry out agreements that reduce by up to 50 percent U.S. tariffs that currently exceed 5 percent *ad valorem*. The President could eliminate duties of 5 percent or less. The proposal also allows the President to eliminate tariffs in connection with new multilateral reciprocal tariff agreements in particular sectors, as well as to carry out reciprocal tariff elimination agreements as a step towards regional free-trade areas.

#

A BILL

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

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

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

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

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

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

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

10 (2) to obtain the reduction or elimination of barriers
11 and distortions that are directly related to trade;

12 (3) to further strengthen the system of international

1 trading disciplines and procedures;

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

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

10 (b) PRINCIPAL TRADE NEGOTIATING OBJECTIVES.-

11 (1) SPECIFIC BARRIERS. - The principal negotiating
12 objectives of the United States regarding specific trade
13 barrier and other trade distortions are to expand
14 competitive market opportunities for United States
15 exports and to obtain fairer and more open conditions of
16 trade by reducing or eliminating tariff and nontariff
17 barriers and policies and practices of foreign governments
18 directly related to trade that decrease market opportunities
19 for United States exports or distort United States trade.

20 (2) TRADE IN SERVICES. - The principal negotiating
21 objective of the United States regarding trade in services

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

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

9 (A) reducing or eliminating exceptions to the
10 principle of nondiscriminatory treatment;

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

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

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

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

21 (4) INTELLECTUAL PROPERTY. - The principal

1 negotiating objectives of the United States regarding
2 trade-related intellectual property are -

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

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

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

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

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

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

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

14 (A) increased and more timely public access
15 to information regarding trade issues and the
16 activities of international trade institutions; and

17 (B) increasing the openness of dispute
18 settlement proceedings, including under the World
19 Trade Organization.

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

1 is to achieve fairer and more open conditions of trade in
2 agricultural commodities by -

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

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

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

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

18 (ii) unjustified restrictions or
19 commercial requirements affecting new
20 technologies, including genetically modified
21 organisms;

1 (iii) unjustified sanitary or phytosanitary
2 restrictions;
3 (iv) other unjustified technical barriers to
4 trade; and
5 (v) restrictive rules in the administration
6 of tariff rate quotas.

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

12 (A) to promote respect for internationally
13 recognized worker rights, including with regard to
14 child labor;

15 (B) to secure a review of the relationship of
16 worker rights to the provisions, objectives, and
17 instruments of the World Trade Organization with
18 a view to ensuring that the benefits of the trading
19 system are available to all workers;

20 (C) to adopt, as a principle of the World Trade
21 Organization, that the denial of internationally

1 recognized worker rights should not be a means for
2 a country or its industries to gain competitive
3 advantage in international trade;

4 (D) to promote sustainable development; and

5 (E) to seek to ensure that trade and
6 environmental protection are mutually supportive,
7 including through further clarification of the
8 relationship between them.

9 The United States will also seek to establish in the
10 International Labor Organization a mechanism for the
11 systematic examination of, and reporting on, the extent to
12 which member governments protect internationally
13 recognized worker rights and enforce core labor
14 standards.

15 (c) GUIDANCE FOR NEGOTIATORS. -

16 (1) In pursuing the negotiating objectives described
17 in subsection (b), United States negotiators shall take into
18 account United States domestic objectives including, but
19 not limited to, the protection of health or safety, essential
20 security, environmental, consumer or employment
21 opportunity interests and the law and regulations related

1 thereto.

2 (2) In the course of negotiations conducted under
3 this act, the United States Trade Representative shall -

4 (A) consult closely and on a timely basis with,
5 and make every effort to keep fully apprised of the
6 negotiations, the congressional advisers on trade
7 policy and negotiations appointed under section 161
8 of the Trade Act of 1974; and

9 (B) take into account the need for the United
10 States to retain the ability to enforce rigorously its
11 trade laws in order to ensure that United States
12 workers, farmers, and firms can compete on fair
13 terms and enjoy the benefits of reciprocal trade
14 concessions.

15 (d) ADHERENCE TO OBLIGATIONS UNDER URUGUAY
16 ROUND AGREEMENTS. - In determining whether to enter into
17 negotiations with a particular country, the President shall take
18 into account the extent to which that country has implemented,
19 or has accelerated the implementation of, its obligations under
20 the Uruguay Round Agreements (as defined in section 2 of the
21 Uruguay Round Agreements Act).

1 **SEC. 3. TRADE AGREEMENTS PROCEDURES.**

2 (a) AGREEMENTS REGARDING TARIFF BARRIERS. -

3 (1) IN GENERAL. - Whenever the President
4 determines that one or more existing duties or other
5 import restrictions of any foreign country or the United
6 States are unduly burdening and restricting the foreign
7 trade of the United States and that the purposes and
8 policies of this Act will be promoted thereby, the President

9 -

10 (A) before October 1, 2001 (or October 1,
11 2005, if fast track procedures are extended under
12 subsection (c)), may enter into trade agreements
13 with foreign countries; and

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

16 (i) such modification or continuance of
17 any existing duty,

18 (ii) such continuance of existing duty-
19 free or excise treatment, or

20 (iii) such additional duties,

21 as the President determines to be required or

1 appropriate to carry out any such trade agreement.

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

4 (A) reduces any rate of duty (other than a rate
5 of duty that does not exceed 5 percent ad valorem
6 on the date of the enactment of this Act) to a rate of
7 duty which is less than 50 percent of the rate of such
8 duty that applies on such date of enactment;

9 (B) provides for a reduction in duty on an
10 article to take effect on a date that is more than 10
11 years after the first reduction that is proclaimed to
12 carry out a trade agreement with respect to such
13 article; or

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

16 (3) AGGREGATE REDUCTION; EXEMPTION FROM
17 STAGING. -

18 (A) AGGREGATE REDUCTION. - Except as
19 provided in subparagraph (B), the aggregate
20 reduction in the rate of duty on any article which is
21 in effect on any day pursuant to a trade agreement

1 entered into under paragraph (1) shall not exceed
2 the aggregate reduction which would have been in
3 effect on such day if -

4 (i) a reduction of 3 percent ad valorem
5 or a reduction of one-tenth of the total
6 reduction, whichever is greater, had taken
7 effect on the effective date of the first
8 reduction proclaimed under paragraph (1) to
9 carry out such agreement with respect to such
10 article, and

11 (ii) a reduction equal to the amount
12 applicable under clause (i) had taken effect at
13 1-year intervals after the effective date of such
14 first reduction.

15 (B) EXEMPTION FROM STAGING. - No
16 staging is required under subparagraph (A) with
17 respect to a duty reduction that is proclaimed under
18 paragraph (1) for an article of a kind that is not
19 produced in the United States. The United States
20 International Trade Commission shall advise the
21 President of the identity of articles that may be

1 exempted from staging under this subparagraph.

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

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

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

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

16 (6) OTHER TARIFF MODIFICATIONS. -

17 (A) Subject to the consultation and layover
18 requirements of section 115 of the Uruguay Round
19 Agreements Act, the President may proclaim the
20 modification of any duty or staged rate reduction of
21 any duty set forth in Schedule XX, as defined in

1 section 2(5) of that Act, if the United States agrees
2 to such modification or staged rate reduction in a
3 negotiation for the reciprocal elimination or
4 harmonization of duties under the auspices of the
5 World Trade Organization or as part of an interim
6 agreement leading to the formation of a regional
7 free-trade area.

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

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

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

16 (A) one or more existing duties or other
17 import restrictions of any foreign country or the
18 United States, or any other barrier to, or other
19 distortion of, international trade unduly burdens or
20 restricts the foreign trade of the United States or
21 adversely affects the United States economy; or

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

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

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

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

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

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

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

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

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

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

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

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

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

6 5(b)-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (5) EXTENSION DISAPPROVAL RESOLUTIONS. -

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

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

11 (B) Extension disapproval resolutions -

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

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

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

1 extension disapproval resolutions.

2 (D) It is not in order for -

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

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

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

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

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

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

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

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

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

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

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

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

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

3 (A) the nature of the agreement;

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

7 (C) plans regarding the implementation of the
8 agreement under section 5, including whether the
9 agreement includes subject matter for which
10 supplemental implementing legislation may be
11 required which is not subject to fast track
12 procedures; and

13 (D) any other agreement or agreements the
14 President has entered into or intends to enter into
15 with the country or countries in question.

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

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

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

4 (a) IN GENERAL. -

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

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

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

21 (C) after entering into the agreement, the

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

3 (i) a draft of an implementing bill;

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

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

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

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

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

16 (B) a statement -

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

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

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

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

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

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

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

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

11 (b) LIMITATIONS ON FAST TRACK PROCEDURES. -

12 (1) FOR LACK OF CONSULTATIONS. -

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

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

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

12 (2) PROCEDURES FOR CONSIDERING RESOLUTIONS. -

13 (A) PROCEDURAL DISAPPROVAL
14 RESOLUTIONS -

15 (i) in the House of Representatives -

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

21 (II) shall be jointly referred to the

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

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

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

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

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

17 (c) RULES OF HOUSE REPRESENTATIVES AND SENATE. -

18 Subsection (b) of this section and section 3(c) are enacted by
19 the Congress -

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

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

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

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

11 (a) NEGOTIATIONS UNDER THE WORLD TRADE
12 ORGANIZATION. - The provisions of section 4(a) shall not
13 apply to [add ITA II] an agreement which results from a
14 negotiation under the auspices of the World Organization
15 initiated under a Uruguay Round Agreement, as defined in
16 section 2 of the Uruguay Round Agreements Act, that were
17 commenced before the date of the enactment of this Act, and
18 the applicability of fast track procedures to such agreement
19 shall be determined without regard to the requirements of
20 section 4(a).

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

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

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

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

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

11 (A) the freedom to associate;

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

14 (C) a prohibition on forced labor;

15 (D) a prohibition on exploitative child labor;

16 and

17 (E) a prohibition on discrimination in
18 employment.

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

21 (3) The term "foreign country" includes any foreign

1 instrumentality. Any territory or possession of a foreign
2 country that is administered separately for customs
3 purposes, shall be treated as a separate foreign country.

4 (4) The term "internationally recognized worker
5 rights" has the meaning ascribed to that term in section
6 507(4) of the Trade Act of 1974, as amended.

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

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

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

12 (b) CONFORMING AMENDMENTS. - Title I of the Trade
13 Act of 1974 (19 U.S.C. 2111 and following) is amended as
14 follows -

15 (1) Section 151(b)(1) (19 U.S.C. 2191(b)(1)) is
16 amended by striking "section 1103(a)(1) of the Omnibus
17 Trade and Competitiveness Act of 1988" " and inserting
18 " section 5(a)(1) of the Export Expansion and Reciprocal
19 Trade Agreements Act of 1997".

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

21 (A) in subsection (a) -

1 (i) in paragraph (1), by striking "section
2 123 of this Act or section 1102 (a) or (c) of
3 the Omnibus Trade and Competitiveness Act
4 of 1988," and inserting "section 123 of this
5 Act, section 1102 (a) or (c) of the Omnibus
6 Trade and Competitiveness Act of 1988, or
7 section 3(a) or (b) of the Export Expansion
8 and Reciprocal Trade Agreements Act of
9 1997,"; and

10 (ii) in paragraph (2), by striking "section
11 1102(b) of the Omnibus Trade and
12 Competitiveness Act of 1988" and inserting "
13 section 3 (b) of the Export Expansion and
14 Reciprocal Trade Agreements Act of 1997"
15 after "under" ; and

16 (B) in subsection (b), by replacing "section
17 1102(a)(3)(A) of the Omnibus Trade and
18 Competitiveness Act of 1988" with "section
19 3(a)(3)(A) of the Export Expansion and Reciprocal
20 Trade Agreements Act of 1997"; and

21 (C) in subsection (c), by replacing "section

1 1102 of the Omnibus Trade and Competitiveness
2 Act of 1988," with "section 3 of the Export
3 Expansion and Reciprocal Trade Agreements Act of
4 1997,".

5 (3) Sections 132, 133(a), 134(a), and 162(a) (19
6 U.S.C. 2152, 2153(a), 2154(a), and 2212(a)) are each
7 amended by striking "section 1102 of the Omnibus Trade
8 and Competitiveness Act of 1988," each place it appears
9 and inserting "section 3 of the Export Expansion and
10 Reciprocal Trade Agreements Act of 1997,".

11 (4) Section 134(b) (19 U.S.C. 2154(b)) is amended
12 by replacing "section 1102 of the Omnibus Trade and
13 Competitiveness Act of 1988" with "section 3 of the
14 Export Expansion and Reciprocal Trade Agreements Act
15 of 1997".

16 (5) Section 135(a)(1)(A) (19 U.S.C. 2155(a)(1)(A))
17 is amended by replacing "section 1102 of the Omnibus
18 Trade and Competitiveness Act of 1988" with "section 3
19 of the Export Expansion and Reciprocal Trade
20 Agreements Act of 1997".

21 (6) Section 135(e) (19 U.S.C. 2155(e)) is

1 amended -

2 (A) in paragraph (1), by replacing "section
3 1102 of the Omnibus Trade and Competitiveness
4 Act of 1988" with "section 3 of the Export
5 Expansion and Reciprocal Trade Agreements Act of
6 1997" each time it appears, and by replacing
7 "section 1103(a)(1)(A) of the Omnibus Trade and
8 Competitiveness Act of 1988" with "section
9 5(a)(1)(A) of the Export Expansion and Reciprocal
10 Trade Agreements Act of 1997"; and

11 (B) in paragraph (2), by replacing "section
12 1101 of the Omnibus Trade and Competitiveness
13 Act of 1988" with "section 2 of the Export
14 Expansion and Reciprocal Trade Agreements Act of
15 1997" after "1988".

16 (7) APPLICATION OF SECTIONS 125, 126, AND
17 127 OF THE TRADE Act OF 1974. - For purposes of
18 applying sections 125, 126, and 127 of the Trade Act of
19 1974 (19 U.S.C. 2135, 2136(a), and 2137) -

20 (1) any trade agreement entered into under section
21 3 shall be treated as an agreement entered into under

1 section 101 or 102, as appropriate, of the Trade Act of
2 1974 (19 U.S.C. 2111 or 2112); and

3 (2) any proclamation or Executive order issued
4 pursuant to a trade agreement entered into under section
5 3 shall be treated as a proclamation or Executive order
6 issued pursuant to a trade agreement entered into under
7 section 102 of the Trade Act of 1974.

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Divider Title: _____

Section 2202 of the Omnibus Trade and Competitiveness Act of 1988

[15 U.S.C. 4711; P.L. 100-418]

SEC. 2202. COUNTRY REPORTS ON ECONOMIC POLICY AND TRADE PRACTICES.

The Secretary of State shall, not later than January 31 of each year, prepare and transmit to the Committee on Foreign Affairs and the Committee on Ways and Means of the House of Representatives, to the Committee on Foreign Relations and the Committee on Finance of the Senate, and to other appropriate committees of the Congress, a detailed report regarding the economic policy and trade practices of each country with which the United States has an economic or trade relationship. The Secretary may direct the appropriate officers of the Department of State who are serving overseas, in consultation with appropriate officers or employees of other departments and agencies of the United States, including the Department of Agriculture and the Department of Commerce, to coordinate the preparation of such information in a country as is necessary to prepare the report under this section. The report shall identify and describe, with respect to each country—

(1) the macroeconomic policies of the country and their impact on the overall growth in demand for United States exports;

(2) the impact of macroeconomic and other policies on the exchange rate of the country and the resulting impact on price competitiveness of United States exports;

(3) any change in structural policies (including tax incentives, regulations governing financial institutions, production standards, and patterns of industrial ownership) that may affect the country's growth rate and its demand for United States exports;

(4) the management of the country's external debt and its implications for trade with the United States;

(5) acts, policies, and practices that constitute significant barriers to United States exports or foreign direct investment in that country by United States persons, as identified under section 181(a)(1) of the Trade Act of 1974 (19 U.S.C. 2241(a)(1));

(6) acts, policies, and practices that provide direct or indirect government support for exports from that country, including exports by small businesses;

(7) the extent to which the country's laws and enforcement of those laws afford adequate protection to United States intellectual property, including patents, trademarks, copyrights, and mask works; and

(8) the country's laws, enforcement of those laws, and practices with respect to internationally recognized worker rights (as defined in section 502(a)(4) of the Trade Act of 1974), the conditions of worker rights in any sector which produces goods in which United States capital is invested, and the extent of such investment.

3. Congressional Fast Track Procedures With Respect to Presidential Actions

Sections 151-154 of the Trade Act of 1974, as amended

[19 U.S.C. 2191-2194; P.L. 93-618, as amended by P.L. 96-39, P.L. 98-573, P.L. 100-418, P.L. 101-382, P.L. 103-465, and P.L. 104-295]

SEC. 151. BILLS IMPLEMENTING TRADE AGREEMENTS ON NONTARIFF BARRIERS AND RESOLUTIONS APPROVING COMMERCIAL AGREEMENTS WITH COMMUNIST COUNTRIES.

(a) RULES OF HOUSE OF REPRESENTATIVES AND SENATE.—This section and sections 152 and 153 are enacted by the Congress—

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they are deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of implementing bills described in subsection (b)(1), implementing revenues bills described in subsection (b)(2), approval resolutions described in subsection (b)(3), and resolutions described in subsections 152(a) and 153(a); and they supersede other rules only to the extent that they are inconsistent therewith; and

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

(b) DEFINITIONS.—For purposes of this section—

(1) The term "implementing bill" means only a bill of either House of Congress which is introduced as provided in subsection (c) with respect to one or more trade agreements, or with respect to an extension described in section 282(c)(3) of the Uruguay Round Agreements Act, submitted to the House of Representatives and the Senate under section 102 of this Act, section 1103(a)(1) of the Omnibus Trade and Competitiveness Act of 1988, or section 282 of the Uruguay Round Agreements Act and which contains—

(A) a provision approving such trade agreement or agreements or such extension,

(B) a provision approving the statement of administrative action (if any) proposed to implement such trade agreement or agreements, and

(C) if changes in existing laws or new statutory authority is required to implement such trade agreement or agreements or such extension, provisions, necessary or appropriate to implement such trade agreement or agreements or such extension, either repealing or amending existing laws or providing new statutory authority.

(2) The term "implementing revenue bill" or resolution means an implementing bill or approval resolution which contains one or more revenue measures by reason of which it must originate in the House of Representatives.

(3) The term "approval resolution" means only a joint resolution of the two Houses of the Congress, the matter after the resolving clause of which is as follows: "That the Congress approves the extension of nondiscriminatory treatment with re-

spect to the products of _____ transmitted by the President to the Congress on _____.", the first blank space being filled with the name of the country involved and the second blank space being filled with the appropriate date.

(c) INTRODUCTION AND REFERRAL.—

(1) On the day on which a trade agreement or extension is submitted to the House of Representatives and the Senate under section 102 or section 282 of the Uruguay Round Agreements Act, the implementing bill submitted by the President with respect to such trade agreement or extension shall be introduced (by request) in the House by the majority leader of the House, for himself and the minority leader of the House, or by Members of the House designated by the majority leader and minority leader of the House; and shall be introduced (by request) in the Senate by the majority leader of the Senate, for himself the minority leader of the Senate, or by Members of the Senate designated by the majority leader and minority leader of the Senate. If either House is not in session on the day on which such a trade agreement or extension is submitted, the implementing bill shall be introduced in that House as provided in the preceding sentence, on the first day thereafter on which the House is in session. Such bills shall be referred by the Presiding Officers of the respective Houses to the appropriate committee, or, in the case of a bill containing provisions within the jurisdiction of two or more committees, jointly to such committees for consideration of those provisions within their respective jurisdictions.

(2) On the day on which a bilateral commercial agreement, entered into under title IV of this Act after the date of the enactment of this Act, is transmitted to the House of Representatives and the Senate, an approval resolution with respect to such agreement shall be introduced (by request) in the House by the majority leader of the House, for himself and the minority leader of the House, or by Members of the House designated by the majority leader and minority leader of the House; and shall be introduced (by request) in the Senate by the majority leader of the Senate, for himself and the minority leader of the Senate, or by Members of the Senate designated by the majority leader and minority leader of the Senate. If either House is not in session on the day on which such an agreement is transmitted, the approval resolution with respect to such agreement shall be introduced in that House, as provided in the preceding sentence, on the first day thereafter on which that House is in session. The approval resolution introduced in the House shall be referred to the Committee on Ways and Means and the approval resolution introduced in the Senate shall be referred to the Committee on Finance.

(d) AMENDMENTS PROHIBITED.—No amendment to an implementing bill or approval resolution shall be in order in either the House of Representatives or the Senate; and no motion to suspend the application of this subsection shall be in order in either House, nor shall it be in order in either House for the Presiding Officer to entertain a request to suspend the application of this subsection by unanimous consent.

(e) PERIOD FOR COMMITTEE AND FLOOR CONSIDERATION.—

(1) Except as provided in paragraph (2), if the committee or committees of either House to which an implementing bill or approval resolution has been referred have not reported it at the close of the 45th day after its introduction, such committee or committees shall be automatically discharged from further consideration of the bill or resolution and it shall be placed on the appropriate calendar. A vote on final passage of the bill or resolution shall be taken in each House on or before the close of the 15th day after the bill or resolution is reported by the committee or committees of that House to which it was referred, or after such committee or committees have been discharged from further consideration of the bill or resolution. If prior to the passage by one House of an implementing bill or approval resolution of that House, that House receives the same implementing bill or approval resolution from the other House, then—

(A) the procedure in that House shall be the same as if no implementing bill or approval resolution had been received from the other House; but

(B) the vote on final passage shall be on the implementing bill or approval resolution of the other House.

(2) The provisions of paragraph (1) shall not apply in the Senate to an implementing revenue bill or resolution. An implementing revenue bill or resolution received from the House shall be referred to the appropriate committee or committees of the Senate. If such committee or committees have not reported such bill at the close of the 15th day after its receipt by the Senate (or, if later, before the close of the 45th day after the corresponding implementing revenue bill or resolution was introduced in the Senate), such committee or committees shall be automatically discharged from further consideration of such bill or resolution and it shall be placed on the calendar. A vote on final passage of such bill or resolution shall be taken in the Senate on or before the close of the 15th day after such bill or resolution is reported by the committee or committees of the Senate to which it was referred, or after such committee or committees have been discharged from further consideration of such bill or resolution.

(3) For purposes of paragraphs (1) and (2), in computing a number of days in either House, there shall be excluded any day on which that House was not in session.

(f) FLOOR CONSIDERATION IN THE HOUSE.—

(1) A motion in the House of Representatives to proceed to the consideration of an implementing bill or approval resolution shall be highly privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) Debate in the House of Representatives on an implementing bill or approval resolution shall be limited to not more than 20 hours, which shall be divided equally between those favoring and those opposing the bill or resolution. A motion further to limit debate shall not be debatable. It shall not be in order

to move to recommit an implementing bill or approval resolution or to move to reconsider the vote by which an implementing bill or approval resolution is agreed to or disagreed to.

(3) Motions to postpone, made in the House of Representatives with respect to the consideration of an implementing bill or approval resolution, and motions to proceed to the consideration of other business, shall be decided without debate.

(4) All appeals from the decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to an implementing bill or approval resolution shall be decided without debate.

(5) Except to the extent specifically provided in the preceding provisions of this subsection, consideration of an implementing bill or approval resolution shall be governed by the Rules of the House of Representatives applicable to other bills and resolutions in similar circumstances.

(g) FLOOR CONSIDERATION IN THE SENATE.—

(1) A motion in the Senate to proceed to the consideration of an implementing bill or approval resolution shall be privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) Debate in the Senate on an implementing, and all debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(3) Debate in the Senate on any debatable motion or appeal in connection with an implementing bill or approval resolution shall be limited to not more than 1 hour, to be equally divided between, and controlled by, the mover and the manager of the bill or resolution, except that in the event the manager of the bill or resolution is in favor of any such motion or appeal, the time in opposition thereto, shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from time under their control on the passage of an implementing bill or approval resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal.

(4) A motion in the Senate to further limit debate is not debatable. A motion to recommit an implementing bill or approval resolution is not in order.

SEC. 152. RESOLUTIONS DISAPPROVING CERTAIN ACTIONS.

(a) CONTENTS OF RESOLUTION.—

(1) For purposes of this section, the term "resolution" means only—

(A) a joint resolution of the two Houses of the Congress, the matter after the resolving clause of which is as follows: "That the Congress does not approve the action taken by, or the determination of the President under section 203 of the Trade Act of 1974 transmitted to the Congress on _____", the blank space being filled with the appropriate date; and

(B) a joint resolution of the two Houses of Congress, the matter after the resolving clause of which is as follows: "That the Congress does not approve _____ transmitted to the Congress on _____", with the first blank space being filled in accordance with paragraph (2), and the second blank space being filled with the appropriate date.

(2) The first blank space referred to in paragraph (1)(B) shall be filled, in the case of a resolution referred to in section 407(c)(2), with the phrase "the report of the President submitted under section _____ of the Trade Act of 1974 with respect to _____" (with the first blank space being filled with "402(b)" or "409(b)", as appropriate, and the second blank space being filled with the name of the country involved).

(b) REFERENCE TO COMMITTEES.—All resolutions introduced in the House of Representatives shall be referred to the Committee on Ways and Means and all resolutions introduced in the Senate shall be referred to the Committee on Finance.

(c) DISCHARGE OF COMMITTEES.—

(1) If the committee of either House to which a resolution has been referred has not reported it at the end of 30 days after its introduction, not counting any day which is excluded under section 154(b), it is in order to move either to discharge the committee from further consideration of the resolution or to discharge the committee from further consideration of any other resolution introduced with respect to the same matter, except that a motion to discharge—

(A) may only be made on the second legislative day after the calendar day on which the Member making the motion announces to the House his intention to do so; and

(B) is not in order after the Committee has reported a resolution with respect to the same matter.

(2) A motion to discharge under paragraph (1) may be made only by an individual favoring the resolution, and is highly privileged in the House and privileged in the Senate; and debate thereon shall be limited to not more than 1 hour, the time to be divided in the House equally between those favoring and those opposing the resolution, and to be divided in the Senate equally between, and controlled by, the majority leader and the minority leader or their designees. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(d) FLOOR CONSIDERATION IN THE HOUSE.—

(1) A motion in the House of Representatives to proceed to the consideration of a resolution shall be highly privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) Debate in the House of Representatives on a resolution shall be limited to not more than 20 hours, which shall be divided equally between those favoring and those opposing the resolution. A motion further to limit debate shall not be debatable. No amendment to, or motion to recommit, the resolution shall be in order. It shall not be in order to move to reconsider the vote by which a resolution is agreed to or disagreed to.

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Section-by-Section Analysis

Section 1. Short title.

Section 2. Negotiating objectives

This section of the proposed bill lays out the "overall" and "principal" objectives the Congress establishes to guide U.S. negotiators in hammering out fast track trade agreements. This general structure parallels that included in the 1988 fast track authority, which in turn was based on a similar format in the original 1974 fast track legislation.

Much of the text is drawn from language negotiated between USTR and House Republicans during 1995. The key provision is the first "principal" objective, relating to "specific barriers." This language was understood in 1995 to encompass trade-related environment and labor measures, even though the text does not say so. Labor and environment are mentioned explicitly only in the final "overall" objective but the language of the two provisions are otherwise very close -- making clear that the principal objectives encompass labor and environment as well.

While the language essentially reflects our negotiations with Chairman Archer in 1995, we have made changes that make our draft a bit less restrictive on the environment and labor issues. In particular, our proposal changes the principal objective on "specific barriers" -- as well as the final "overall" objective -- to say that environmental and labor measures subject to fast track negotiations must simply be "trade-related" rather than "directly" or "specifically" related to trade as the 1995 text put it. This change may be somewhat helpful on the Democratic side, but could be viewed as backtracking by Republicans.

The bifurcation between "overall" and "principal" objectives is consistent with past fast track legislation. The House Republicans used this bifurcation in 1995 to limit the President's discretion in the area of labor and the environment by requiring that all provisions of a fast-track implementing bill be "directly related to" the principal negotiating objectives. Under that approach, the principal objectives serve to limit the implementing legislation, while the text of the overall objectives is more advisory in nature.

It is worth noting that we have made a number of other, less controversial changes from the Republican 1995 bill in both the overall and principal objectives. For example, we have added a principal objective relating to agriculture. (Such an objective was contained in the 1988 Act as well.) Consistent with the approach in the 1995 bill negotiated with Chairman Archer, the principal negotiating objectives are general in nature. We expect we will hear from various business and other interest groups that would like their objectives explicitly mentioned in the bill.

Section 3. Proclamation Authority and Fast Track Implementing Bills.

The first portion of this section provides the President with specific authority to lower U.S. tariffs -- without seeking further approval from the Congress -- in return for reciprocal concessions from our trade partners. Much of the language on this subject is derived from earlier iterations of tariff authority dating back to the mid-1930s. We have added a provision that will allow the President to conclude new sectoral tariff deals (like the deal we concluded on ITA in December).

A second portion of the section (sec. 3(b)(3)) deals with the kinds of provisions that may be included in fast track implementing bills. This is a critical provision as it gives flexibility to attract support necessary for passage of legislation pursuant to fast track authority. The traditional formulation -- in the fast track authority from 1974 to 1994 -- was that implementing bills could include any provision the Congress believed was "necessary or appropriate" to implement the trade agreement.

That formulation worked well in helping to secure the votes necessary to enact each of the five fast track agreements presented to the Congress since 1979. But it was subject to criticism from House Republicans and Senators of both parties on the ground that the language permitted fast track implementing bills to become Christmas trees for trade and non-trade matters unrelated to the actual implementation of the agreement.

We worked with House Republicans in 1995 to draft language that would limit the Christmas tree problem without unduly jeopardizing approval of future trade agreements or crimping the President's ability to treat trade-related environmental and labor issues. We were unable to come to closure. The Republican proposal proved to be too limiting. First, it placed in doubt our ability to get future trade deals through the Congress (for example, it would not have allowed for the inclusion of worker trade adjustment assistance which was critical to attract Democratic support for the NAFTA). Second, it was seen on the Democratic side as a blatant effort to keep the Administration from addressing trade-related labor and environment matters.

Our proposed draft goes back to the original "necessary or appropriate" formulation (by referencing section 151 of the 1974 trade act -- which also contains all of the voting and timing procedures relevant to fast track). The 1995 Republican bill amended section 151 to require implementing provisions to be both: 1) "directly related" to a principal negotiating objective; and 2) "necessary" to implement the trade agreement. The Republican bill also allowed for the insertion of certain kinds of housekeeping provisions, like those defining state and federal responsibilities under the agreement and providing for oversight. In addition, the Republican bill provided for the insertion of necessary PAYGO provisions.

Our proposal de-links the implementing bill from the principal negotiating objectives. Moreover, our proposal also allows for the inclusion of non-"necessary" provisions in fast-track implementing bills. For both reasons, our proposed bill will be controversial from the Republican perspective.

Finally, section 3(b)(1) also sets the duration for fast track. Our going-in position is that fast track should be in place through the end of the next President's term of office. Previous versions of fast track tended to be shorter in duration, and often provided that the President could extend the duration subject to Congressional disapproval. For example, the 1988 version lasted through mid-1991, with an extension through mid-1993, and then again through 1994. One reason the periods were short was to put pressure on our trading partners to reach quick deals in GATT negotiating rounds then underway. There is no round in progress at this time. Nonetheless, we would not be opposed to re-inclusion of an extension provision, particularly on a three plus four year basis.

Sections 4 and 5. Notice, Consultations, and Disapproval.

These sections of the bill set out the *quid pro quo* that the Congress exacts from the President in agreeing to an expedited "up or down" vote on fast track trade agreements. Sections 4 and 5 contain a number of provisions requiring the President to notify and consult with the Congress before and during the negotiation phase. The idea is to ensure that the Congress is fully integrated into the formulation of U.S. goals, strategies, and decision-making for each particular negotiation. In fact, Section 5 establishes an expedited procedure for Congress to withdraw fast track if it finds that the Administration is not adequately informing the Congress about the negotiations.

The language included in sections 4 and 5 roughly tracks that included in the 1988 legislation. (The 1988 act had somewhat different notice and consultation requirements for bilateral and multilateral negotiations, a distinction we and the Republicans agreed to drop.) In 1995, USTR agreed informally with House Republicans to add some consultation provisions beyond those required in the 1988 act. These were largely designed to elicit the Administration's intentions regarding its labor and environment objectives in specific negotiations. Our proposed bill does not include those provisions and we would expect the Republicans would add those back once the bill is introduced.

Further consultation procedures and safeguards could be added if there is pressure to do so. It is worth noting that beginning in 1984, bilateral fast track trade negotiations were subject to an up-front veto by either the Ways and Means or Finance committee. (Neither our draft nor the 1995 Republican bill contains such a provision.)

Section 6. Exemption for Chile and WTO Negotiations.

This section provides that the pre-negotiation notice and consultation provisions required under section 4 do not apply to our negotiations with Chile (which got underway in 1995) and certain WTO negotiations.

Section 7. Conforming Amendments.

These are technical and non-controversial changes to other statutes required as a result of the new fast track provisions.

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BST Notice
due
Examiner
Task
Priority

Extension of Fast Track Trade Negotiating Authority

What Is Fast Track?

The short answer is that it is an expedited procedure for Congressional consideration of trade agreements. The two essential features of any fast track authority are: (1) a vote on implementing legislation within a fixed period of time, and (2) an up or down vote, with no amendments.

Trade Negotiating Authority

The Constitution gives Congress exclusive authority to set tariffs and enact other legislation governing international trade. The President has the Constitutional authority to negotiate international agreements. If the President negotiates a trade agreement that requires changes in U.S. tariffs or in other domestic laws, that trade agreement's implementing legislation must be submitted to Congress--or the President must have Congress' advance approval of such changes. Tariff cutting authority is one instance where Congress has often granted the President prior approval and such authority has been included in all of the recent grants of fast track authority. For changes implementing other provisions of a trade agreement, fast track provides for a time certain vote and that vote is on the total package, with no amendments.

Historical Background to Fast Track

For over 60 years, the Congress and the President have recognized that the negotiation and implementation of trade agreements require special cooperation. In the aftermath of the record-high rates of the Smoot-Hawley Tariff Act of 1930 and the Depression they helped create, both the Congress and the President recognized that only by working closely together could trade barriers be torn down and markets opened to U.S. goods and services. This new attitude was first reflected in the Reciprocal Trade Agreements Act of 1934, giving the President authority to both negotiate tariff cutting agreements and to implement them without further Congressional approval.

In recent years, as tariffs became less of an obstacle to trade and many

of our trading partners sought to protect their domestic markets by erecting non-tariff barriers, the scope of trade negotiations broadened and by agreement between the Nixon Administration and the Congress, fast track was created to accomodate this broader trade agenda. Specifically, it was first embodied in the Trade Act of 1974 to deal with the Tokyo Round negotiations called for in the GATT. Fast track procedures for approving trade agreements have been renewed by Congress in 1979, 1984, 1988, 1991, and most recently in 1993. As a result, Presidents have had fast track negotiating authority continuously from January 1975 until April 1994, with a brief hiatus for eight months in 1988.

Fast Track Is Essential to Successful Trade Negotiations

In exchange for the expedited consideration of implementing legislation, Congress has established a number of procedural safeguards that guarantee it a meaningful role both before and during the negotiating process and, equally important, in determining how to implement trade agreements. Requests for fast track have always included extensive notification and consultation requirements, both for Congress itself and for private sector advisory committees. In every trade agreement negotiated under fast track, Congress has been an active participant in identifying negotiating objectives, monitoring the actual negotiations, and drafting implementing legislation.

To apply fast track to a trade agreement, whether sectoral, bilateral or multilateral, the President must notify Congress in advance of his intention to sign such an agreement. For most previous grants, the advance notice requirement was 90 days; for the Uruguay Round, because it was such a massive agreement, the notice requirement was set at 120 days. Even before the President signals his intention to enter into an agreement, the private sector advisory committees are required to report to both Congress and the President on their views as to whether the agreement meets U.S. negotiating objectives. Further, for bilateral trade agreements, the Congress must be given advance notice of the President's intent to begin negotiations. During the next 60 legislative days, either the House Ways and Means Committee or the Senate Finance Committee can vote to deny fast track for the proposed bilateral.

Once the negotiations have been concluded and the President has signed it, the Congress and the Administration begin a period of extensive informal

discussions on the drafting of the implementing legislation. This process, reflecting the growing complexity of trade agreements, has involved an ever increasing number of committees of jurisdiction and interested Members. In addition, the President is required to spell out precisely how he intends to use his existing regulatory authority in implementing the agreement. And, of course, Congress retains the right to vote down an agreement if, after all of the consultations, it still finds the package unacceptable.

Additional Congressional prerogatives include a special procedure for revoking fast track if the President fails to meet the consultation requirements. Finally, in recent instances where fast track authority has been granted and extensions included, either House has retained the right to disapprove of such extensions provided that either the House Ways and Means Committee or the Senate Finance Committee have reported out an "extension disapproval resolution."

Why Fast Track Is Essential To Trade Negotiations

Fast track procedures reflect an Executive-Congressional understanding that trade agreements to open markets and tear down tariff barriers are the product of difficult negotiations and that permitting an entire agreement to be subject to individual amendments means unravelling the agreement. In order to determine whether any trade agreement is in the national interest, it requires looking at the total package in its entirety. Without fast track, it is virtually impossible to see how any negotiation could produce a final offer from our trading partners if each provision in the package was subject to amendment.

By granting Presidents fast track, Congress has empowered American Presidents with the same bargaining power and negotiating authority possessed by our trading partners. That is, the ability to ensure that the agreement so painstakingly negotiated would be the agreement voted on. Without fast track, the President cannot make such an assurance and without it, few would be willing to enter into a negotiation and even fewer would be willing to negotiate the tough concessions necessary. No trading nation would ever reveal its final, best offer knowing that the United States could unilaterally reopen the agreement.

The United States Trade Agenda: What Is Fast Track For

After consultations with Congress, the President will set out the nation's trade agenda for the next few years. The absence of large-scale negotiations like the Tokyo and Uruguay Rounds has mistakenly led some to conclude that not having fast track is not a problem for the United States. That is just as wrong a view as the idea that this request for fast track is only about extending NAFTA to Chile.

The President has identified three main areas in which negotiations would greatly benefit the United States. First, there is the "built-in" agenda of the WTO, which calls for negotiations on government procurement in 1997; intellectual property in 1998; agriculture in 1999; and trade in services in 2000. In each of these areas, the United States is the most competitive nation in the world and, as a result, we stand to benefit the most from actively participating in writing the rules of trade.

The second part of the President's proposed agenda involves building on the success of the Information Technology Agreement(ITA). This \$5 billion tariff cut on products for which the United States is the world's leading producer was achieved by the use of residual tariff cutting authority from a previous grant of fast track. We have identified eight additional sectors for future negotiations: ITA 2, chemicals, automotive, oilseeds, energy equipment and services, environmental technology and services, medical equipment and services, and wood and paper products. Other APEC members have submitted their "wish lists" and it appears there is sufficient overlapping support for many of the U.S. suggestions. Without fast track, it is very unlikely that this process will go forward.

The third area the President hopes to address is moving forward in both the Asia Pacific Economic Cooperation Forum(APEC) toward the goal of free trade by the year 2010 and with a Free Trade Agreement for the Americas(FTAA)by the year 2005. In both regions, economic growth rates are among the highest in the world and barriers to U.S. exports remain high. As a result, tariff reductions and greater market access will have a very positive effect on our exports. Without the active participation of the United States, both of these processes will slow considerably--and without fast track we

cannot participate actively.

The President and many Members of Congress have indicated that negotiating a trade agreement with Chile is a critical step in continuing the move to trade liberalization in the Hemisphere. The Canadians have already concluded a bilateral treaty with Chile and the result, for our exports, is that we face an across-the-board 11% tariff disadvantage.

It is important to remember that non-participation by the United States in global trade negotiations does not mean that our competitors are going to call a halt to their efforts to gain market access and preferential tariff treatment. On the contrary, they are very active in advancing their own agendas. Since 1992, in Latin America and Asia they have concluded over 20 free trade agreements--agreements that leave us at a disadvantage.

The United States is the most competitive nation in the world. That is why it is so advantageous for us to play a leading role in establishing both the focus of trade negotiations and the rules. We will not have the opportunity to do either in the absence of fast track.

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TALKING POINTS: CABINET MEMBER HILL CONSULTATIONS

- We plan to launch our fast track initiative on September 10. We wanted to share with you our current thinking and identify issues of particular significance.
- Securing passage of fast track authority is among the President's highest priorities this Fall because he strongly believes we must tear down foreign barriers to American goods and services if we are to keep our economy growing and to create new, good, high paying jobs.
- As the President has said repeatedly, and most recently in his radio address two weeks ago, he has three primary objectives in this arena: (1) to negotiate tough, reciprocal agreements that expand exports, (2) to promote worker rights and (3) to promote responsible environmental development.
- On the economic front, we intend that the fast track authority will allow the President to negotiate tough, reciprocal trade agreements. We believe all sides are in accord with this objective.
 - Opportunities exist now to reduce barriers in key sectors in which the U.S. is the most competitive
 - Some of the opportunities arise in connection with scheduled negotiations in the WTO, for example, in the areas of agriculture and services, markets worth more than one-half trillion dollars and 1 trillion dollars, respectively.
 - Others arise from new sectoral initiatives, like the recently concluded Information Technology Agreement, which amounted to a \$5 billion tariff reduction on American products sold to other nations. We will launch ITA-II and other sectoral initiatives later this Fall.
 - We also need fast track to negotiate more open markets with specific countries, especially in Latin America and Asia, two of the fastest growing regions in the world (growing 3 times as fast as our economy). With 95 percent of the world's consumers living outside our borders, we must open the markets of these growing economies.

- The legislation will provide notification that we would recommence negotiations to reach a comprehensive trade agreement with Chile. We have not yet identified other countries with whom we would commence FTA negotiations. Congressional consultations would be necessary before approaching other specific countries.
- We are beginning consultations with the Republicans to test their flexibility on the main issues in the bill, the primary one being how labor and environmental issues will be handled. The President views these as priority issues.
 - Our goals are (1) to ensure that the President can pursue his priorities, (2) to develop legislation that will pass, and (3) to get maximum Democratic support.
- We have to ensure that whether under fast track authority or under the President's executive authority, the President can pursue his priorities effectively. One possible formulation that we are considering is a concept we advanced in 1995, namely that fast track procedures would apply to labor and environmental issues directly related to trade. This formulation would allow the President to use fast track authority in the same manner as past Democratic and Republican Presidents, and to address the full range of labor and environmental issues using his executive authority.
- In developing this legislation, we have considered the views of those that insist that all labor and environmental policies and practices be the subject of trade agreements. While we can discuss the merits of that view, the practical reality is that we cannot get fast track authority from this Congress to do that.
- The consequence of not having fast track authority is that we will sideline ourselves economically and strategically, with great cost to American companies, workers, and the country; we will also not be in a position to pursue the very objectives that are important to the labor and environmental communities.
 - Only if we are engaged can we pursue these goals.
 - The choice is about obtaining the authority that is sufficiently flexible to allow the President to pursue all three objectives or obtaining no authority, in which case progress will be more difficult to achieve on any front.

**HIGHLY SENSITIVE DRAFT
EYES ONLY**

Talking Points: Cabinet Member Hill Consultations

- We plan to seek introduction of fast track legislation on September 10. We wanted to share with you our current thinking and identify issues of particular significance.
- Securing passage of fast track authority is among the President's highest priorities this Fall because he strongly believes that we must tear down foreign barriers to American goods and services if we are to keep our economy growing and creating new, good, high paying jobs.
 - Americans are enjoying the longest period of sustained growth in a generation. Much of that growth is attributable to increased export opportunities; exports today support 11 million jobs. These are high-paying jobs that we must maintain and expand.
 - We have regained our position as the world's leading exporter in a range of key products and are the world's most competitive economy.
- As the President has said repeatedly, and most recently in his radio address two weeks ago, he has three primary objectives that fast track authority must allow him to pursue: (1) to negotiate new agreements that expand exports to continue the economic expansion that has created new, good jobs, kept unemployment and inflation at record lows, and improved our standard of living, (2) to promote worker rights and (3) to promote responsible environmental development.
 - The legislation we plan to offer emerges out of significant consultations between the Administration and members of both Houses and both parties; the business community, including agriculture; and the labor and environmental communities.
 - Our consultations were focused on developing legislation that could pass, would allow the President to pursue his objectives, and get maximum Democratic support. The legislation we will propose achieves these objectives.
- On the economic front, the negotiating objectives, along with renewed tariff proclamation authority that will be sought, will allow the President to negotiate tough, new, reciprocal trade agreements.
 - There are significant opportunities now to reduce foreign trade barriers on which we must capitalize; if we do not, our export opportunities will diminish at great

cost to American companies and workers.

- Opportunities exist now to reduce barriers in key sectors in which the U.S. is the most competitive, including agriculture, services, information technology, environmental equipment, energy-related equipment and others.
 - Some of the opportunities arise in connection with scheduled negotiations in the WTO.
 - Others arise from the impetus the APEC leaders have given to new sectoral initiatives, like the recently concluded Information Technology Agreement.
- We also need fast track to negotiate more open markets with specific countries, especially in Latin America and Asia, two of the fastest growing regions in the world (growing 3 times as fast as our economy). With 95 percent of the world's consumers living outside our borders, we must open the markets of these growing economies.
- The legislation will provide notification that we would recommence negotiations to reach a comprehensive trade agreement with Chile.
- The legislation will also allow the President to pursue his other two commitments -- promoting worker rights and responsible environmental development.
 - The legislation we propose to advance would allow the President to address labor and environmental issues that are related to trade in the trade agreement, which would be brought to Congress.
 - For example, this formulation would allow us to incorporate in future trade agreements provisions that countries not lower environmental standards to attract investment.
 - The President would also use his Executive Authority to address labor and environmental issues in agreements that would not need to be brought back to Congress. Such agreements could address those labor or environmental issues (or indeed other issues) of concern with a particular trading partner.
 - We think this is sound as a matter of policy. It strikes the right balance so that we can pursue our top trade negotiation priorities as well as important labor and environmental concerns.

- We will, of course, be discerning in selecting the partners with whom we would enter into FTAs.
 - As fast track procedures will provide for extensive consultations with Congress and with the Administration's private sector advisory groups, including labor and environment advisory groups, as part of any negotiations, there is substantial opportunity to identify any issues of which the Administration should be aware as it proceeds in negotiations.
 - And, Congress makes the final determination whether an Agreement that has been negotiated should be implemented.
- It may be appropriate to solicit views of the members on other aspects of the legislation, including:
 - duration,
 - consultations and related procedural provisions,
 - the scope of the implementing legislation, and
 - other FTA partners.
 - In developing this legislation, we considered alternatives that would appeal to those that urge that the fast track trade agreement address all labor and environmental policies and practices, not just those that are related to trade. While we can discuss the merits of that view, the practical reality is that we cannot get fast track authority from this Congress to do that.
 - The consequence of not having fast track authority is that we will sideline ourselves economically and strategically, with great cost to American companies, workers, and the country; we will also not be in a position to pursue the very objectives that are important to the labor and environmental communities.
 - Only if we are engaged can we pursue these goals.
 - The choice is about obtaining the authority that is sufficiently flexible to allow the President to pursue all three objectives or obtaining no authority, in which case no progress can be achieved on any of these fronts.

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Traditional Trading Authority Discussion Points for Calls to Democrats

Held Bill Back to Listen to and Address Democratic Concerns. We held the bill back several days to hear the concerns of Democrats. We listened, and we believe we now have a bill that reflects the proper balance to address worker rights (including child labor standards) and environmental protection. Key provisions include:

- **Worker Rights.** Bill includes a negotiating objective on worker rights symmetrical to that granted President Bush by a Democratic Congress, with a specific reference to child labor. Also includes direction to seek stronger worker rights through the ILO, an idea proposed by Senator Moynihan and other Democrats.
- **Environment.** The negotiating objective also adds a specific provision on the environment, the first time ever this has been referenced in a fast track bill.
- **Agriculture.** Bill contains specific negotiating objective on agriculture, requested by Democrats.
- **Better Consultations.** Entirely new provisions requiring greater consultations, as to both the trade agreement and any labor/environmental side agreements.
- **Duration.** Authority granted until 2001, with extension until 2005 only after a congressional vote.

Bill Reflects Ongoing Commitment to Democratic Values. Overall, the President is committed to pursuing three objectives: (1) to break down unfair foreign trade barriers and create good American jobs; (2) to promote and advance worker rights; and (3) to promote responsible environmental protections. Throughout this process on fast track, our goal has been to ensure the President has the capacity to pursue all three objectives effectively.

- **Trade Agreements.** This bill permits labor/environmental provisions "directly related to trade" to be brought back to Congress under fast track authority. This is but one of many tools the President can use to advance his goals.
- **Side Agreements.** The President has extensive executive authority to reach labor/environmental agreements with countries. These agreements do not require congressional approval. We have already committed to conclude companion labor/environment agreements in future trade agreements where appropriate, and Chile has already agreed to enter such agreements.
- **Other Agreements.** The Clinton Administration has done more than any other to press countries to improve labor and environmental protection -- and we will continue to do so, whether through the ILO, the WTO, the UN, or international financial institutions. We should be concerned about improving conditions in all countries, not just in free trade partners.

More Detailed Review of Provisions. Key provisions include:

- **Necessary and Appropriate.** We have added language that will allow us to include in future implementing bills those provisions that are “necessary or appropriate” to implement the relevant trade agreement. The Administration and the Congress need flexibility to include in such bills provisions that, while not absolutely required to implement a particular trade agreement, nevertheless address trade policy issues raised by that agreement. These might include, for example, the agreement’s relationship to existing U.S. trade laws, authority to monitor the results of the agreement, or extending Trade Adjustment Assistance to help those American workers who do not share the benefits from expanded trade. Restricting future bills only to those provisions deemed “necessary” would prevent inclusion of these and other critically important provisions.
- **Duration.** The duration of the trading authority extends to 2001, with extension until 2005 only after a congressional vote.
- **Consultations with Congress.** We have added strong language to ensure Congress is a full partner in setting objectives and establishing trade priorities for American negotiators. Provisions never before included in fast track bills include: (1) a requirement that the Administration inform Congress of its negotiating objectives for a specific agreement before negotiations begin, (2) a requirement that the Administration consult before signing a trade agreement about any parallel agreements, such as labor and environmental side agreements.
- **Negotiating Instructions.** We added a section on negotiating instructions that will ensure negotiators do nothing that would lower U.S. public health and safety standards, and insist upon strict enforcement of our trade laws.
- **Specific Agriculture Objective.** The legislation responds to congressional concerns by providing a series of measures designed to achieve fairer and more open conditions of agricultural trade, including: reducing or eliminating tariffs and subsidies that hurt U.S. agricultural exports and market opportunities; addressing other unjustified barriers to such exports; and strengthening the international rules covering unfair foreign practices that distort world agricultural markets.
- **Chile.** We have specifically designated Chile as the next country with which we would negotiate a bilateral free trade agreement. Chile made a firm commitment to enter into side agreements on labor and the environment.

Fast Track Talking Points

(Matsui, Rangel, Whip Group)

Stage-Setting

- o As you know, the President has made fast track among his highest immediate legislative priorities.
- o I know you share the President's view that we need fast track if we are going to keep expanding our economy and creating high-paying, high productivity jobs that trade creates.
- o The President is fully aware that fast track renewal is controversial, especially among some Democrats, partly because opponents are trying to link it to the NAFTA, which has drawn alot of unfavorable, but unfounded, bad press. But, let's face it, some in our party -- and Republicans too -- are simply anti-trade and we will not be able to accommodate them.
 - At the same time, the President is determined that trade policy needs to remain bipartisan.
 - Recognizing that the bulk of our votes in the House will probably be Republican, we think it is very important to have the largest possible number of Democrats voting "yes." That means we will need to work very closely with you and other members of the Whip Group and do our utmost to ensure that Democrats are kept very much part of the drafting process as we go forward.
- o To attract Democratic support we are going to have to make it clear to key Democratic constituencies that the Administration continues to care about the impact of trade on labor and the environment.
 - That is what the President did when he insisted, over Republican objections, on negotiating and enacting the NAFTA supplemental agreements.
 - That is why we have continued to push labor and environmental issues in the WTO and elsewhere.

- o Obviously, a good number of Republicans do not share our views on this subject. But I think even they will have to recognize that there are some genuine concerns -- justified or otherwise -- in the public and the Congress about how trade affects our well-being.
- o Still, we have to be realistic. If we want to be able to use the leverage of trade negotiations to address other issues, we need to ensure that we have fast track and that our trading partners will actually engage with us. That means we cannot overreach.
- o I believe that the key is for the President to be able to say that the fast track authority he obtains gives him the continued ability to address the issues that count -- both on trade and labor/environment.
- Partly this is a question of how we structure the bill.
- But it also involves recognizing that the President can use mechanisms beyond fast track agreements themselves -- like we did for the NAFTA -- to address labor and environmental concerns.
- We are going to have to drive that point home. The key is to use our leverage effectively, not the mechanism we use.

Our Approach

- o Our proposed bill proceeds from that perspective.
- o You may remember that we spent countless hours in 1995 negotiating with Archer, Dreier and others on a possible approach to fast track.
- o We made some progress, but our chief objection was that the Republican proposal unwisely tied the President's hands both in negotiations and securing passage of an implementing bill.
- o We are prepared to acknowledge that fast track is fundamentally meant for trade deals, not negotiating labor or environmental agreements. But the President also needs to retain the flexibility to address related environment, labor and other issues in an appropriate manner.
- o Our draft bill tries to mesh these two perspectives.

Negotiating Objectives

- o First, our bill states clearly in the overall negotiating objectives that labor and environment are legitimate issues to address in connection with trade agreements. But

our language also recognizes that the proper scope for labor and environment questions in a trade agreement are those that are "trade-related".

- o That follows the general language we were discussing with Rep. Archer in 1995. The Republican formulation of "directly" or "specifically" related to trade is also potentially acceptable.

- o We have also kept the format that specifically mentions labor and environment in the "overall" objectives, but uses more general language to cover those issues in the "principal" negotiating objectives.

-- Our view is that Republicans would not agree to such a reference in the principal objectives.

Scope of Implementing Provisions

- o I am sure you recall that in 1995 we fought with the Republicans over their insistence on confining fast track implementing bill provisions.

-- They wanted only provisions that are "necessary" to carry out the agreement.

-- They also insisted that every implementing provision be "directly related" to the principal negotiating objectives.

- o Their idea was that this language would prevent the Administration from adding provisions to the implementing bill that Republicans viewed as extraneous.
- o The strict "necessary" test would preclude such add-ons as trade adjustment assistance, NADBank, and other items important to Democrats -- and Republicans -- in gaining approval for future trade agreements. That does not make sense.
- o Our proposal is to return to the formulation of allowing the insertion of any provision "necessary or appropriate" to implement the trade agreement. That is how fast track has been framed since 1974.
- o But I want your sense about the importance of returning to the "necessary or appropriate" language -- recognizing that it is not likely to be popular with the Republicans and we do not want to be seen as retreating to the Republican proposal later on.
- o There obviously are formulations between "necessary or appropriate" and the Republican approach that might work.

Other Issues

- o In a nutshell, our bill would allow for broad fast track authority that would permit us to do "zero-for-zero" type sectoral tariff deals (like ITA), follow up on the WTO agenda, and conclude regional and bilateral free-trade deals, like Chile and the FTAA.
 - This approach should be fine with the Republican side. I do not see sectoral deals or the WTO agenda as controversial for Democrats.
- o For now, we are including in the bill largely the notice and consultation provisions required under the 1988 fast track authority. This is one area where we can be flexible.
- o Our proposal is to have the fast track authority last through the next President's term.
 - In the past, and in the 1995 Republican bill, fast track terms have been a bit shorter, with the possibility of extensions. We could consider that this time too.
 - How do you see the duration issue as playing on the Democratic side?
- o Finally, we have a provision that grandfathers the Chile negotiations.

Conclusion

- o I would like a sense from you of:
 - whether we are headed in the right direction with the bill I have described;
 - what other approaches we might consider that will enlarge our Democratic support while keeping the Republican numbers we need; and
 - how best we can manage the process.

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Divider Title: _____

**HIGHLY SENSITIVE DRAFT
EYES ONLY**

Fast Track Talking Points

(Archer, Dreier)

Stage-Setting

- o This is a unique opportunity to put in place a good fast track provision. The Administration has worked very hard over the past weeks and months to develop a proposal both Republicans and Democrats can support. Given our booming economy, low unemployment, and low inflation, there is unlikely to be any better time to make the case for fast track.
- o We both know what it will take to put an acceptable package together to garner the bipartisan support we need. We both agree on the importance of moving our trade agenda ahead and that we need a strong fast track procedure which provides broad authority to do that.
- o It is important for this country that trade remains a bipartisan issue, as it has been for most of this century. So we are going to need both good Democratic support as well as a strong group of Republicans. I think you can appreciate the importance of maintaining the bipartisan character of our trade policy. That is going to call for flexibility on both our parts.
- o The President is committed personally to this legislation, and he is going to fight for it. But we need to operate in a spirit of trust and pragmatism like we did on the budget deal if we are going to make fast track a reality.

Limiting Uses for Fast Track

- o I understand your concerns regarding the uses to which fast track should be put.
- o I think you understand the pressure the President has been under to move in the other direction and dramatically broaden fast track.
- o We recognize that such an approach will not work as a political matter.
- o But there is legitimate concern in the Congress and the public about whether we are paying enough attention to our working people and the environment as we negotiate our trade deals. The President has been very consistent about the need to address those concerns.

- But, I think we can do so in a way that does not fundamentally change the nature of fast track.

Our General Approach

- o We are going to have to strike a balance: 1) we will need to ensure that fast track is put to the use for which it is intended -- negotiating and implementing good trade agreements; 2) but we also need a smart fast track that allows the President to address new trade issues as they arise -- as we did for intellectual property, services, and investment -- and with enough flexibility to win the votes we will need to get the agreement through the Congress.
- o Fundamentally, that is the kind of fast track Republican and Democratic presidents have had over the past 20 years. We would be concerned about moving too far away from that model in either direction.
- o We think the NAFTA provides a good example of the flexibility the President should have to address trade-related issues in the fast track trade agreement itself.
- But we recognize where issues, particularly labor and environment, are less clearly trade-related they should be addressed through consultations, negotiations, or agreements outside fast track, using the President's independent authority.
- o Frankly, we think a strong case could be made for a simple renewal of the pre-existing authority, because it has worked well and is cast in a very neutral way.
- o However, since we do understand your concerns, we are prepared to table a bill that draws heavily from the May 8 conceptual draft proposed by the Ways and Means majority.
- That means we will not introduce a bill that amounts to the major restructuring of fast track that some have requested. You can appreciate that we will draw a lot of Democratic fire for that.

Trade Negotiating Objectives

- o We are prepared to accept the key concept in the May 8 draft, namely that to the extent we address labor, environmental, or other non-traditional issues under fast track these should be limited to government measures that are trade-related.
- That means, for example, we are ruling out the possibility of negotiating labor or environmental standards in our trade agreements.

- On the other hand, we do not want to make the language of the objectives so restrictive that we cannot address real barriers simply because they cannot be described as "directly" or "specifically" trade-related.
- For example, technical design standards can keep our products out of foreign markets and yet typically are written in a very neutral way that applies to all goods, domestic or foreign. Such measures are not "directly related to trade", but they can have a significant trade impact.
- o So the major difference in our proposed bill is that it uses "trade-related" instead of "directly related to trade".
- We have also added a negotiating objective for agriculture, a key area of our future negotiations.

Scope of Implementing Provisions

- o Second, we have thought very carefully about the approach suggested in the May 8 proposal on the question of what kinds of provisions can be included in fast track implementing bills.
- The May 8 proposal follows the lines of discussion we had in 1995, namely that implementing provisions must be both "necessary" and "directly related" to principal negotiating objectives. It also allows for the inclusion of certain kinds of housekeeping provisions, like Congressional oversight and federal-state relations.
- o We were unable to reach closure on this approach in 1995 for a reason that remains valid today.
- o We are concerned that your language so over-tightens the scope of fast track implementing legislation that we will not be able to get a bill through the Congress.
- This is not about labor or the environment -- we are not interested in changing U.S. labor or environmental law in a fast track bill. Rather it is about garnering the votes we need to get a trade agreement approved.
- Take the NAFTA, where we had a very small margin of victory. We simply could not have gotten enough support without the NAFTA TAA provisions. Also: Jewelry marking -- Domenici; man-hole cover marking -- Breaux; citrus and tomatoes -- South Florida Republicans; television picture tubes -- Moynihan; peanut butter -- Georgia delegation and Sen. Boren; animal quarantine pens -- de

la Garza; NADBank -- southwest delegation, and so forth.

- None of these provisions was "necessary" to implement the NAFTA and it is questionable whether any were "directly related" to principal negotiating objectives -- which are about breaking down foreign barriers not addressing U.S. economic interests.
- o So our proposal is that we go back to the traditional "necessary or appropriate" formulation that we have used successfully over the past 20 years, recognizing that:
 - Under fast track rules the Congress will have plenty of opportunities to tell the Administration if it is headed the wrong way in any particular negotiation.
 - Your party is in control of both Houses and so you can keep out any provisions that are truly objectionable.
 - If the President brings back a deal that is unacceptable to most Republicans, or tries to include unacceptable bill provisions, Congress will simply reject it.

[If pressed:

- If you absolutely need some tie-in with the principal negotiating objectives, I would suggest something like: " . . . not inconsistent with the principal negotiating objectives."

Notice and Consultations

- o As for notice and consultation provisions, our going-in position will be to include in the bill the kinds of provisions that were in the 1988 authority.
 - We do not object to the additional procedures suggested in the May 8 proposal, but we think it may be best to add those after the legislative ball gets rolling.

Duration

- o Finally, on duration of fast track, we would suggest that the bill carry us through the next term, so that we can avoid having to fight this battle again 3 or 4 years from now.

Conclusion

- o Given the spectrum of views on this issue, I think the proposal I have outlined comes down very close to your preferences.

- o Although I cannot ask you to embrace every portion of this package, I need a sense from you about whether the bill I have described is one that you are willing to work from -- and are willing to say so publicly.
- o Obviously, we are going to have some differences. But if we can agree to work together, and if we can both be flexible without putting too much detail into the text on sensitive issues, but rather work together on agreed legislative history, I think we can bridge the gaps.
- o But in our public statements, and even in what we say to our constituents, we need to be fundamentally on the same page. My impression is that we are not really very far apart, so we will be able to do that.

[If pressed on definition of "trade-related"]

- o It would be unwise to try to define "trade-related" in the statute -- both because it will be too volatile and because this will just be a circular exercise.
- o In 1995, we jointly developed some general language for legislative history on this subject, and we can dust that off.
- o But frankly, we are going to need a degree of trust here. Because if you try to nail everything down, and the bill looks anti-environment and anti-labor, we just are not going to have the votes we need.

[If pressed further]

- o As I said, there are certainly some kinds of things -- like the various environment-related provisions that the Bush Administration included in the NAFTA that I think would fall inside this concept. And others -- like promoting high labor and environment standards and enforcement -- that should be handled outside fast track.
- o I would be interested to know more precisely what you are concerned about.

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Divider Title: _____

**NON-LABOR/ENVIRONMENT
TERMS OF THE FAST TRACK LEGISLATION
QUESTIONS & ANSWERS
(For Cabinet meetings with Democratic Members)**

Duration

Q: What is the duration of the fast track authority the Administration is seeking?

A: The Administration is likely to seek fast track authority lasting until October 1, 2005. [This duration is consistent with past grants of authority by Congress.] This duration is necessary to give our trading partners confidence that the U.S. will be able to continue market opening initiatives that may take years to complete (e.g., FTAA, APEC). Without longer-term authority, countries may not be willing to start a longer-term process, crippling our ability to reduce foreign trade barriers.

Background: This duration corresponds to the deadline set for the completion date of the Free Trade Area of the Americas process in 2005. Although it extends beyond President Clinton's tenure (through the next President's first term), this is necessary to give us credibility in long-term negotiations. The October 1, 2005 date puts the President newly elected in 2004 in the strongest position to secure an extension of authority in 2005.

Scope of Provisions in Implementing Bill

Q: I understand some want to limit the provisions of any trade agreement implementing bill only to those provisions absolutely necessary to implement the agreement. What will the Administration's legislation provide?

A: We favor retaining the authority given to past Administrations to include in such legislation provisions that are "necessary or appropriate" to implement the trade agreement. This would permit provisions that are not absolutely necessary to implement the agreement, but are ancillary to implementation (e.g., authority to monitor the results of the agreement) or necessary to secure the required votes for passage. We believe the Administration needs that flexibility. Negotiations on this matter continue.

Background: This issue relates to what provisions may be included in future legislation implementing free trade agreements (not in the fast track legislation currently being considered). Some Republicans objected that the NAFTA implementing legislation included too many extraneous provisions (e.g., North American Development Bank) that were not necessary to implement NAFTA and they seek to limit the ability to include such provisions in future implementing bills. However, limiting future bills only to "necessary" provisions would straightjacket efforts by the Administration and its Congressional supporters to secure the votes for passage and to add other appropriate provisions. Other Congressional Members also favor broad flexibility to incorporate provisions they favor (e.g., dumping law amendments) in future

implementing legislation. Discussions continue with Congressional leaders as to the extent of flexibility to be provided.

Congressional Consultations

Q: The Administration has not consulted adequately with Congress on these trade agreements. What will your proposal provide to remedy that?

A: We take the need to consult with Congress very seriously. In the President's first term, USTR officials alone met with members of Congress on trade issues [xxx] times.

The legislation we will submit envisions substantial consultations with Congress at every step along the way - before, during and after trade agreement negotiations. In fact, there will even be a provision permitting Congress to withdraw fast track authority from the Administration if it fails or refuses to consult. We take consultations seriously. If at any time you feel we are not doing enough, please tell us.

Background: The Administration's bill will contain various provisions regarding consultation. [Insert summary of consultation provisions from USTR].

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I

Divider Title: _____

QUESTIONS AND ANSWERS
"TRADE-RELATED"
(For use in Cabinet calls with Democratic Members)

Q: What will the Administration's fast track legislation propose regarding labor and the environment?

A: As the President has said repeatedly, and most recently in his radio address two weeks ago, he has three primary objectives that fast track authority must allow him to pursue: 1) to negotiate new trade agreements to break down foreign barriers, expand exports, and continue an unprecedented economic expansion; 2) to promote worker rights and; 3) to promote responsible environmental development. Our proposal will permit the President to continue to pursue all three objectives.

The legislation will permit the President in trade agreements to include labor and environmental provisions that are "trade-related". This approach emerges out of significant consultations between the Administration and members of both House and both parties; the business community, including agriculture; and the labor and environmental communities. Our consultations were focused on developing legislation that could pass, that would allow the President to pursue his objectives and get maximum Democratic support. The legislation we will propose achieves these goals.

Q: What does "trade-related" mean? What provisions could be included in a trade agreement under that definition?

A: We are still in discussions with Congress over precisely what the term will mean. In all likelihood, it will cover a fairly discrete set of labor/environmental provisions consistent with those included in past agreements. But we want to emphasize that trade agreements are only one way to promote labor and environmental progress in other countries. The Administration will use a variety of tools to advance its labor/environment agenda. In addition to trade agreements, these will include:

Side Agreements: When appropriate, the Administration would negotiate labor/environment side agreements under which countries would make commitments relating to labor/environment standards and enforcement. For example, Chile has already committed to negotiate such agreements in the context of free trade negotiations with the U.S.

Other Initiatives: The Administration has been aggressively promoting core labor standards and environmental protection abroad through initiatives not necessarily related to trade negotiations. Examples include:

- The Administration's Sweatshop Eradication initiative brings together labor unions, businesses and others to end exploitable labor practices and improve working

conditions, both here and abroad. Companies have already pledged to accept external monitoring of their labor practices.

- The Administration has led the world in promoting adherence to core labor standards in the ILO, the WTO and other fora.
- The Administration established the Committee on Trade and Environment in the WTO, for the first time ensuring a permanent forum for addressing these issues.
- In the President's first term, Secretary of State Warren Christopher directed the entire State Department to incorporate environmental concerns into its diplomacy. He took the unprecedented step of establishing State Department environmental offices in targeted regions having special environmental problems.

We are confident that the combination of these tools will permit us to effectively advance our labor/environment agenda.

Q: Can you give me an example of a labor/environmental provision that is "trade-related"?

A: This formulation would allow us to incorporate in future trade agreements provisions that countries not lower their environmental standards to attract foreign investment. [Need to flag that this is subject only to enforcement through consultation?]

Q: Cong. Gephardt would insist that the Administration include all labor or environmental provisions in future free trade agreements? Would you have preferred to include a broader range of these provisions in trade agreements?

A: We would have preferred to have more flexibility regarding the breadth of the term "trade-related", but that is not achievable. Nevertheless, our proposed approach will permit us to achieve all of the President's three objectives.

Q: Will the Administration insist that any labor/environmental side agreements be enforceable through trade sanctions?

A: We are in the process of reaching bipartisan agreement with Congressional leaders over the approach that should be taken in the labor/environmental area. That approach will consist of a package of steps we would take to promote labor rights and the environment. Whether sanctions are envisioned will depend on the content of the entire package. In any case, we will insist that the President be able to pursue his three objectives effectively.

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Divider Title: _____

LABOR/ENVIRONMENT INITIATIVES (Daschle Staff Proposals)

I. Environment

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

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

C. Improve NAFTA Side Agreements

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

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

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

II. Labor

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

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

B. Strengthen NAFTA Labor Side Agreement

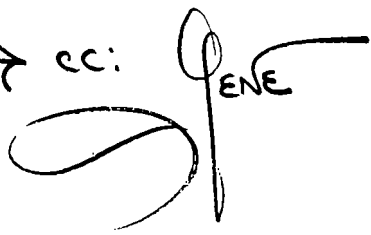
1. Monitoring/Disclosure: Enhance NAFTA Labor Side Agreement Secretariat by expanding its resources and giving it authority to issue periodic reports on member country practices. Analysis: Problematic, but alternative exists. Daschle's proposal requires concurrence of Mexico/Canada (unlikely), if not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

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

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

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

Memorandum

→ cc:  ENE

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

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

I. Environment

A. Secure Transparency and Public Participation in WTO Proceedings

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

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

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

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

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

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

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

C. Improve Effectiveness of NAFTA Side Agreement Institutions

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

D. Launch Initiative on Product Labeling

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

II. Labor

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

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

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

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

1) Independent Monitoring and Disclosure

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

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

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

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

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

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

2) Upgrade Status of Freedom of Association in the NAALC

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Initiate ILO Review of Export Processing Zone Labor Practices

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

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

E. Miscellaneous

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

August 21, 1997

MEMORANDUM TO JAY BERMAN

FROM: ANDREW SAMET

RE: FAST TRACK AND LABOR

As requested, here are some thoughts on the labor and fast track issue. These thoughts attempt to (1) place the labor standards issue into some historical context, (2) review the arguments for and against dealing with labor standards as part of trade liberalization, and (3) suggest what the Administration might do with regard to this matter in the near future. As I understood your request, this is written with no assumptions being made about what the fast track bill might or might not say with regard to the labor issue.

Labor and International Trade in Context

The first thing to note here is that the issue of labor standards and trade isn't new. Quite the opposite. Economic competition has driven the development of labor standards. In the nineteenth century labor standards didn't evolve solely out of the notion that a modern and fair society accords its workers certain rights -- although that was clearly important. But also out of a view that if some companies and firms were to provide these rights for workers, all firms should be under the same obligations so there would not be a competitive disadvantage. In other words, trade competition. (This has been true regardless of arguments by economists about how much or how little labor standards actually influence comparative advantage and trade.)

The nineteenth century trends and early efforts to create international labor standards led to the establishment of the International Labor Organization as part of the Treaty of Paris ending World War I. And the ILO henceforth became the responsible international authority for setting and evaluating compliance with labor standards. The ILO was also the only League of Nations institution that the United States joined (in 1934 under FDR), and the only one to survive World War II and become part of the United Nations system.

After World War II, it was also contemplated that there would be a relationship between the ILO and the new International Trade Organization. However, the ITO was stillborn. As was any constitutional relationship with the ILO.

The discussion on how to align interests in both trade and labor standards surfaced here and there into the Eisenhower Administration, disappeared for a time into the fog of the Cold War, and reemerged in the negotiating objectives of fast track bills in the 1970s and 1988. And it has become a central point of debate in the 1990s. It was given its first concrete form in the North American Agreement on Labor Cooperation (NAALC), which accompanied the NAFTA.

I give you a bit of the history only to make the point that (1) this is not a new, but an old issue, and (2) there is a very inspiring historical tale that could be told should the Administration see the value in telling it.

The Argument About Labor Standards

Regardless of what a fast track bill might say, the Administration could make the case for the need to pursue the labor standards agenda.

Why?

At least three reasons.

First, it helps trade liberalization to address the labor standards issue. It arguably broadens support for (or at least mutes opposition to) trade agreements, and in no serious way diminishes it. Workers need reassurance that the agenda for the "global economy" also includes them -- viz, fair working conditions. The perception today is too much the opposite.

After all, it seems oft forgotten that the rationale for trade liberalization is to create wealth to improve the lives and living conditions of real people. And if the wealth only goes to a few, the political and economic rationale for trade liberalization is eroded. Moreover, the commitment to improving the living standards of real people is also the fundamental mandate of the ILO -- so in this there is a strong overlap between the ILO and WTO mandates that often gets lost in the details of actual negotiations and daily agendas.

Second, the labor standards issue raises concerns with consumers that they may be buying the products of exploited workers. As the world gets smaller, and our economy more global, especially in terms of consumer products, people aren't happy with the notion that they may be complicit in the exploitation of foreign workers. The phenomenon of child labor and sweatshop conditions is played out in the media constantly. Many Americans would prefer something be done to remove that burden from them.

Third, the implementation of basic labor standards is good economics. We spent much effort to get the OECD to produce a study in 1996 which vindicates that proposition. Implementing core labor standards isn't a question of what a country can afford. The OECD study tells us if a country want to be richer and grow faster, it can't afford not to implement these labor standards. In that regard, we have a collective interest in a bigger global economic pie, and a specific interest in pressing the labor standards agenda.

Even if one doesn't find the arguments for the labor standards agenda convincing, the arguments against it are even less so.

What are they?

First, countries can't afford the labor standards, and they will improve as they grow. As noted above, the evidence is if you want to be richer, implement core labor standards. The affordability argument is premised on a notion that we are suggesting all nations should have U.S. levels of wages and benefits -- many economists are not used to distinguishing "core" labor standards from "developmental" standards that will increase as an economy develops.

We have made a determined effort to say we are not in favor of negotiating wage rates or benefits. Indeed, we have opposed that notion. (Although the "living wage" issue continues to need a response -- see Kuttner's Washington Post op-ed on August 20.) Our idea is that if core labor standards are applied, workers will be able to bargain in the labor market for their value and their productivity -- which will be reflected in their wages and benefits. Put another way, if we believe in free trade, free capital markets, and other free markets -- shouldn't we insist on a free labor market. The core standards we are talking about are the minimum market regulators to allow a free labor market to function.

Second, the argument is made that this is all a protectionist effort. This is silly given that the Clinton Administration has one of the strongest pro-trade records in history. Why ask for new fast track authority to open markets if the intent is protectionism. We are on record opposing the use of labor standards for protectionist purposes. Further, we have the only concrete example of a labor agreement linked to a trade agreement with the NAALC. And not one peso of Mexican or dollar of Canadian exports to the United States have been blocked because of it.

Third is the argument that trade and labor just aren't "linked." This is a counter-factual argument. And there really isn't much point to such a debate. We want both more trade and better global implementation of core labor standards. We should use whatever mechanisms we can to get more of both. For example, the ILO should help the WTO agenda and the WTO should help the ILO agenda. You can't really say that as a member of the ILO we are concerned about labor standards only when we sit in the ILO, and that when we go down the hill in Geneva and enter the doors of the WTO we check at the desk our obligations to advance the mandate of the ILO. If the WTO can help us advance the objectives of the ILO -- we should consider how best to proceed. And vice versa.

Moreover, the OECD study made clear that there is a mutually reinforcing relationship between the implementation of labor standards and trade liberalization. In other words, a linkage. And this doesn't even require taking up the economists' argument about whether the implementation of core labor standards would raise or lower labor costs or effect trade flows. The OECD makes the point that more trade and more core labor standards are both good -- and mutually reinforcing.

Also, on a pragmatic level, if an export contract is canceled because of reports of child labor, or the repression of trade unionists, this is a linkage. One might wish it weren't so -- but it is. To argue it isn't is a bit silly. Indeed, the use of labels that indicate a product was not made with child labor, or firms adopting codes of conduct that limit who they will do business with based

upon a set of labor conditions, all have trade impacts -- acknowledged or not.

In any event, these are the major arguments that I have dealt with in recent years for and against the labor standards issue.

Next Steps on Labor Standards

In some (not well-recognized) ways, we have been quite successful at placing the labor standards issue onto the international agenda. And we have done so largely as a result of developing a pragmatic and clear approach to defining the issue of "core" labor standards to undercut the arguments of opponents about imposing wages rates and protectionism (we're against both).

There are a number of on-going and pending opportunities that permit the Administration to move the labor standards agenda forward. These developments would logically form the basis for action items related to any policy pronouncement that might be made on the labor standards agenda.

First, is the ILO. In 1994 we succeeded in getting the ILO to establish a working party on trade and labor standards. Much ground work has been done in that working group, and it laid the basis for the agreement in June 1997 for the ILO to develop a new instrument to bind all member states to the "core labor standards," and to introduce a new mechanism to establish accountability for their implementation. This is a major development in the history of the ILO -- but a successful outcome isn't assured.

An Administration effort to push a positive outcome could be an important part of our next steps. The possibility for any success here, however, does require a continued credible effort by the Administration to insist on bringing the labor issue to the WTO and keeping it linked to trade initiatives -- because it is the threat of WTO action which provides the traction in the ILO to consider something serious. Success in the ILO will certainly not satisfy those who want a clearer connection to trade measures. Nevertheless, working the ILO angle is still worth the attempt.

Second, is the WTO. We spent some effort pressing the issue of core labor standards for the agenda of the Singapore WTO Ministerial. The labor standards issue ended up being the dominant political issue confronting the ministerial. The result was ministerial language that recognized the importance of core labor standards, but not agreement on the establishment of a working party in the WTO. The Singapore process showed our support for the labor standards issue was enough to (1) make it a major political issue; but (2) not enough to get a working party established over the opposition of many countries.

Although progress in the WTO seems unlikely anytime soon, our serious effort in the WTO remains critical to the possibility of moving the agenda forward in the ILO and elsewhere. And the previous fast track negotiating bill objectives have highlighted the importance of establishing

a working party or some other process on labor standards within the GATT/WTO. The next WTO ministerial is in May 1998, and we need to develop a strategy of how we will handle the issue for that ministerial.

Third, is the FTAA process. We have had some success in laying the groundwork on the labor standards issue in the hemispheric process for the Free Trade Area of the Americas. The main problem today is that there is a recognized business forum providing input into the trade minister's process, but no parallel labor forum.

Through the OAS labor ministerial in 1995, a consensus was reached on the importance of improving labor standards in the process of economic integration. Argentine labor minister Caro Figueroa had been designated to present this position on behalf of the labor ministers to the trade ministers, first at Cartagena, Colombia last year and then in Belo Horizonte, Brazil last May. However, due to opposition from Mexico and a very few other countries, consensus on receipt of this report was blocked. Nevertheless, Brazil's trade minister distributed it.

The Leaders' meeting in April provides the next best opportunity to get a labor forum established so that we can channel the energy of the Hemisphere's labor unions in a positive direction in the FTAA process -- rather than allow them to make the argument they are being excluded. Indeed, it is most likely that once joined in the process the labor unions will become constructive -- albeit unsatisfied -- participants in building the FTAA. This should be a major Administration priority, and opposition is now isolated to only a few trade ministries.

During his trip in May, the President got the Central American leaders to agree that it was important to have the input of labor in the economic integration process. The President could make further progress in assuring success in April, by seeking support from Venezuela, Brazil, and Argentina for a positive role for labor during his October trip to South America.

Fourth, the Apparel Industry Partnership (AIP) is an important but fragile private sector initiative supported by the President that began last August. The initiative responds to public concern about exploitative labor conditions, including child labor. (See New York Times editorial of August 20.) The AIP announced agreement on a code of conduct and monitoring principles in April, and has agreed to set up an organization that will be responsible for implementation of the code and a consumer information program by November 1997.

Private sector initiatives can have an impact on rewarding firms and countries that implement core labor standards, compared to those that don't. Even as governments argue about whether international rules are needed, the interest of companies in avoiding negative publicity about sourcing from firms using exploitative working conditions is beginning to move the market. The Administration can continue to bring public attention to positive models and responses, and can encourage further movements in this direction.

The President raised the AIP issue with the Central American leaders, and Secretary Herman will be meeting with the labor ministers of Central America on November 4 and 5. A prominent part of the agenda is the codes of conduct issue. Most of the apparel associations in the Central

American nations have already adopted codes of conduct in response to these pressures. The discussion can be about how to better implement them and monitor for compliance.

The President also raised this issue with the EU leaders in the May Summit. And Secretary Herman discussed it with her EU counterpart, Commissioner Flynn. They agreed to some joint programs that would bring additional attention to these efforts in the European Union, and we are working with Flynn's staff to set up these meetings.

A well-coordinated and consistent effort by the Administration to bring attention to these issues can have a significant impact on company and market behavior. And no government trade sanctions or trade measures are involved. It is the use of market forces -- pure and simple.

Labor unions are part of the AIP, and are prepared to participate in these efforts. It might even be possible to introduce this subject into the APEC process through the human resources working group if the President raises it at the November leaders meeting in Canada.

Fifth, the OECD. We laid a helpful intellectual basis for our policy in the 1996 OECD study on the relationship of labor standards to trade, as discussed above. We have put in place a "consensus" on the list of core labor standards that don't depend upon the level of economic development. The labor standards issue in the OECD context has now moved into the MAI negotiations. This is potentially a very important development. It isn't clear, however, whether we are leading this in the MAI as we were in the debates on the OECD study, or we are taking a more passive approach. Leading the effort here should be part of our next steps.

Sixth, would be the international financial institutions. There has been some pressure on the IMF, World Bank, and regional development banks to take the labor standards issue more seriously. There is now a legal requirement for a report to Congress each year on the issue. President Wolfensohn gave an important speech on labor standards to the ILO annual conference in June. It isn't clear how significant a priority U.S. executive directors and Treasury have made the labor issue.

Seventh, there are other initiatives that could be taken to move the labor standards agenda under existing legislative authority. This might include a more aggressive use of the existing GSP, CBI, Andean, Section 301 and Customs law authorities. And introducing labor standards requirements into the CBI enhancement proposal and the Africa trade initiative should be considered. There are many ways the Administration could express its concern, and I have outlined some of these in other documents already sent to you. The only issue is agreement to move forward in that direction.

I hope these thoughts are of some use. If not, I can try again.

INTERNATIONAL LABOR STANDARDS: THE CLINTON ADMINISTRATION POLICY

The current period of accelerated global economic integration provides great opportunities for economic growth and employment. But it also poses challenges to assure that the broadest number of workers benefit from the globalization process and that labor market competition occurs on the basis of accepted international labor standards.

To emphasize only the opportunities from globalization, and not to address the concerns of workers, could undermine the essential national consensus to pursue the liberalization agenda.

Consequently, the Clinton Administration has developed a strong international labor standards policy, and the Administration has pressed for its implementation in various fora.

The Clinton Administration labor standards initiative has consisted of three parts. First, articulating a viable policy on the basis of which international consensus could be built. Second, actively building international support for the policy. And, third, pressing for concrete actions that would advance the policy.

I. Articulating a Policy

Concerns about labor standards and their impact on international economic competition are not new. They gave rise to the development of international labor standards a century ago and the International Labor Organization was created after World War I. Nevertheless, no recent previous U.S. Administration had articulated a clear policy on international labor standards. Given the accelerated pace of global economic integration, and growing concerns about what basic labor standards might mean for U.S. workers and U.S. consumers, the Clinton Administration established a policy framework that has gained significant international consensus.

The policy is based upon the rationale that there is a hierarchy of labor standards: (1) those that ought not to be dependent on a country's level of economic development; and (2) those that ought to be expected to improve only as a country's economy develops. This distinction came to be referred to by the Administration as "core" versus "developmental" labor standards.

There are at least three reasons why the Administration is concerned about improving global labor standards:

- **Human Rights:** Core labor standards are basic human rights. In a global economy, U.S. workers and consumers are unlikely to remain silent or complicit in the exploitation of foreign workers.

- **Economic:** Countries that implement core labor standards are more likely to have stronger middle classes, which will be better customers for U.S. exports.
- **Security:** Countries that honor core labor standards are more likely to be democratic and less likely to be belligerent.

The notion of core labor standards was refined by the Administration to include the following human rights standards that should be applied regardless of a country's level of economic development:

- (1) freedom of association;
- (2) the right to organize and bargain collectively;
- (3) a prohibition on forced labor;
- (4) a prohibition on discrimination in employment; and
- (5) a prohibition on exploitative child labor.

II. Building an International Consensus

After defining the policy, the Administration took a number of steps to build an international consensus for it. Among the steps taken have been the following:

- In April 1994, the importance of action on international labor standards by the GATT/WTO was raised at the Marrakesh Ministerial.
- In June 1994, the Administration led a successful effort at the OECD Council to request the Secretariat to conduct a study of the relationship of trade and labor standards.
- In June 1994, at Administration urging, the International Labor Organization (ILO) established a working party on economic globalization and labor standards. The working party has met six times, has accepted the U.S. framework of core labor standards, and has agreed upon the following specific items for further work: (1) country reports that will look at the impact of globalization on employment and labor standards; (2) a research program to examine the economic benefits of implementing core labor standards; and (3) consideration of an enhanced supervisory machinery focused upon core labor standards.
- In 1994 and 1995, Department of Labor officials traveled to the Philippines, Malaysia, Thailand, Singapore, Indonesia, India, Pakistan, Bangladesh, Germany, France, Norway, the Czech Republic, and Australia to seek support for the U.S. policy on core labor standards, and to refute allegations that the USG sought to impose global wage rates or sought to use international labor standards for protectionist purposes.

III. Successful Outcomes

- In March 1995, at the UN Summit for Social Development in Copenhagen, the Administration succeeded in obtaining language succeeded in obtaining a commitment by over one hundred heads of State and Government to greater implementation of those basic worker rights identified by the Administration as "core labor standards." This was the first time in history that the Administration's identified list of "core labor standards" had been endorsed in an international document. Nearly identical language was subsequently adopted at the Fourth World Conference for Women in Beijing (September 1996) and in the Habitat Agenda (June 1996).
- In October 1995 the labor standards issue was raised by the Administration at the OAS Labor Ministerial in Argentina. The Buenos Aires Declaration and Plan of Action that was adopted by the Ministers recognizes the importance of implementing labor standards for the process of economic integration. The Ministers of Labor agreed in the Plan of Action to prepare a report they would submit to the Hemisphere's Ministers of Trade working on the creation of the Free Trade Area of the Americas. The report, which was completed in 1996 and adopted by all Ministers of Labor in January 1997, was distributed by the trade minister of Brazil at the May 1997 Belo Horizonte meeting of hemispheric trade ministers -- although a few other countries objected.
- In May 1996, under the New Transatlantic Agenda, an MOU was signed establishing a joint Working Group on employment and labor issues. One of the agenda items for the working group is labor standards in the international context. In June 1996, at the U.S.-EU Summit in Washington, President Clinton and his EU counterparts endorsed the establishment of the Transatlantic Labor Dialogue, parallel to the already-existing Transatlantic Business Dialogue. (As evidence of the growing international consensus for the Administration's policy initiatives, in July 1996, the EU Commission adopted a position on core labor standards very similar to that of the Clinton Administration.)
- In December 1996, at the WTO Ministerial Meeting in Singapore, the Administration was unable to get agreement to set up a Working Party on labor standards, but succeeded in obtaining language in the Singapore Declaration in which countries renew their "commitment to the observance of internationally recognized core labour standards." The Singapore Declaration also endorses continued collaboration between the WTO and ILO Secretariats. This is the first time in the half century of the GATT/WTO that a Ministerial Declaration recognizes the importance of labor standards.
- In June 1997, the ILO Ministerial Conference agreed to consider a proposal for a new Declaration on core labor standards and an enhanced supervisory mechanism to monitor member States' implementation of core labor standards, regardless of whether or not a member state has ratified the relevant ILO convention(s) on the core labor standards. This negotiation could result in a proposed change to the ILO's rules ready for adoption by June 1998.
- In the May 1997 Declaration of San Jose, agreed to by President Clinton and other leaders in Central America, language was included that recognized the importance of the rights of

workers, and welcomed the input of the labor sector into the hemispheric integration process. In addition, the declaration included a positive reference to the Apparel Industry Partnership and the Leaders directed their Labor Ministers to meet in 1997 to discuss how employers and workers can cooperate to promote workers rights and improve working conditions.

- Under the Transatlantic Agenda, the United States and the European Union sponsored a workshop on employability security in Washington on May 21-22, which brought together leading labor, management, and government representatives. A Joint Working Group meeting held on May 23 discussed U.S.-EU cooperation on international labor standards.

IV. Pending Issues

- In the OECD, the Administration is seeking to include some commitments on labor standards in the negotiation of the Multilateral Agreement on Investment (MAI). The question of how "forward-leaning" these commitments will be remains open. The negotiations on the MAI are expected to be completed in 1998.
- Although a Business Forum has been held in conjunction with the Meeting of Trade Ministers designing the Free Trade Area of the Americas since the July 1995 Denver Trade Ministerial, no parallel Labor Forum has been approved. To remedy this imbalance, the Administration unsuccessfully sought the recognition by Trade Ministers of a Labor Forum in conjunction with the Belo Horizonte, Brazil, meeting of Trade Ministers in May. To emphasize their concerns about the FTAA and publicize their agenda, hemispheric trade unions held their own meeting in Belo Horizonte just before the Trade Ministers meeting. It is likely that the formal establishment of a Labor Forum will have to await a decision of the Leaders at the 1998 Santiago Summit.
- At the May 1997 meeting in Mexico City, President Clinton and President Zedillo asked their foreign ministers to coordinate a joint report on enhanced cooperation on labor and environment matters to be completed in 90 days (August 6). This report is pending with the State Department.
- Pursuant to the Declaration of San Jose, Secretary Herman has invited the labor ministers of Central America to meet in Washington on November 4-5, 1997. Items on the agenda include labor standards and codes of conduct initiatives.
- Under the New Transatlantic Agenda, Secretary Herman and Commissioner Flynn agreed to a joint activity to highlight cooperative efforts to enhance worker rights and labor conditions through codes of conduct and other mechanisms such as the Apparel Industry Partnership. An agreed date for this activity is pending.

V. Other Issues

Child labor: The Department of Labor has published four reports on international child labor and is currently at work on a fifth. Previous reports have documented the use of child labor in manufactured, mined, plantation and fisheries products imported into the United States, as well as the conditions of forced and bonded child laborers, and children exploited in the commercial sex industry. The Department has also done a study on the use of codes of conduct in the apparel industry, and the impacts of such codes on the use of child labor. The Department is currently working on a study for release in late summer on labeling initiatives that allow consumers to know that items are not produced with child labor.

The Department of Labor in the last three years has provided \$5.1 million to the ILO's International Program for the Elimination of Child Labor (IPEC). These funds have been used for technical assistance programs in various countries. Amongst the projects funded thus far are:

Bangladesh: A program to remove all children from the apparel sector and place them in education programs.

Thailand: A program to keep in school girls at risk of entering the sex trade.

Philippines: A national statistical survey of the use of child labor.

Africa: A regional program on strategies to reduce the use of children in plantation agriculture.

Brazil: A program to eliminate the use of child labor in the footwear industry.

The Department has also committed to fund a program in Sialkot, Pakistan, to remove children from the hand-stitched soccer ball industry and put them in school.

Apparel Industry Partnership: One result of growing concerns about unacceptable labor conditions, including child labor, in the apparel industry was a decision by the President in August 1996 to ask a number of companies, trade unions and NGOs, to form a partnership to see if they could work cooperatively to establish a code of conduct for acceptable conditions and methods to assure consumers that the products they are purchasing have been produced under acceptable labor conditions. This effort has been successful, and an agreement on a code of conduct and internal and external monitoring principles was announced on April 14 at a ceremony in which the President participated. The partnership has also agreed to establish an association to maintain the integrity of the code and monitoring, and to develop options on labeling, within the next six months.

GSP/Worker Rights: The strongest action was taken on Pakistan, when the Administration withdrew 50% of Pakistan's benefits because of child labor abuses. The most controversial remaining worker rights issues involve Indonesia and Thailand.

VI. What Additional Steps Could be Taken

WTO: The main issues that could be pursued include: (i) raising labor rights in TPRMs; (ii) raising labor rights in accessions; and (iii) finding a way to make more concrete the collaboration between the WTO and ILO. Contacts between the ILO and WTO Secretariats have been extensive in recent years --and WTO officials are observers at ILO meetings. Other proposals have included a consultative approach as proposed by the Japanese at some point, or a "Cairns Group" approach as Ambassador Barshefsky has suggested --perhaps through an inaugural meeting or conference.

IFIs: In response to a legislative amendment authored by Congressman Frank, the Treasury Department must use its voice and vote to urge the IFIs to adopt policies to encourage borrowing countries to guarantee internationally recognized worker rights. It further requires Treasury to submit an annual report to Congress on how international financial institutions are advancing labor standards. President Wolfensohn of the World Bank gave a special address to the ILO Conference in June, thereby signaling his support for including social standards more prominently on the agenda of the World Bank. The Administration, perhaps through a joint activity of Secretary Rubin and Secretary Herman, could undertake an initiative to underscore support for Wolfensohn's commitment on labor standards.

APEC: For the last two years, the Department of Labor has chaired the Human Resources Working Group of APEC. The Administration could consider proposing within APEC a discussion of codes of conduct --involving employers, workers and governments. The Administration could also consider initiating some Asian dialogues on labor, including with the South Asian countries.

Vietnam: The Administration could consider a more robust approach to the labor standards issue as we develop our relationship with Vietnam.

Burma: The ILO has appointed a special commission of inquiry on forced labor practices in Burma, and Burma is amongst the worst violators of labor rights. Many U.S. apparel firms have voluntarily withdrawn from Burma over the last several years (the only country many U.S. apparel firms refuse to buy from), yet Burma's apparel exports to the United States have continued to grow. The Administration might consider an action to support the decision of the U.S. firms that have ceased operating in Burma because of the labor rights problems.

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NAFTA LABOR AGREEMENT: THE FACTS

NAFTA is the first trade agreement to include protections for workers. The North American Agreement on Labor Cooperation (NAALC) established by the NAFTA has enhanced oversight and enforcement of national labor laws and created North American cooperation on fundamental labor issues. Since the NAALC has been in effect, there is evidence that Mexico has strengthened enforcement of its labor laws.

CLAIM: THE LABOR SIDE AGREEMENT HAS NO TEETH BECAUSE IT IS NOT A CORE PART OF THE NAFTA. THE SUBMISSION PROCESS HAS NOT RESULTED IN A SINGLE CASE OF ENFORCEMENT ACTIONS OR SANCTIONS.

THE FACTS: The international public scrutiny associated with the NAFTA submission process has been an important impetus for change in Mexico.

- **Legal and Economic Sanctions.** 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 for violations of certain types of labor rights.
- To date, the United States has received seven submissions against Mexico, while Mexico has reviewed one submission against the United States. We have achieved a high measure of success in the review of these submissions, both in affording remedies to affected workers and in influencing policy changes. 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, there are indications that a number of Mexican labor disputes have been settled by companies wishing to avoid the negative publicity associated with the NAFTA review process.
- Important legal advancements 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.
- Under the NAALC, the Canadian, Mexican, and U.S. governments have initiated cooperative efforts on a variety of labor issues, including occupational safety and health, employment and training, industrial relations, worker rights and child labor and gender issues.
- Mexican enforcement of labor laws has improved 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.

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.

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- **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.
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OUR BEST EXPORT FACTS

- **Exports Are Up More Than \$300 Billion.** Since the beginning of 1993, exports (of goods and services) from the United States have grown by nearly 50 percent -- up \$318 billion, after adjusting for inflation -- from \$647.1 billion at the beginning of 1993 to \$958.7 last quarter. Exports have accounted for 38 percent of the overall growth in the economy since 1993. [Source: Department of Commerce, Bureau of Economic Analysis]
- **Goods Exports Are Up More Than 50 Percent.** Since the beginning of 1993, exports of American goods have grown by 53 percent -- up \$239 billion, after adjusting for inflation -- from \$451.2 billion at the beginning of 1993 to \$690.3 last quarter. [Source: Department of Commerce, Bureau of Economic Analysis]
- **1.7 Million New Export-Related Jobs -- Paying On Average 15 Percent Higher Wages.** Since President Clinton took office, the number of export-related jobs has increased by 1.7 million -- there are now 11.5 million jobs supported by exports. And these job pay an average of 15 percent more than non-trade related jobs. [Source: Department of Commerce.]
- **High-Tech Exports Are Soaring.** Exports of semiconductors have grown 139 percent under the Clinton Administration; telecommunications exports have grown 113 percent; and exports of computers and computer-related goods have grown 54 percent. [Source: Council of Economic Advisers/Department of Treasury, April 10, 1996]
- **The World's Most Competitive Economy.** The United States has now been ranked Number One on competitiveness for five years in a row -- and up from Number Five in 1992. [Source: World Economic Forum and IMD.]
- **The World's Automobile Leader Once Again.** The United States is the world's Number One producer of automobiles for the first time since the 1970's -- overtaking Japan. [Source: American Automobile Manufacturers Association.]
- **The World's Semiconductor Leader Once Again.** The United States has regained its position as the world's Number One producer of semiconductors -- surpassing Japan. [Source: Dataquest.]

NAFTA-SPECIFIC DATA

- **Outside Studies Conclude NAFTA Has Helped U.S. Expansion.** DRI estimates that NAFTA boosted real exports to Mexico by \$12 billion in 1996, compared to a smaller increase in imports of \$5 billion, and contributed \$13 billion to U.S. real income and \$5 billion to business investment, controlling for Mexico's financial crisis.
- **Exports To Mexico and Canada Are At Record Levels.** Since NAFTA was signed, exports have grown 37 percent -- or \$15.2 billion -- to Mexico and exports to Canada were up 34 percent to \$134.2 billion. Exports to both countries are now at record levels.
- **Jobs Supported by Exports to Mexico and Canada Have Increased More Than 300,000.** Exports to Canada and Mexico supported an estimated 2.3 million jobs in 1996. This represents an increase of 311,000 since 1993. Under NAFTA, jobs supported by exports to Canada have gone up by 189,000 and jobs supported by exports to Mexico by 122,000. [Study on the Operation and Effects of the NAFTA, 1997; Department of Commerce]

● **NAFTA Helped Mexico Recover Faster:** Following Mexico's 1982 financial crisis, it took Mexico 7 years to return to international capital markets, while 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 Protected American Jobs and Exports by Locking in Preferential Access:** Following its 1982 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.
- **Taking Share from Foreign Competitors:** U.S. suppliers have increased their share of Mexico's import market from 69.3 percent to 75.5 percent, reflecting a 10 percentage point tariff advantage over foreign suppliers.
- **U.S. Direct Investment In Mexico Is Down.** American foreign direct investment (FDI) to Mexico in 1994 was \$3.7 billion. In 1995, it was down to \$3.0 billion. In 1996, it fell further to \$2.7 billion. This amounts to 0.4 percent, 0.3 percent, and 0.2 percent of total investment in the United States. For comparison, U.S. FDI to the rest of the world increased from \$69.3 billion in 1994 to \$87.8 billion in 1996. An ITC study concluded that any fluctuations in U.S. FDI to Mexico, whether or not attributable to NAFTA, have only minimal impact on aggregate investment in the U.S. NOTE: In 1994, U.S. FDI to Mexico increased from \$2.5 billion to \$3.7 billion, so this statistic is a little disingenious. I like the next one.
- **Mexico Is Small Share of U.S. Foreign Direct Investment.** Mexico accounted for just 2 percent of the stock of U.S. FDI abroad in 1996. Mexico's share of U.S. outflows of FDI shifted from 3.3 percent in 1993, prior to NAFTA, to 5.3 percent in 1994, and dropped to just 3.4 percent in 1995 and 3.1 percent in 1996. NOTE: The higher share in 1994 reflected two factors: (1) an 11.5 percent fall in U.S. FDI to the world in 1994; and (2) an increase in U.S. FDI to Mexico from \$2.5 billion in 1993 to \$3.7 billion in 1994.

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The Charge: PRESIDENT CLINTON HAS FAILED TO DELIVER ON HIS PLEDGE TO PROMOTE LABOR STANDARDS TIED TO TRADE AGREEMENTS.

The Facts: PRESIDENT CLINTON HAS DONE MORE TO PROMOTE LABOR STANDARDS IN INTERNATIONAL TRADE FORA THAN ANY OTHER PRESIDENT. GAINING INTERNATIONAL RECOGNITION OF THE LINK BETWEEN TRADE AND LABOR ISSUES WILL BE A SLOW 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.

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The Facts: 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.

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- **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.

The Charge: PRESIDENT CLINTON'S TRADE AGENDA HAS IGNORED THE PLIGHT OF DISLOCATED WORKERS.

The Facts: 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.

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NORTH AMERICAN AGREEMENT ON LABOR COOPERATION: A PRIMER

HISTORIC UNDERTAKING: The North American Agreement on Labor Cooperation (NAALC) is the first labor agreement specifically associated with a trade agreement. It is designed to promote improved labor conditions and enforcement of national labor laws throughout North America.

OBJECTIVES: The Agreement provides for promotion of improved labor laws and standards, effective enforcement of these laws, and the promotion of key labor protections, including:

- Freedom of association and protection of the right to organize
- Right to bargain collectively
- Right to strike
- Prohibition of forced labor
- Labor protections for children
- Minimum employment standards, such as minimum wages and overtime
- Elimination of employment discrimination
- Equal pay for men and women
- Promotion of occupational health and safety
- Compensation for occupational illnesses and injuries
- Protection of migrant workers.

INDEPENDENT ORGANIZATION: The Agreement is administered by the Commission on Labor Cooperation, which was created specifically for that purpose.

- The top labor official in each country (the Secretary of Labor) for the United States) comprises the Commission's Council, which has a mandate to work cooperatively on a broad range of labor issues.
- An independent International Coordinating Secretariat provides technical support to the Council, and reports periodically to the Council on labor issues, including labor laws and their enforcement, labor market conditions, and training and adjustment programs in the three countries. The Secretariat is headed by an Executive Director appointed by consensus for a fixed term.
- Each national government appoints a National Administrative Office (NAO) as the point of contact between itself and Commission entities.

LABOR OBLIGATIONS: The NAALC requires NAFTA partners to undertake specific obligations regarding the development, administration, enforcement, and review of their labor laws, including to:

- Publish laws, regulations and procedures and promote public awareness of these laws and regulations, so that workers and employers will know their rights and responsibilities;
- Promote compliance with laws and enforcement through appropriate tools, including:

- appointment and training of inspectors,
 - monitoring and on-site inspections,
 - encouragement of voluntary compliance,
 - Mandatory reporting; and
 - enforcement actions.
- Provide effective means for binding domestic enforcement of rights granted under its labor laws (including collective bargaining rights) for all groups with a legally recognized interest under that country's laws;
 - Maintain domestic administrative and judicial processes that are independent and impartial, comply with due process, allow parties to be heard and present evidence, and normally are open to the public.
 - Provide for a right to independent review of administrative determinations, as appropriate.
 - Provide for a right for parties to a proceeding to seek remedies for failure to enforce labor rights, including, as appropriate, compliance agreements, penalties, fines or injunctions.

OVERSIGHT OF NATIONAL ENFORCEMENT: The Agreement has several avenues to encourage effective national enforcement of labor laws:

- The Secretariat reports periodically on labor laws and their enforcement in each country;
- The NAO's consult and exchange information on enforcement, and provide information to the Council and the ICS;
- The Council can consult on any labor matter, including enforcement questions on any labor law;
- An Evaluation Committee of Experts (ECE), composed of independent experts, may be convened at the request of any party to examine and make recommendations on matters involving a pattern of practice.
- Dispute Settlement Panels can be invoked if a party believes that another is demonstrating a persistent pattern of failure to effectively enforce labor laws (affecting a sector involving traded goods or services), when consultations fail to resolve the matter.
- The dispute settlement process provides for sanctions in the form of monetary compensation or withdrawal of trade privileges if members fail to correct problems of nonenforcement of certain labor principles. (Specifically, damages can be imposed for violations of occupational safety and health, child labor or minimum wage technical labor standards).

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LOW-WAGE WORKER FACT SHEET

- **The Largest Decline In Income Inequality In 27 Years.** In 1995, household income inequality fell, as every income group -- from the most well-off to the poorest -- experienced a real increase in their income for the second straight year. One measure of inequality -- the Gini coefficient -- dropped more in 1995 than in any year since 1968.
- **Family Income Up 10 Percent --\$1,000 -- In Last 2 Years For Poorest 20%.** Since NAFTA passed in 1993, the real average income of the poorest 20 percent of families has increased \$994 -- or 9.7 percent -- from \$10,275 in 1993 to \$11,271 in 1995. FYI: Over the same time period, the incomes of the wealthy American households -- the top 20 percent -- increased 2.0 percent, from \$117,086 in 1993 to \$119,453 in 1995.
- **The Number Of People In Poverty Fell By 1.6 Million -- Largest Drop In 27 Years.** The number of people in poverty dropped 1.6 million, from 38.06 million in 1994 to 36.43 million in 1995 -- that's the largest one-year decline since 1968.
- **Poverty Rate Fell To 13.8 Percent -- Biggest Drop In Over A Decade.** In 1995, the poverty rate dropped from 14.5 percent in 1994 to 13.8 percent -- that's the largest one-year fall in the poverty rate since 1984. Since President Clinton's Economic Plan was signed into law, the poverty rate has declined from 15.1 percent in 1993 to 13.8 percent last year -- that's the biggest two-year drop in the poverty rate since 1973.
- **The African-American Poverty Rate Dropped To It Lowest Level In History.** In 1995, the African-American poverty rate declined from 30.6 percent to 29.3 percent -- that's the first time it dropped below 30 percent and its lowest level since data were first collected in 1959.
- **A Higher Share of African-Americans Are Working Today Than Any Time In History.** A larger percentage of African-Americans are now employed -- 59.6 percent -- than at any time in history.
- **Lowest African-American Unemployment Rate in 24 Years.** The unemployment rate for African Americans has dropped from 14.1% in January 1993 to 9.3% today -- that's the lowest the African-American unemployment rate has been in 24 years.
- **Highest Share of Hispanics Working In Two Decades.** The share of the Hispanic population working as high today -- 63.3 percent -- as any other month in the last two decades (when data were first collected).
- **Lowest Hispanic Unemployment Rate in 8 Years.** The unemployment rate for Hispanics has dropped from 11.3 percent in January 1993 to 7.2 percent today -- that's the lowest it's been since 1989.

JOB QUALITY FACT SHEET

(And Other Interesting Factoids)

JOB QUALITY

- **Over Two-Thirds Of The New Jobs Are High-Wage Jobs.** In the last two years, more than two-thirds (68 percent) of the new full-time jobs were in high-wage job categories. More than half of the job growth occurred in the best-paying 30 percent of job categories. [Source: Council of Economic Advisors with Department of Labor's Office of the Chief Economist, "Job Creation and Employment Opportunities: The United States Labor Market, 1993-1996", April 23, 1996.]
- **High-Wage Jobs Have Grown Nearly 4 Times Faster Than Other Employment.** From 1993 to 1995, employment in high-wage job categories grew 7.5 percent. That is nearly 4 times the rate of increase for non-high-wage job categories and more than 3 times the rate of increase for low-wage job categories. [Source: Bureau of Labor Statistics, *Monthly Labor Review*, June 1996.]
 - *New York Times*, 7/21/96: "In 1995, the percentage of new jobs that pay above average salaries was double what it was in 1992, when the nation was just starting to recover from recession. 'The quality of jobs being created is steadily increasing,' said Mark Zandi, chief economist at Regional Financial Associates, an economic consulting firm in West Chester, Pa."
 - *Los Angeles Times*, 3/14/96: "Rather than jobs for hamburger flippers or retail clerks, statistics suggest, a growing share are in areas that tend to pay above average.... 'The occupations that pay the most are growing the fastest,' said Neal H. Rosenthal, the primary author of a new U.S. Bureau of Labor Statistics study on the nation's employment outlook through the year 2005."
 - *Money Magazine*, 8/96: "President Clinton can brag -- and often does -- about creating 8 million new, mostly high paying jobs since taking office."

MULTIPLE JOBHOLDING

- **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]

DISCOURAGED WORKERS

- **The Number of Discouraged Workers Has Dropped Dramatically In the Last Five Years.** In 1992, the BLS estimated that there were *more than one million discouraged workers*. In 1994, BLS changed their methodology of estimating discouraged workers and counted 489,000 in August of that year. In August 1997, the number of discouraged workers was 311,000 -- that's 178,000 fewer than three years earlier and as low as any time since the BLS began estimating the number of discouraged workers each month.
 - *Wall Street Journal*, 8/12/96: "[A] look at the Labor Department's figures show there were more than a million 'discouraged' workers in 1992, and are only about 423,000 today. The department changed the way it calculated discouraged workers in January 1994, and that may account for much of the drop. But the trend over the past 2½ years has clearly been down."

PART-TIME WORKERS

- **Total Part-Time Employment Is Down.** Total part-time employment has fallen from 18.1 percent in 1992 to 17 percent in August 1997.
- **Most Part-Time Workers Work Part-Time Voluntarily.** In August 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.
- **The Share of the Workforce Working Part-Time Has Not Changed Much in Two Decades.** *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: Changes in the CPS in 1994 introduce some complications in making simple time series comparisons.)
- **Involuntary Part-Time Is Down.** The share of workers working part-time "involuntarily" has fallen from 5.5 percent in 1992 to 3 percent in August 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 14 percent in August 1997. Note: There was a big jump in 1994, which is largely a result of the change in the CPS.

Programs for Dislocated and Low Wage Workers -- The Facts

Working for Dislocated and Other Workers in Transition

- ✓ **Dislocated Worker Training.** In 1993, the Dislocated Worker assistance program received \$651 million and served 306,000 dislocated workers. By 1997, funding had grown to \$1.29 billion, an increase of 98 percent, to serve 580,000 laid-off workers. For next year, the President has proposed \$1.35 billion for Dislocated Worker assistance, or \$64 million (5 percent) above 1997, to serve 605,200 laid-off workers. To ensure an overall investment increase in training, Administration negotiators secured bipartisan agreement to include training on the list of protected Presidential priorities.
- ✓ **NAFTA Transitional Adjustment Assistance (NAFTA TAA).** Recognizing that some workers require assistance in adjusting to new patterns of trade and production, NAFTA-TAA contains several innovative features to provide expanded retraining and income support benefits. For the first time, NAFTA-TAA 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.
- ✓ **A \$1,500 HOPE Scholarship and a 20% Tuition Tax Credit for working Americans pursuing lifelong learning to upgrade their skills.** Because of the President’s insistence, the balanced budget includes both a \$1,500 two-year HOPE Scholarship and a 20% tuition tax credit that workers can use to help pay for training to upgrade their skills. The President has long understood that the economy is changing and that people need the opportunity to enhance their skills throughout their working lives.
- ✓ **More Secure Health Benefits** - the 1996 “Kassebaum-Kennedy” law means that as many as 25 million Americans have health benefit portability they did not have before. No longer will people who have been sick have to fear that they will lose their access to health insurance if they lose their job or change jobs. Nor can they be denied coverage because they have a preexisting medical condition.
- ✓ **Improved Pension Portability** - the minimum wage law included provisions to improve pension portability and coverage. The vesting period for multi-employer plans was reduced from 10 years to five years, meaning that more people will be covered more quickly. Additionally, the law encourages employers to allow employees to start saving for retirement from the first day on the job by changing the law that encouraged waiting periods. Moreover, through administrative action taken by the Treasury Department, employers that make a broad range of investment choices available to active employees may not limit former employees to investment in a money market fund.
- ✓ **One-Stop Career Centers** - this Administration initiative is designed to transform a fragmented array of employment and training programs into a coordinated information and delivery system for job-seekers and employers. To date, 24 states have received grants to implement One-Stop systems and nine more will receive grants in 1997. The President’s FY 98 budget proposed \$150 million in funding to expand One-Stop Career Centers to all states in 1998.

Working for Low-Wage Workers

- ✓ **A higher minimum wage** -- On Labor Day, 10 million workers received a raise with the increase in the minimum wage the President fought so hard to deliver. In two steps of 45 cents each, one last October and the one on Labor Day of this year, the hourly minimum wage was increased 90 cents or 21 percent from \$4.25 to \$5.15. For an average full-time minimum wage worker this amounts to a raise of \$1,800.
- ✓ **President Clinton insisted child tax credit include low wage workers** -- the balanced budget includes a \$500 per-child tax credit for approximately 27 million working families with 45 million children. A typical family with two children will see their after tax paychecks rise \$1,000 annually. The President insisted that the final child tax credit include hard working families making less than \$30,000 -- 13 million children from families with incomes below \$30,000 will receive the child tax credit.
- ✓ **EITC Expansion** - the new child tax credit builds on the President's major expansion of the Earned Income Tax Credit in 1993 that delivered a raise to 15 million hard working families.

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TRADE AND THE ENVIRONMENT UNDER PRESIDENT CLINTON

President Clinton is committed to ensuring that trade expansion and increased international competition contribute to environmental protection at home and abroad. The President negotiated the first trade agreement to include explicit environmental provisions and fought to ensure that NAFTA 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 a permanent forum to address the link between trade and the environment in the World Trade Organization (WTO).

The Charge: THE NAFTA ENVIRONMENTAL AGREEMENT HAS NO TEETH BECAUSE IT IS NOT A CORE PART OF NAFTA AND IT HAS NOT RESULTED IN A SINGLE ENFORCEMENT ACTION. NAFTA HAS FAILED TO ADDRESS BORDER ENVIRONMENTAL PROBLEMS.

The Facts: 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 subjects member governments to public and international scrutiny for alleged violations of environmental laws; it can also lead to economic sanctions. The NAFTA Commission for Environmental Cooperation (CEC) has pursued the resolution of all of the submissions it has received alleging nonenforcement of environmental laws. Under NAFTA, Mexico's enforcement of its environmental laws has improved and there has been an unprecedented amount of environmental cooperation between the United States and Mexico.
 - **Banning Pesticides.** 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.
 - **Improved Mexican Enforcement.** Mexico has increased the number of environmental enforcement actions from roughly 3100 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.

The Charge: THE PRESIDENT HAS FAILED TO DELIVER ON HIS PLEDGE TO LINK ENVIRONMENTAL STANDARDS TO TRADE AGREEMENTS.

The Facts: PRESIDENT CLINTON HAS DONE MORE TO ADVANCE ENVIRONMENTAL PROTECTIONS IN INTERNATIONAL TRADE FORA THAN ANY OTHER PRESIDENT.

- **Advancing Environmental Protections in the WTO:** The Administration fought for and won 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.

NORTH AMERICAN AGREEMENT ON ENVIRONMENTAL COOPERATION: A PRIMER

HISTORICAL UNDERTAKING: The North American Agreement on Environmental Cooperation (NAAEC) is the first environmental agreement specifically associated with a trade agreement. It is designed to ensure that expanded trade contributes to strong environmental protection in North America.

SCOPE: Any environmental or natural resource issue may be addressed through a work program under the Agreement, and any environmental concern or obligation of the agreement may be the subject of consultations between parties.

ENVIRONMENTAL OBLIGATIONS: The NAAEC requires NAFTA partners to undertake specific obligations regarding the development, implementation, and enforcement of their environmental laws:

- Guarantee citizens access to national courts to petition governments to undertake enforcement actions and to seek redress of harm.
- Ensure the openness of judicial and administrative proceedings and transparent procedures for the creation of environmental laws and regulations.
- Pledge that national laws and standards will continue to provide high levels of environmental protection and to work cooperatively in enhancing protections.
- Effectively enforce national environmental laws and submit this commitment to a dispute settlement process.
- Commit to report on the state of the domestic environment and to promote environmental education, scientific research, and technological development.
- Work toward limiting trade in toxic substances that they have banned domestically.

The Agreement does not affect the rights of states and provinces under the NAFTA to maintain standards at levels higher than the Federal Governments.

COOPERATION AGENDA: A major goal of the Agreement is to broaden cooperative activities among the NAFTA partners designed to:

- Consider the environmental implications of process and production methods.
- Promote greater public access to information about hazardous substances (“community right-to-know”).
- Consider ways to promote the assessment and mitigation of transboundary environmental

problems.

INDEPENDENT ORGANIZATION: The Agreement is administered by the Commission on Environmental Cooperation (CEC), which was created specifically for that purpose.

- The top environmental official in each country (the EPA Administrator for the United States) comprises the Commission's Council.
- The heart of the Commission is the Secretariat. The Executive Director of the Secretariat takes broad direction from the Council, but maintain a high degree of independence.
- A Joint Advisory Committee made up of nongovernmental organizations from all three countries advises the Council in its deliberations.
- The Commission will serve as a point of enquiry for public concerns about NAFTA's effect on the environment, and be an avenue for NAFTA dispute settlement panels to obtain environmental expertise when faced with environmental issues.

OVERSIGHT OF NATIONAL ENFORCEMENT: Transparency is the hallmark of the agreement. Citizens of member countries are entitled to make submissions related to the full range of environmental issues.

- The Commission's Secretariat must act on submissions appropriately to develop fact-finding reports. The reports must be made public if any two of the three NAFTA countries concur.
- The agreement creates a consultative process for the Council to discuss issues, including those brought to light through the public submission process and the Secretariat's fact-finding activities.
- In the event that one Party considers that another Party has persistently failed to effectively enforce its environmental laws (affecting a sector involving traded goods or services), the matter may be referred to a dispute settlement panel when consultations fail to resolve the matter.
- The dispute settlement process provides for sanctions in the form of monetary compensation or withdrawal of trade privileges if members fail to correct problems of nonenforcement.

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NAFTA ENVIRONMENTAL AGREEMENT: THE FACTS

NAFTA is the first trade agreement to include mechanisms to address the unique environmental problems that have long challenged communities along the 2000-mile shared border with Mexico. The North American Agreement on Environmental Cooperation (NAAEC) has led to unprecedented regional environmental cooperation and improved enforcement of Mexico's environmental laws.

CLAIM: IMPLEMENTATION OF NAFTA'S ENVIRONMENTAL OPERATIONS HAS BEEN FLAWED, AND PROMISED IMPROVEMENTS TO THE HEALTH AND SAFETY OF WORKING FAMILIES ALONG THE BORDER HAVE NOT MATERIALIZED.

The Facts: NAFTA's environmental activities, combined with extensive U.S.-Mexico environmental cooperation, are making concrete progress. For instance, we can already point to a border community in Texas that has indoor plumbing and clean drinking water for the first time.

- **NAFTA's environmental institutions are addressing critical environmental infrastructure needs.** To date, 16 projects have been certified with a combined cost of nearly \$230 million, and construction has already begun on seven projects. Over time, the North American Development Bank (NADBank) will be able to leverage its capital into \$2 to \$3 billion in lending.
- **30 Environmental Projects Along the Border.** 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.
- **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.
- **The United States and Mexico have launched a Border XXI program establishing five-year objectives for achieving a clean border environment and a blueprint for meeting them.** U.S. and Mexican officials are now working 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.

CLAIM: THE ENVIRONMENTAL SIDE AGREEMENT HAS NO TEETH BECAUSE IT IS NOT A CORE PART OF THE NAFTA. THE SUBMISSION PROCESS HAS BEEN A FAILURE: OF THE TEN COMPLAINTS FILED, NOT A SINGLE ONE HAS LED TO ENFORCEMENT ORDERS OR ECONOMIC SANCTIONS.

The Facts: The NAFTA process for citizen submissions on environmental enforcement is working: the NAFTA Commission for Environmental Cooperation (CEC) has evaluated all of the submissions and pursued their resolution in accordance with the NAAEC. Under NAFTA, Mexico's enforcement of its environmental laws has improved and there has been an unprecedented amount of environmental cooperation between the United States and Mexico.

- **NAFTA is improving our ability to address common environmental problems by requiring member governments to set annual priorities and channel resources through the CEC to tackle them.** The CEC has strengthened trilateral cooperation on a broad range of environmental issues, including illegal trade in hazardous wastes, endangered wildlife, and the elimination of certain toxic chemicals and pesticides.
- **Banning Pesticides.** 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.
- **Mexico's enforcement of its environmental laws has also improved under NAFTA.** Mexico has increased the number of environmental enforcement actions from roughly 3100 in 1991 to between 12,000 and 13,000 annually since NAFTA was signed.
 - Mexico reports a 72 percent reduction in serious environmental violations in the maquiladora industry and a 43 percent increase in the number of maquiladora facilities in complete compliance.
 - Mexico has established a voluntary environmental auditing program, which has completed audits of 617 facilities to date. 404 facilities have signed environmental compliance Action Plans representing more than \$800 million in environmental investments in Mexico.

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FAST TRACK AND AGRICULTURE**Trade Agreements and Food Safety**

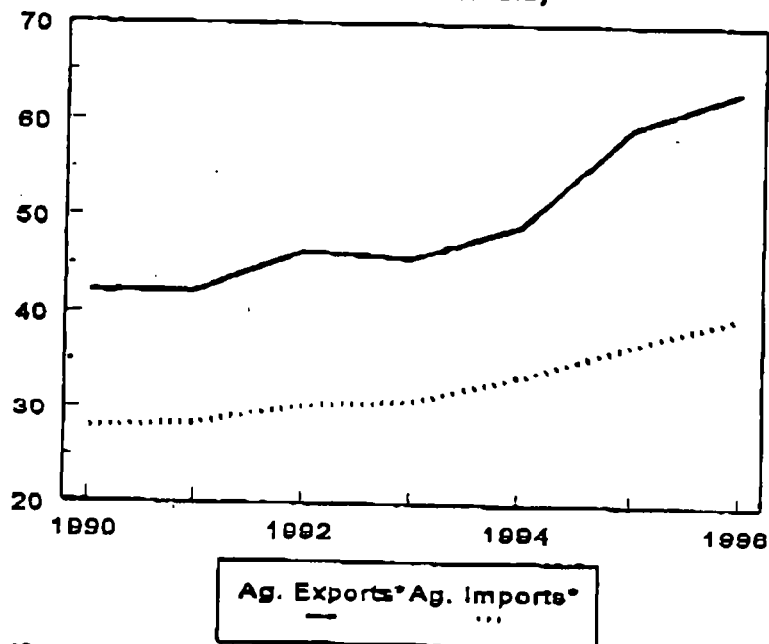
The United States has the world's highest safety standards and is the undisputed leader internationally in assuring its consumers of a safe, diversified and abundant food supply. Trade agreements such as the NAFTA and Uruguay Round Agreement did not strip U.S. regulatory bodies of their authority to protect U.S. consumers. Imports may only gain access to the U.S. market if the exporting country as a whole or specified individual products demonstrate equivalent high standards for public health, as well as animal and plant health.

Our regulatory agencies have a strong track record in assuring that imported foods are held to the same high food safety standards applied to domestic product. In negotiating both the NAFTA and the Uruguay Round Agreements, the United States made certain that provisions were included to guarantee the our sovereign right to protect human, animal and plant health. These same provisions can and will be included in any future trade agreements.

WHY TRADE MATTERS

Globalization of production and increased trade is a fact in both food and non-food sectors. Agriculture is one of the few U.S. industries that consistently shows a trade surplus, and has done so since 1960. Modern technology is enabling even greater latitude for trade in agricultural products due to better product preparation and handling and more efficient, affordable transportation. As a result, U.S. strength in the agricultural sector supports over 1 million jobs. Furthermore, agricultural imports augment consumer choice and make it possible for Americans to include healthy fruits and vegetables in their diets throughout the year.

U.S. Agricultural Exports Outpace Imports
(Billions of dollars)



*Does not include forest products
Source: USDA/FAS/ITP/FSTG

THE FACTS

- The United States regulatory network assures U.S. consumers of a safe food supply through a systems approach involving pre-market approval of products, implementation of Hazard Analysis and Critical Control Point principles, and statistical-based sampling and inspection programs for both domestically produced and imported product.
- Food safety standards that apply to domestically produced foods also apply to imported foods. For example, the U.S. standards, or "tolerances," for permissible levels of pesticide residues in domestic foods also apply to imported foods.
- The President's Food Safety Initiative announced earlier this year includes many activities to strengthen the programs already in place to help ensure the safety of both domestic and imported foods.
- As announced last summer by President Clinton, surveillance and sentinel site activities designed to detect foodborne illness at its earliest stages are being enhanced as part of the Administration's Food Safety Initiative.
- The further development of an early warning system by Federal, State and local governments to help provide earlier detection of foodborne illness will allow the U.S. regulatory network to respond more effectively to identify and contain future incidents, whether they involve domestic or imported food products.

ENSURING FOOD SAFETY: HOW IT IS ACHIEVED

The U.S. applies a **broad system-based approach** to ensure that the highest standards of human, animal and plant health are achieved. Safety means assuring that U.S. farmers and ranchers are protected from the threat of debilitating animal and plant diseases and pests so that abundant supplies of safe raw agricultural goods can be provided to domestic industries. It also means assuring that the final retail products are safe via a system that includes -- (1) pre-market assessment and approval, (2) production monitoring and adoption of HACCP systems, and (3) statistical sampling and inspection of raw and processed food products.

- **Pre-Market Approval and Assessment:** The most effective way to avoid introducing unsafe food products into the domestic market is to evaluate the potential for risk and prohibit the entry into the U.S. of those products which present a significant risk to human, animal or plant health. Several U.S. regulatory agencies play a role in monitoring every link in the food chain, including the movement of diseased plants and animals; the use of feed supplements and pesticides; and the safety of food additives and packaging. U.S. agricultural production capacity is further safeguarded by the use of programs to ensure that genetic materials (foundation seed, male animal health, semen and embryos) do not pass along harmful diseases or pests.

Imported products face the same scrutiny as domestic products. U.S. authorities review an export country's regulatory and production infrastructure to determine its ability to meet U.S.

standards. Depending on such reviews, U.S. authorities may then disqualify a country completely, approve only selected production facilities, or require specific products to be subjected to strict sampling protocols (100% sampling rates) to assure that the imported product is safe.

- **Production Monitoring and Auxiliary Measures:** If a product is allowed to enter the U.S. market, numerous checks are established to ensure compliance with the overall food and agricultural production safety objectives. For example, with respect to pesticides, veterinary drugs, feed and food additives, safeguards are in place to ensure only limited uses within specified tolerances. Crop protection pesticides and fungicides may only be used on specific crops during precise growth stages. Animal health drug use must observe not only dosage but also abstention requirements sufficiently prior to slaughter.

Safety rules also apply to material, equipment and processes utilized in gathering, storing and processing agricultural food and fiber products. Traditionally, methods in the food sector relied on basic hygiene principles and time-honored processing advancements, such as cooking times and temperatures, low-acid canning methods or vacuum packing. The implementation of Hazard Analysis Critical Control Point (HACCP) systems will significantly increase food safety guarantees.

- **Statistical Sampling and Inspection:**

FDA, FSIS, and APHIS each maintain a comprehensive import inspection system which involves the tracking and monitoring of each trading partner's compliance history. One-hundred percent of imports are subject to reviews prior to entry into the country. The screening determines if the product, manufacturer, shipper and country of origin have consistently met U.S. standards. The assistance of tracking systems allows sampling and reinspection to be targeted at products which pose a significant risk. In order to ensure U.S. food safety is protected as imports continue to grow, FDA and USDA have devoted increased resources for inspection.

TRADE AGREEMENTS FOSTER TRANSPARENCY AND PROMOTE HIGHER FOOD SAFETY STANDARDS INTERNATIONALLY

United States representatives hold leadership positions in every major international organization charged with ensuring the safety of food produced and consumed around the world and they use these leadership positions to promote the adoption of international food safety measures that maintain high levels of protection for human, animal and plant health.

- The United States is an active participant in the Sanitary and Phytosanitary Committee of the World Trade Organization (WTO), which addresses a variety of food safety issues. U.S. participation ensures that our food standards are promoted and not compromised in the interest of facilitating trade.
- The United States is active in all committees of the Codex Alimentarius Commission (CAC), the international food standard-setting forum established in 1962, under the auspices of the World Health Organization (WHO). U.S. involvement in CAC activities ensures that our

views on critical food safety issues will be reflected in the development of all international food standards. The U.S. currently holds the chairmanships of both the CAC committees on Food Hygiene and Residues of Veterinary Drugs in Foods. The Food Hygiene Committee is now developing strong new food safety guidelines based on systems of preventive measures, including our own HACCP system.

- In addition, U.S. food safety officials frequently meet with their foreign counterparts to evaluate and discuss emerging food safety issues. These bilateral meetings, which often occur independent of any specific trade agreement or commission, are effective in developing programs to control microbiological contaminants in food.

STRONGER COUNTRY OF ORIGIN FOOD LABELING CAN NOT GUARANTEE SAFE FOOD SUPPLIES

Federal, state and local governments cooperate together to ensure that all food offered to U.S. consumers is wholesome and safe, and that consumers are fairly and adequately informed about the product. Product labeling is a critical link for assuring individual consumer safety, particularly for reasons of allergenicity or other dietary concerns.

Contrary to the opinion of those who support it, country of origin labeling does not address the issue of food safety. If a food product is not safe, it should be prohibited from entering this country. Country of origin labels will not help consumers determine on their own if a product is safe.

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The Benefits of Trade with Low-Wage Countries
Remarks as Delivered by Lawrence H. Summers Deputy Secretary of the Treasury,
Economic Strategy Institute, Washington, DC
April 16, 1997

I am glad to be here this evening to speak at the Economic Strategy Institute's annual conference. I think this group has done a great deal to promote important rational economic discourse of crucial issues that are very important to the future of our country. Clyde Prestowitz was one of the earliest commentators to recognize the overwhelmingly importance of what was happening in Asia in the 1980s and that region's incredible dynamism.

Tonight, I want to address what I think is the critical issue of economic strategy for the United States and for the other industrialized countries in the years ahead: Is it in our interest to promote as active integration as possible with the developing economies of this world, or is that something that we should seek to resist?

I don't think there will be any other debate in this decade as important for the future of security and the future economic well being of our country. If anybody has any doubt as to my view on this question, let me state my answer: I believe that it is overwhelmingly in the economic interest of the United States to promote the integration of the global economy and to broaden the economy to more fully include the developing countries consistent with the principle of open-market democracy.

Let me further develop this argument. First, the idea that economic dislocations in the United States, as serious as they are, are substantially due to international trade is wrong. Second, international trade agreements have accounted for only a very small fraction of whatever consequences globalization has had and its impact, on the whole, has been favorable for American workers. Third, future trade agreements for the United States have enormous potential to improve and increase our economic well being and our competitiveness. And fourth, beyond the issue of our prosperity it is enormously to our strategic advantage to promote open markets around the world.

RR-1630

The Role of Trade in Our Economy

What has been the role of trade on our economy? At one level, we have seen profound changes towards globalization. The share of international trade in our economy is four times as high today as it was two generations ago. Imports and exports together represent nearly 30 percent of our GDP. In a different sense, I would suggest to you that to blame unemployment or to blame wage differentials primarily on international trade is something that is not supported by the evidence. Over the last decade, the share of America's GDP accounted for by imports from low-wage countries has increased by only one and a half percent. Over the last 30 years, that increase is only about three percent.

How does this structural change compare with other structural changes in our economy? Over the last 30 years, the share of national defense has fallen by more than four and a half percent. Over the last 30

years, the share of health care has risen by nearly eight percent. Over the last 15 years, the increase as a share of the economy of the health care sector is twice as four times as large as the change due to the increase in imports from low wage countries.

Those are some indicators of structural changes. But one can look at others such as the relative size of services and manufacturing in our economy. One can also look at the fraction of women who are working or the expansion of the information technology center of our economy.

The fact is that important as less-developed countries are strategically and as markets for the United States in the future, the pressures they have brought on U.S. workers is minimal as evidenced by the fact that the total is less than four percent of GDP at present and the increase over the last 15 years has only been about one and a half percent. yes

Now, what about that one and a half percent? How large an impact could it possibly have? Here I think it is important to recognize another feature of our economy that is not recognized in many discussions of globalization. It is still true and will be true for the foreseeable future that the substantial majority of American workers are engaged in the production of non-tradeable goods: producing houses for America, cutting people's hair, serving meals in restaurants, taking care of people when they are ill, providing them with higher education, doing their wills, selling them clothing: the list goes on and on.

Two-thirds of American workers work in sectors that produce non-tradeable goods and services. I recently saw a study of the economy of the Philadelphia SMSA. It said from the point of view of the Philadelphia SMSA, "More than half the people who worked there were engaged in production of goods and services that did not cross outside the border of the Philadelphia SMSA." These goods and services did not trade with the rest of Pennsylvania, let alone the rest of the world.

Why is this fact so profoundly important? It means that the basic idea that there won't be any work for American workers because of international trade is not plausible. The vast majority of what needs to be done will need to be done regardless of what happens with international trade. Of course it is true, obviously, as a basic proposition of international economics, that trade and imports could exert forces leading to convergence. And careful studies of rising wage inequality have been done by quite a number of economists who have looked at the change in equality, which is very profound, and have asked how much of that change is a result of international trade.

I think it's a fair reading of those studies that the evidence shows that the amount that is due to increases in trade of rising inequality is on the order of 10 percent or perhaps 20 percent of the total. That does not mean it is not a serious issue. It's an issue that we have to address in a whole set of ways, primarily through education. It is just not plausible to suppose that the largest part of the increase in inequality is the result of changes in international trade.

One easy way to see this is to ask the question: what has happened to the quality of skills in less-developed countries? As the classic international trade theory suggests, what happened was that less-skilled workers in developing countries were exporting their products to the developing world and more skilled workers of America were exporting their skills to developing countries. One would expect this convergence in both directions. One would expect a pressure on the wages of less-skilled workers here, and one would expect pressure on the wages of more-skilled people in developing countries as American products reflecting skill were exported to their countries.

That is not what has happened. Instead what has happened is that, worldwide, there has been an increase in the return on skill and an increase in the return on education suggesting what I think most observers have recognized: That it is really the profound changes of technology and the rise of information technology that have permitted the greater leverage of skills. This development is far more responsible for changes in the wage structure in this country than is international trade.

Expanding Trade and the US Trade Regime

The second crucial point, which I think is also very important in assessing what the impact of trade on the wage structure has been in the U.S. is this: If you think about the increases in trade that have taken

place, it is certainly true that imports from less-developed countries have increased very substantially even though as I've suggested, it still represents a relatively small share of our economy.

The crucial policy question to be asked is: How much of that increase is a reflection of trade agreements that the United States has negotiated, and how much of it is a reflection of improved transportation, improved communication, and improved economic capacity on the part of many developing countries?

Here I think, the answer should be clear to any thoughtful observer. The vast majority of any increase in imports that we have seen is not the result of trade agreements. We had very few trade barriers against less-developed countries fifteen years ago, on the order of five to 15 percent.

In fact, the increase of trade is largely the result of reduced transportation costs. And it is the result of the growing capacity of other countries to produce competitive goods and services.

If we had not had the Uruguay Rounds, if we had not had NAFTA, if we had simply maintained the trade regime that the United States had in place in 1980 over the last 17 years, I would suggest to you that we would still have seen a large increase in imports. Those imports reflect the capacity of other countries to produce goods and services, capacity that has increased sharply. This is not to minimize in any way what I think is our most important national economic problem which is to raise the real wages of average and below-average Americans and create conditions in which they can once again look forward to rapid increases in wages of the kind that were enjoyed a generation or two ago. I would suggest to you that the idea that the trade agreements that we have reached are responsible for the pressure on those real wages is not a case that has been established. If that case has not been established, then neither is the argument that these agreements are not in our economic interest.

Even less plausible is the case sometimes made that extra imports place burdens on low-wage workers. The case that imports have increased unemployment, or reduced total employment creation in the United States is a very difficult case to make at a time when the unemployment rate is lower than it has been in a very long time and a time when job creation has proceeded more rapidly over the last four and a half years than at any time in our history with the exception of the period following one of our most serious recessions.

The Case for Trade Agreements

I think the question that has to be asked is what are the best methods of promoting trade? And the answer to that question is very profound. Think about this: the United States has only about four percent of the world's population. Ninety-six percent of the world's consumers live elsewhere. All of the world's population growth over the next 25 years will take place in developing countries. Developing countries not only have more rapidly growing population and labor forces; developing countries also will have much more rapid productivity growth which means much more rapid income growth which means that they are much larger and faster growing markets.

The best opportunity we have to tap these markets is through entering into market opening measures that insure that American firms have fair access to these markets. After all, these are where the great commercial opportunities of the future lie. We in the United States do not currently have major barriers to imports. Trade agreements like NAFTA, like the Uruguay Round and like any potential future trade agreements that we are able to negotiate are not just good economics, they are good marketing as well.

In any such agreements, trade barriers in other countries will come down by far more than trade barriers in the United States. In the case of NAFTA for example, Mexican tariffs came down by four times as much as American tariffs. In addition, many trade agreements address issues like intellectual property or investment protection that stipulate nontariff improvements in the trading regime that we are not required to make because we already have a totally liberal regime.

None of this is to say that the only route to liberalization is through trade agreements. In many cases, laws already exist. What is required is better enforcement of trade agreements already in place. Where trade agreements are violated, the United States is and will be prepared to respond sharply. Where trade agreements are not in place but where nations behave in a way that is inconsistent with fairness, the

United States too must be prepared to respond as the Economic Strategy Institute has pointed out over the years.

Let us not forget that the best prospect we have for promoting exports which are a principle engine for economic growth is by increasing our access to foreign markets. Trade agreements enable us to do that.

Opening markets abroad is very important for American workers because study after study after study has found that if you compare jobs in sectors where exports are produced with jobs in sectors that compete with imports or with jobs on average in the whole economy, the jobs in the export sectors pay higher wages, carry better fringe benefits, and are more secure.

Some might argue that this just proves the argument I was trying to refute before, namely that it is America's elite who are involved in exports while it is others who must compete with imports. In fact, careful studies have examined, for a worker with a given set of characteristics--for a worker who is a high school graduate--who is a high school dropout--who has two years of college--or who has seven years experience--how do wages in export industries compare with wages in import competing sectors? Again, the answer is the same. Workers in export sectors are paid better, have more secure jobs, and get better fringe benefits than workers in other sectors of the economy.

By promoting more trade and by promoting more exports, even if that means more imports, we are creating better jobs in America and giving American workers a better chance. That is ultimately the economic case for trade agreements.

But there is another case for an outward looking and ambitious American agenda. It involves a debate that I have often discussed and that soon may become yesterday's debate. It is the debate about whether economic integration is a good thing or a bad thing. That may not be the question we face. The question we face may be whether America should be part of the economic integration that will inevitably occur or whether economic integration should take place without America?

Should Latin American trade agreements be with the United States or should Latin America trade agreements be with Europe? Should the United States be a participant in trade arrangements in Asia, or should those trade arrangements have Japan at the hub?

I would suggest to you that the answer to that question is very clear. It is enormously in our national interest to take advantage of the fact that we sit at the hub of the global system with denser trade relations with Europe, denser trade relations with Latin America, and denser trade relations with Asia than any of those regions have with one another. That is a priceless strategic asset. And it is one we must not squander.

Trade and National Security

There is a final case for more trade that I think is perhaps the most important case of all. It relates to America's role in the world at this point in history. I would suggest to you that the challenge facing the United States is this: We must become the first continental, outward looking, nonimperialist power in the history of the world. There have been continental powers before. Some like Russia were outward looking but also imperialist; others like China have been neither outward looking nor imperial; but there has never been a power that was outward looking and that was concerned with stability but that was not imperialistic.

Yet, if the United States is going to achieve its goals of maintaining stability in a world that is very rapidly changing, that is what we must achieve. History teaches us what the cost of failure can be. There is the often told story of depression following the inward turn of the 1920s and following that depression, a world war. A history that less often told is that of European protection against German products before the First World War and American and European protection against Japanese products before the Second World War. In a world of rapidly rising economic powers, a strategy of protectionism is an enormously dangerous strategy and one that I believe we must not pursue.

Our strategic interest since lies in making ourselves a force for interaction among the nations of Latin

America. So we must work to complete the goal of free trade in the Americas. If the United States is not going to be the force that leads the world towards more open markets and towards more integration, I don't see where that force is going to be coming from. I think the lesson of history is very clear: when the protection of trade barriers starts to go up, other consequences follow afterwards that are far worse than the loss of some jobs.

That's why I think the most important strategic debate that we are going to have in this country over the next few years is going to be what our attitude should be toward the developing world. The question is whether our view will be that they should be walled off, wished away, or whether they will be seen as a profound source for an opportunity for American producers. In my view the answer is clear. The question of how to view the developing world is a profoundly important one where America can assert leadership and can show the way.

Conclusion

Now at a time when our ideas about market capitalism, democracy, openness, and the free flow of information are sweeping the globe, the United States should consolidate that victory through active support for liberalizing world markets. That, then, is really what the trade debate in the next few years is all about. Should we look outward or inward, should we be inclusive or exclusive, should we be leaders or followers. We have to make a choice.

The President said in his State of the Union address that we no longer had an enemy in the form of Communism. So he asked what was the enemy of our time. His answer was that the enemy of our time is inaction. That's true with respect to many of our problems at home and that is true with respect to our principle mission following the end of the Cold War which is the promotion of global economic integration. Thank you very much.

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