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Folder Title:
Fast Track [1]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. form	DOL Requisition Form; RE: Personally Identifiable Information [partial] (1 page)	00/00/0000	b(6)

COLLECTION:

Clinton Presidential Records
National Economic Council
Carl Haacke
OA/Box Number: 15350

FOLDER TITLE:

Fast Track [1]

2017-0401-F
db4715

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Briefs, materials
prepared for
secretary-designate
Hennen by ILAB.

U.S. Jobs Supported by Exports to Mexico and Canada

According to a November 1996 study by the U.S. Commerce Department, U.S. merchandise exports in 1994 supported about 6.8 million jobs in the United States, or, on average, about 14,200 jobs per billion dollars of U.S. goods exports for the given demand and production structure of the U.S. economy in that year. U.S. goods exports to Mexico supported 729,000 jobs in the United States in 1994, or, on average, 14,836 jobs per billion dollars of U.S. goods exports to Mexico. Similarly, U.S. goods exports to Canada supported 1,460,000 jobs in the United States in 1994, or an average of 14,135 jobs per billion dollars of goods exports to Canada. The slightly higher number of jobs supported per billion dollars of goods exports to Mexico over that to Canada reflects a slightly higher U.S. labor content in the mix of goods exported to Mexico relative to that exported to Canada.

The Office of the U.S. Trade Representative (USTR) has updated these estimates by adjusting the average figure of U.S. jobs supported by a billion dollars of U.S. goods exports in 1994 for changes in product composition of supply and demand, technology, and productivity. Based on these estimates, they find that U.S. goods exports to Mexico supported 641,000 jobs in the United States in 1995 (14,259 jobs/\$bil) and 749,000 jobs in 1996 (13,704 jobs/\$bil). Since 1993, there has been an increase of 122,000 jobs in the United States due to increased U.S. goods exports to Mexico. Likewise, U.S. goods exports to Canada supported 1,551,000 jobs in the United States in 1995 (13,583 jobs/bil\$) and 1,555,000 jobs in 1996 (13,053 jobs/bil\$). Since 1993, increases in U.S. goods exports to Canada have supported 189,000 additional jobs in the United States. Today, due to the substantial increases in U.S. goods exports to our two NAFTA partners, these exports now support 311,000 more jobs in the United States than they did in 1993.

The Commerce Department study does not provide an estimate of the number of jobs lost due to U.S. imports. This is a very difficult thing to estimate because, in contrast to the case for exports which support actual jobs, one has to assume a hypothetical situation of what would have happened if the U.S. did not import goods from abroad and make assumptions with regard to how imports substitute for domestically produced goods, among other things. Hence, it would be misleading and inaccurate to utilize the Commerce Department's methodology used to estimate the number of jobs supported by exports to estimate job displacement due to imports. The methodology is not designed to address import displacement since the variables are different.

U.S. merchandise exports are part of actual domestic production that support actual domestic jobs. In contrast, the effects of imports on domestic employment require a hypothetical or assumed scenario to evaluate their effects on domestic employment. For example, some have assumed that imports displace like or similar domestically produced products dollar for dollar, with other things held constant. But this may be an overstatement of the actual effect because—due to quality and other differences—the substitution of imported items for domestically produced items may not occur on a dollar-for-dollar basis. Further, there are problems of valuation since most comparisons of imports and domestic production are done on a value basis.

Other considerations and complications related to evaluating the effects of imports on domestic employment include:

- some imported items are not produced domestically (e.g., bananas) or are in short domestic supply;
- a substantial portion of U.S. imports consists of oil and petroleum products; replacing part of these imports with domestic production would be very expensive and likely have rippling price effects across the entire U.S. economy;
- many domestically produced products use imported inputs which are cheaper than those available domestically, allowing more competitive (and higher valued) production to take place in the United States; and
- if these items were not imported and instead were produced domestically, this would have dramatic effects on existing domestic factor and labor markets—especially at a time when the U.S. economy is operating at nearly full capacity and imports are supplementing strong domestic demand.

North American Free Trade Agreement Data



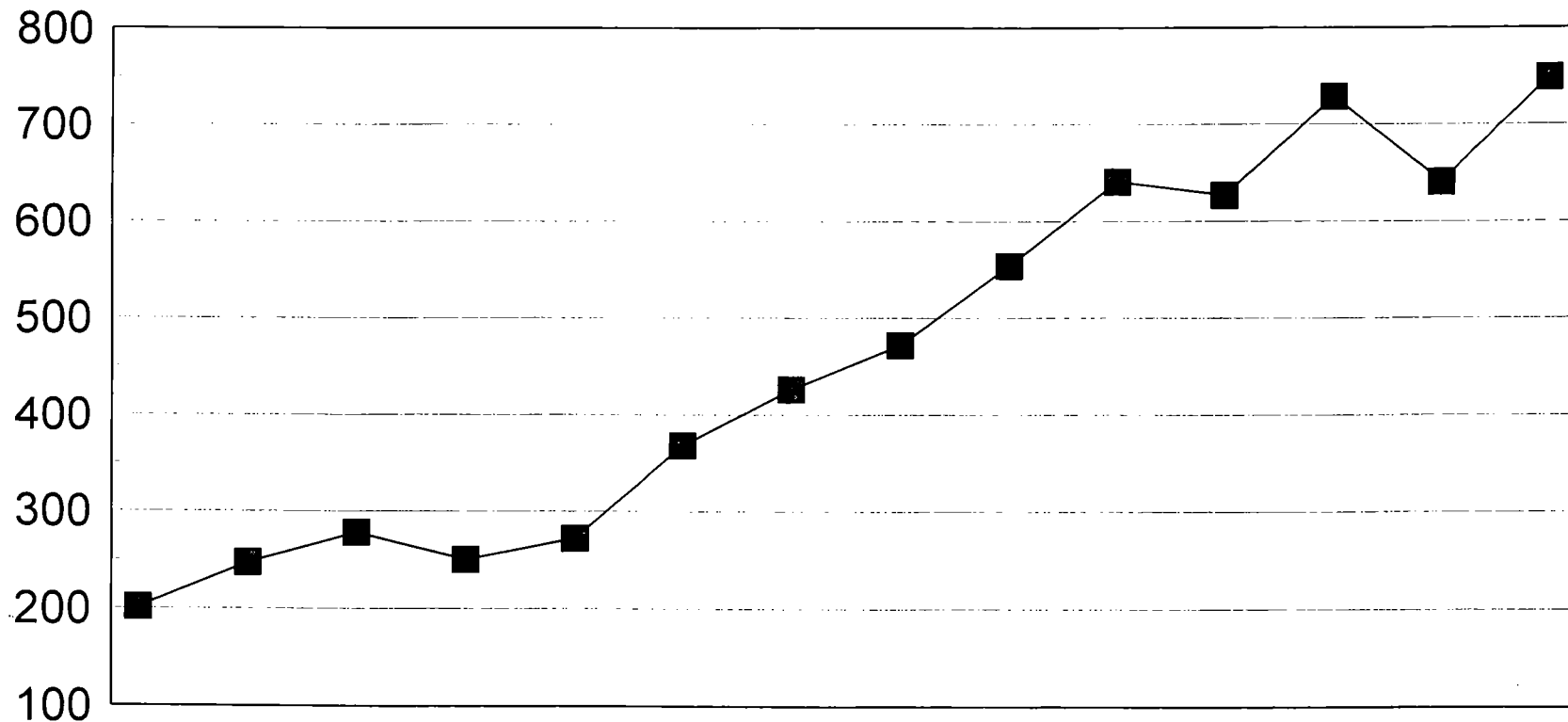
- I. Jobs Supported by Exports
- II. NAFTA-TAA Program Activity
- III. Trade Flows
- IV. Exchange Rate



U.S. Jobs Supported by Goods Exports to Mexico



(in thousands)

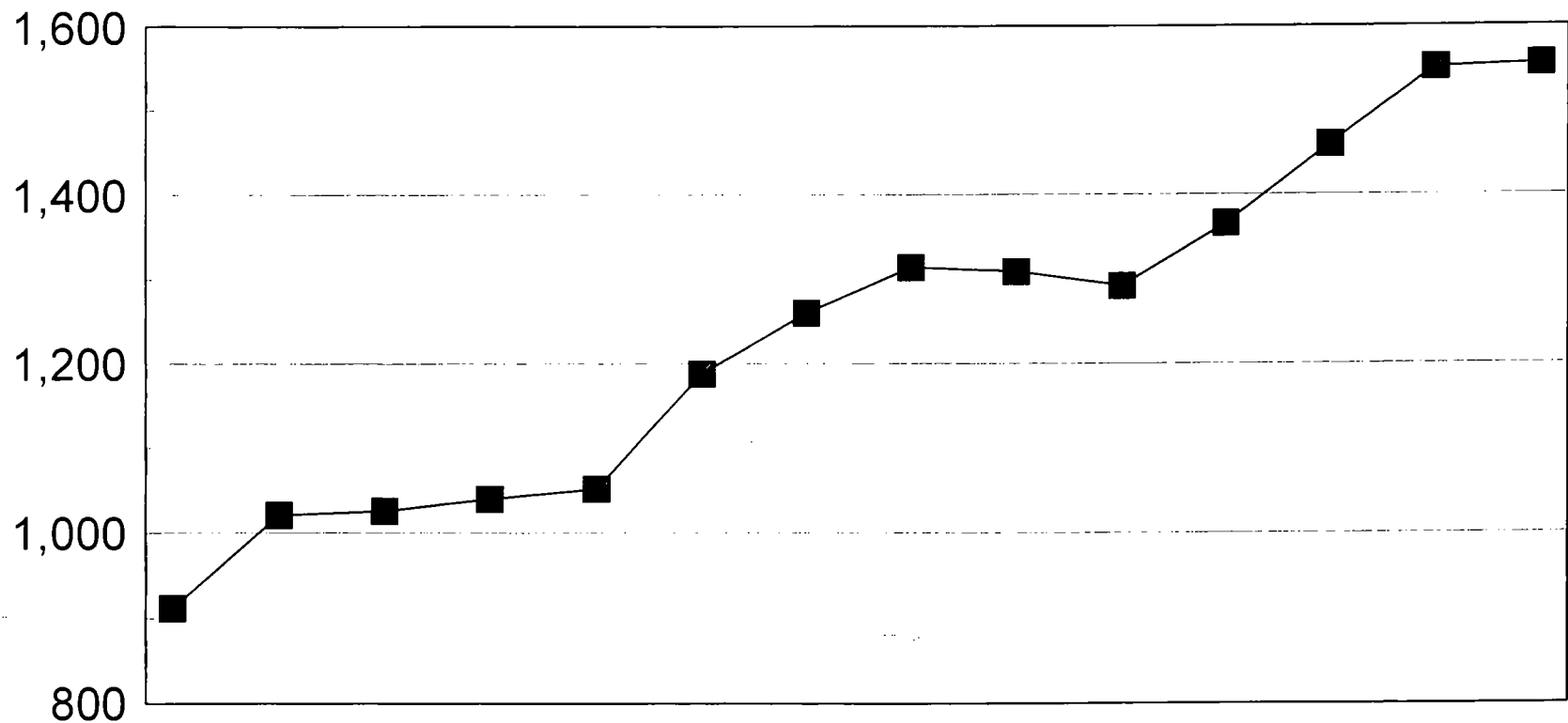


1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
201	247	278	250	272	368	426	472	554	641	627	729	641	749

U.S. Jobs Supported by Goods Exports to Canada



(in thousands)

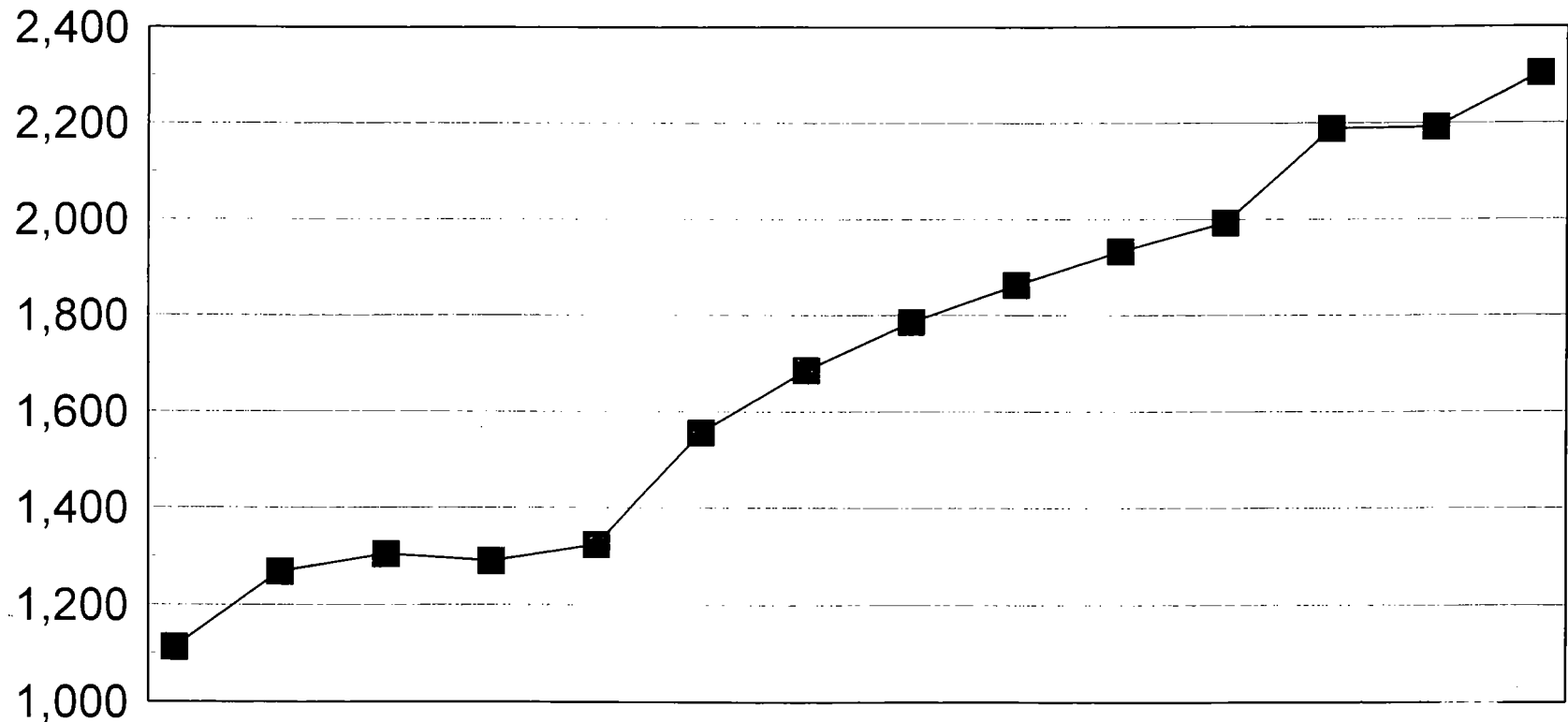


1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
912	1,021	1,026	1,040	1,052	1,188	1,260	1,314	1,309	1,292	1,366	1,460	1,551	1,555

U.S. Jobs Supported by Goods Exports to Our NAFTA Partners

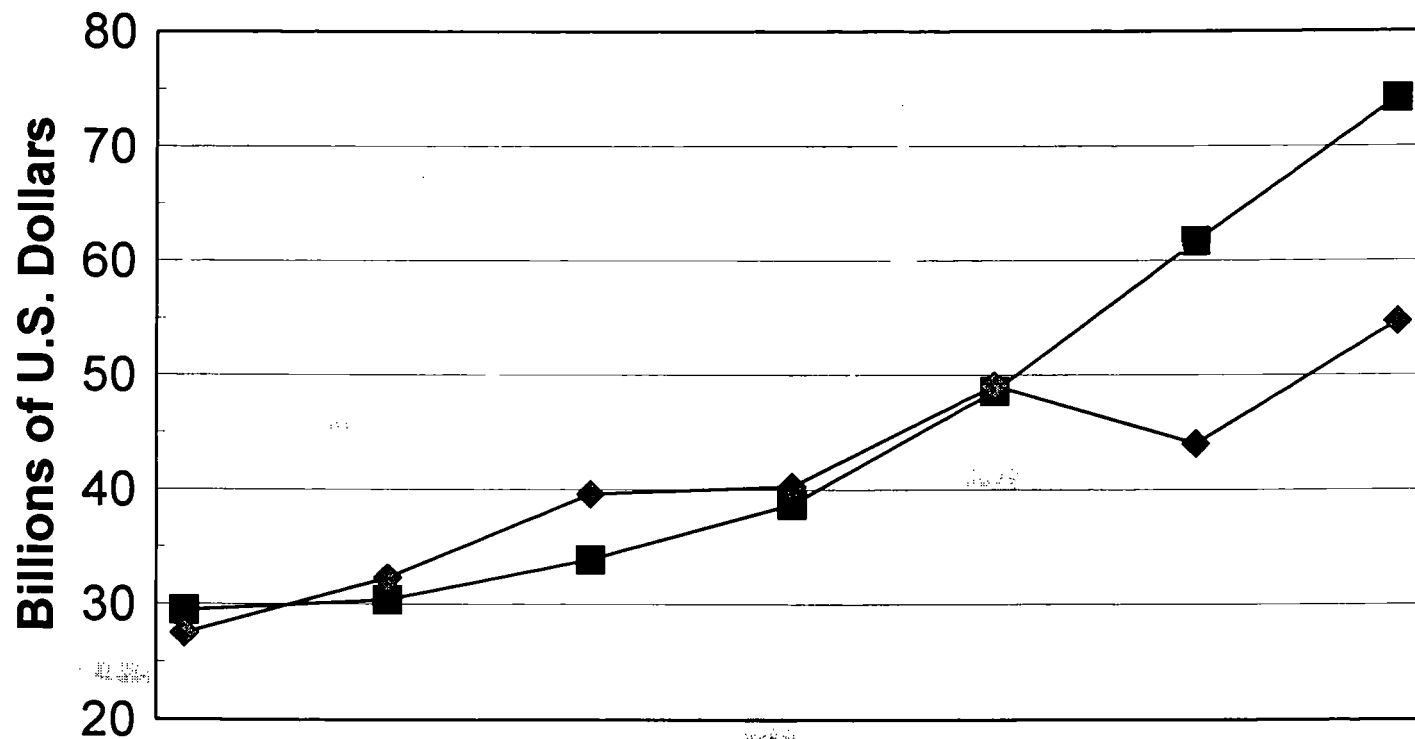


(in thousands)



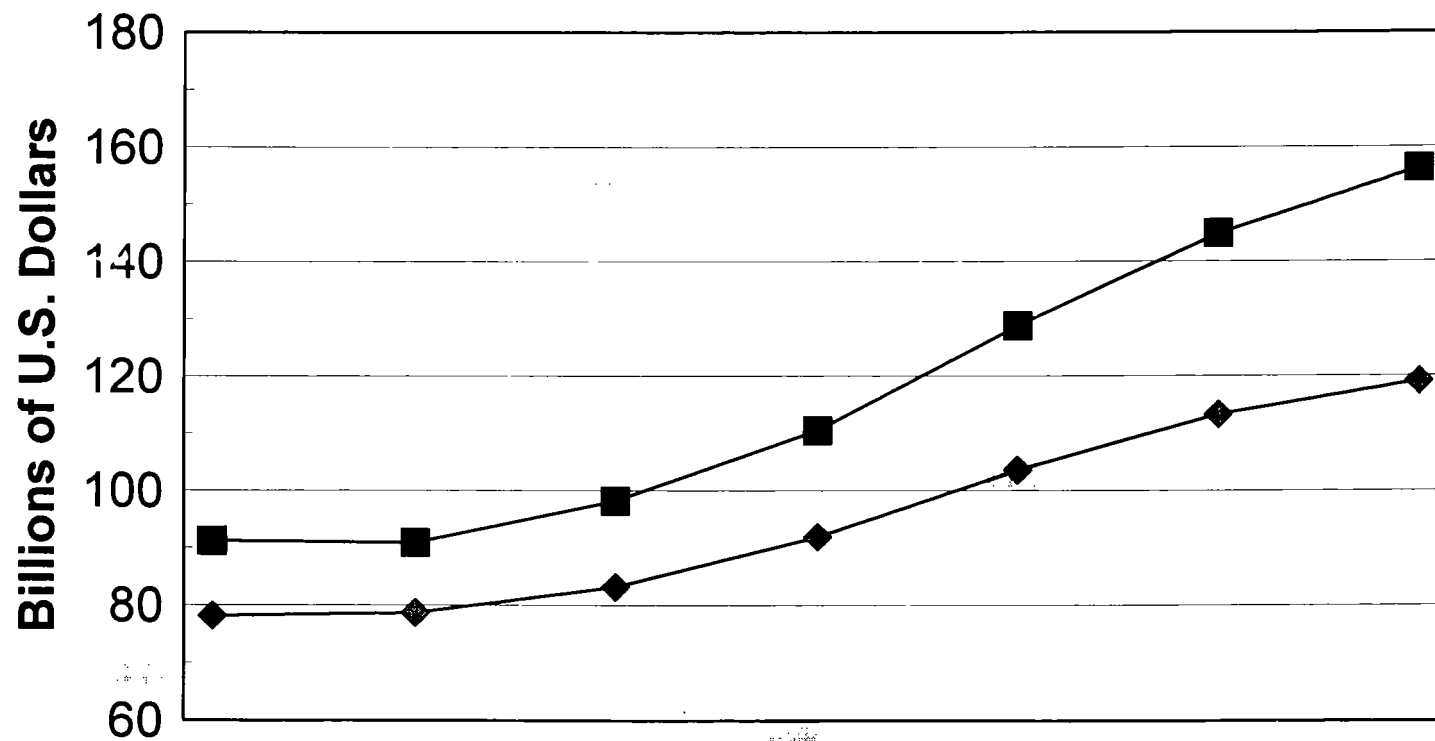
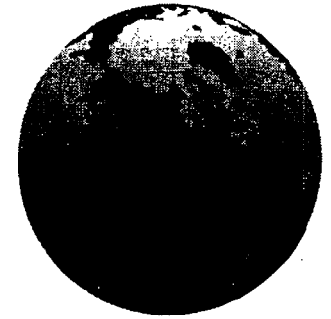
1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
1,113	1,268	1,304	1,290	1,324	1,556	1,686	1,786	1,863	1,933	1,993	2,189	2,192	2,304

U.S. - Mexico Goods Trade 1990-1996



	1990	1991	1992	1993	1994	1995	1996
Imports ■	29.5	30.4	33.9	38.7	48.6	61.7	74.2
Exports ◆	27.5	32.3	39.6	40.3	49.1	44.0	54.7

U.S. - Canada Goods Trade 1990-1996

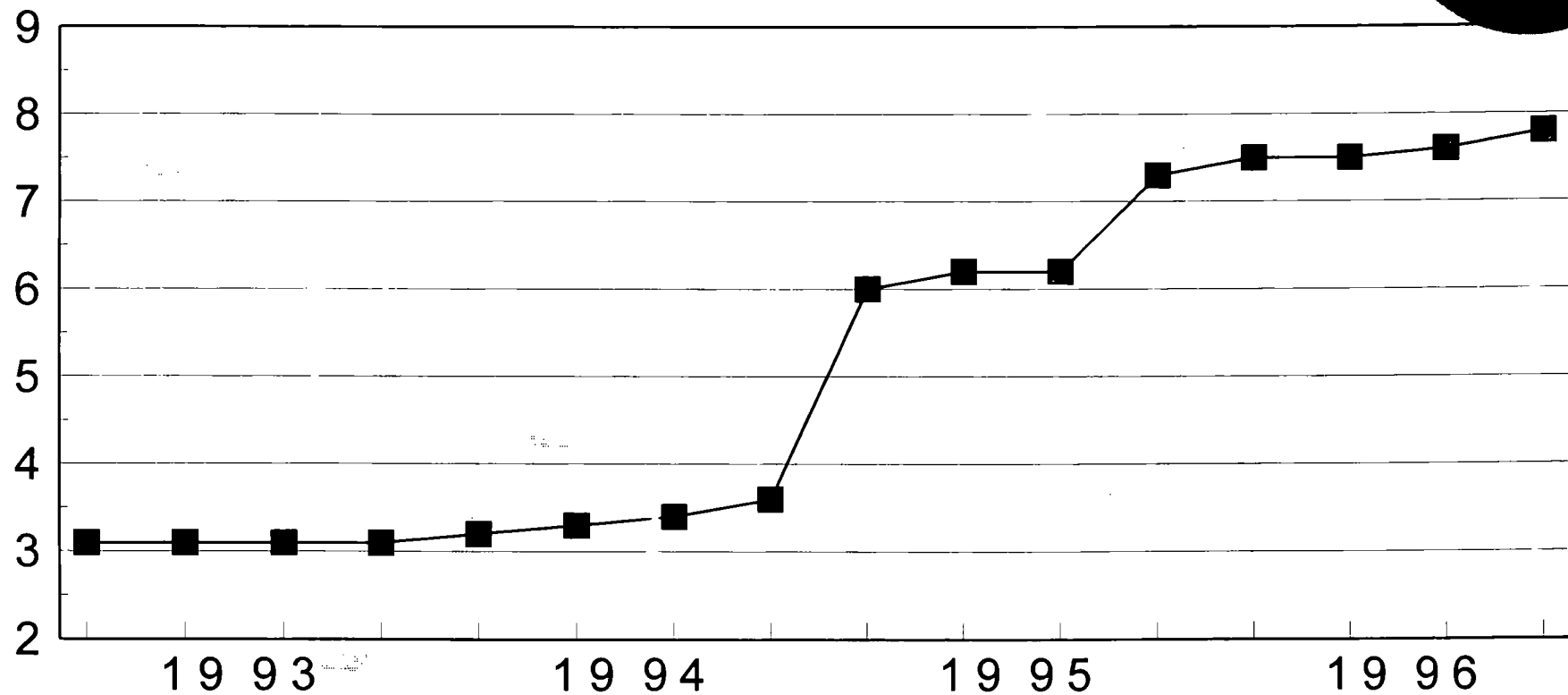
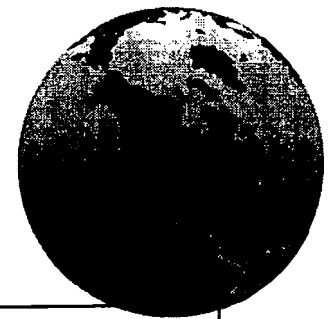


	1990	1991	1992	1993	1994	1995	1996
Imports ■	91.2	90.9	98.2	110.5	128.8	144.9	156.3
Exports ◆	78.2	78.7	83.2	91.9	103.6	113.3	119.1

Exchange Rate

U.S. Dollar - Mexican New Peso

1993-1996



Note: On Jan 1, 1993 the new peso (NP) equal to 1,000 pesos was introduced.

Source: IMF Financial Statistics, Series rf - period averages, market rates.

NP/US\$



Latest BLS

tabulations of

Export-sensitive industry

employment

**OVER-THE-MONTH EMPLOYMENT CHANGES FOR RELATED SERIES
SEASONALLY ADJUSTED
FEBRUARY 1997**

SERIES	Over-the-month change		Over-the-year change	
	number	percent	number	percent
All manufacturing	-2	0.0%	-48	-0.3%
Motor vehicles & equipment	-6	-0.6%	-4	-0.4%
Auto-related, manufacturing	0	-0.1%	-6	-2.1%
Auto-related, manufacturing & trade	10	0.7%	35	2.4%
Construction	109	2.0%	295	5.5%
Construction-related, manufacturing	18	1.1%	39	2.4%
Construction-related, all divisions	11	0.3%	150	4.0%
Defense-dependent, fifty percent	4	0.4%	20	2.4%
Defense-dependent, forty percent	7	0.7%	23	2.4%
Export-sensitive, all divisions (20%)	11	0.1%	107	1.2%
Export-sensitive, manufacturing (20%)	11	0.1%	31	0.4%
Export-sensitive, except defense (20%)	15	0.2%	86	1.1%

Employment in Export-Sensitive Industries (20 %)**Seasonally Adjusted, 1988-97**

(In Thousands)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1988	9196.2	9226.4	9245.4	9269.7	9269.7	9302.3	9330.2	9330.0	9348.2	9381.8	9413.4	9441.3
1989	9475.0	9488.3	9489.1	9490.8	9481.4	9456.3	9438.1	9453.1	9426.1	9414.8	9427.8	9422.2
1990	9299.0	9422.6	9406.8	9398.7	9390.2	9393.4	9371.4	9346.1	9329.9	9312.7	9216.4	9209.4
1991	9172.7	9073.5	9025.6	9011.9	9002.2	8963.8	8955.1	8947.3	8929.0	8900.7	8876.8	8831.5
1992	8776.8	8778.1	8761.6	8763.5	8754.3	8742.4	8723.3	8711.9	8691.9	8679.8	8676.0	8667.3
1993	8690.8	8672.0	8648.9	8633.1	8624.2	8615.0	8614.3	8599.2	8624.3	8623.8	8633.6	8649.5
1994	8677.8	8684.6	8704.6	8717.4	8735.0	8755.0	8772.5	8803.3	8834.5	8859.3	8888.3	8914.1
1995	8948.0	8968.3	8983.6	8999.1	8997.9	8998.8	8999.2	9016.7	9021.1	9012.6	9017.5	9067.3
1996	9069.6	9080.5	9082.8	9076.7	9090.4	9113.9	9099.2	9132.6	9116.7	9117.7	9132.0	9181.3
1997	9176.1 p	9187.5 p										

NOTE: This series includes all industries which had at least 20 percent of 1993 employment tied to exports (includes direct & indirect exports).

Employment in Export-Sensitive Industries, Manufacturing (20 %)**Seasonally Adjusted, 1988-97**

(In Thousands)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1988	7755.5	7776.9	7786.9	7799.8	7797.8	7826.1	7848.2	7844.1	7857.5	7892.0	7915.8	7933.5
1989	7960.8	7960.8	7955.3	7947.8	7934.9	7911.5	7880.3	7888.6	7861.5	7838.9	7843.0	7842.0
1990	7711.7	7828.8	7810.5	7795.4	7779.1	7775.7	7755.5	7725.5	7702.8	7685.6	7591.6	7580.2
1991	7546.6	7478.6	7442.6	7429.1	7422.5	7389.2	7379.1	7374.5	7359.1	7337.1	7311.3	7277.0
1992	7217.9	7219.3	7203.8	7201.1	7193.9	7182.6	7165.2	7150.1	7133.6	7118.7	7116.2	7108.1
1993	7127.0	7105.1	7087.0	7067.4	7056.2	7045.5	7043.7	7035.5	7049.8	7048.9	7056.5	7065.2
1994	7094.6	7098.4	7111.8	7123.8	7137.3	7157.7	7167.8	7200.3	7221.9	7240.7	7264.2	7282.9
1995	7309.2	7324.2	7333.1	7343.8	7342.0	7340.1	7342.2	7350.1	7347.1	7332.5	7326.6	7367.5
1996	7363.2	7366.0	7361.5	7354.3	7363.7	7363.2	7354.4	7373.9	7358.2	7356.4	7363.7	7396.1
1997	7385.9 p	7396.7 p										

NOTE: This series includes all manufacturing industries which had at least 20 percent of 1993 employment tied to exports (includes direct & indirect exports).

Employment in Export-Sensitive Industries, except Defense (20 %)**Seasonally Adjusted, 1988-97**

(In Thousands)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1988	7875.6	7918.7	7946.3	7969.5	7971.9	7996.4	8019.1	8008.0	8037.4	8077.7	8100.6	8133.0
1989	8152.7	8167.6	8148.8	8150.2	8142.8	8113.8	8096.2	8106.3	8084.6	8079.0	8092.6	8098.3
1990	7967.8	8096.3	8092.8	8086.7	8081.6	8081.2	8065.9	8051.1	8034.9	8026.4	7944.5	7937.1
1991	7894.8	7825.0	7788.4	7783.6	7769.6	7753.0	7748.3	7750.5	7732.8	7709.4	7694.3	7647.5
1992	7582.2	7611.8	7602.4	7613.0	7620.6	7615.5	7601.1	7600.2	7592.3	7593.4	7591.7	7588.9
1993	7603.7	7608.2	7593.8	7584.8	7587.4	7587.2	7590.3	7583.5	7612.9	7621.8	7641.6	7671.5
1994	7697.4	7717.8	7738.6	7749.1	7769.3	7789.0	7810.0	7836.6	7870.3	7895.2	7927.1	7958.6
1995	7988.2	8016.8	8032.0	8046.2	8050.7	8049.2	8066.3	8082.4	8090.2	8109.0	8127.7	8141.9
1996	8143.0	8161.2	8126.5	8171.1	8186.5	8189.2	8197.4	8215.1	8205.2	8197.4	8214.4	8233.9
1997	8232.9 p	8247.4 p										

p = preliminary

NOTE: This series includes all industries which had at least 20 percent of 1993 employment tied to exports (includes direct & indirect exports), except those identified on the attached table as included in the defense-dependent industries series

Industries in which exports account for at least 20 percent of employment

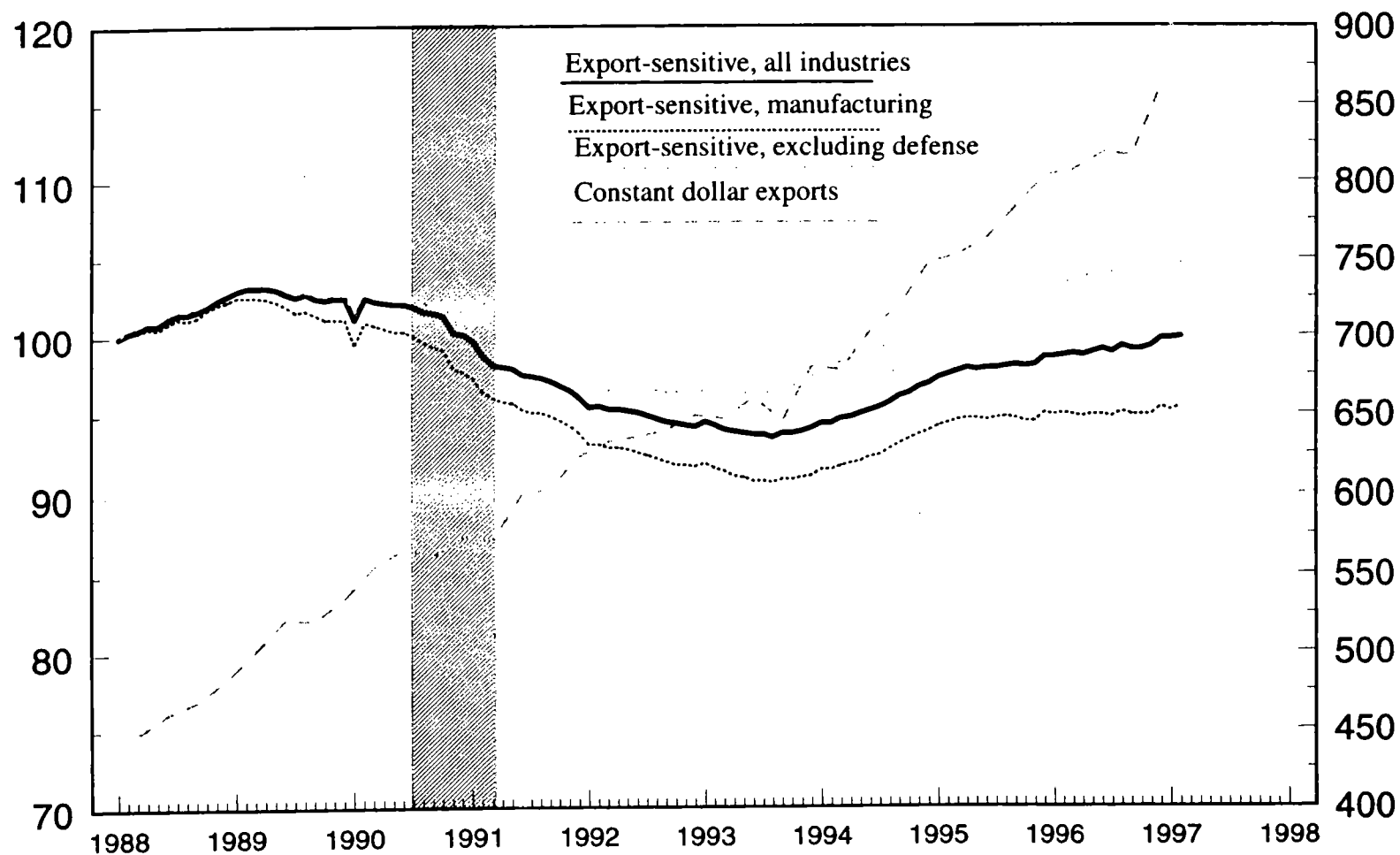
Name	% of Emp. tied to exports	SIC
Electronic components and accessories	47.1	367
Computer and office equipment	45.8	357
Household audio and video equipment	41.8	365
Aerospace*	39.1	372,376
Engines and turbines	37.4	351
Primary nonferrous smelting & refining	36.7	333
Water transportation	36.2	44
General industrial machinery and equipment	36	356
Industrial chemicals	34.8	281,286
Metal mining	34.4	10
Construction and related machinery	34.2	353
All other primary metals	32.9	334,339
Plastics materials and synthetics	32.5	282
Electrical industrial apparatus	31.9	362
Industrial machinery, nec	31.2	359
Nonferrous rolling and drawing	30.6	335
Measuring and controlling devices	30.5	382
Miscellaneous electrical equipment	29.7	369
Metal coating, engraving, & allied services	27.8	347
Passenger transportation arrangement	26.9	472
Metal forgings and stampings	25.6	346
Miscellaneous textile goods	25.5	229
Iron and steel foundries	24.7	332
Air transportation	24.7	45
Nonferrous foundries	24.6	336
Miscellaneous transportation services	24.3	473,-4,-8
Screw machine products, bolts, rivets, etc	23.3	345
Special industrial machinery	23.1	355
Miscellaneous transportation equipment*	23	375,379
Watches, clocks, and parts	23	387
Logging	22.8	241
Railroad transportation	22.7	40
Pulp, paper, and paperboard mills	22	261-263
Miscellaneous fabricated metal products	21.4	349
Metalworking machinery and equipment	20.8	354
Motor vehicles and equipment	20.8	371
Blast furnaces and basic steel products	20.6	331
Electric lighting and wiring equipment	20.2	364
Ordnance and ammunition*	20.1	348
Communications equipment*	19.5	366

* These industries or components of these industries are also included in the defense related series.

Indexes of Employment in Export-Sensitive Industries Seasonally Adjusted, 1988-97

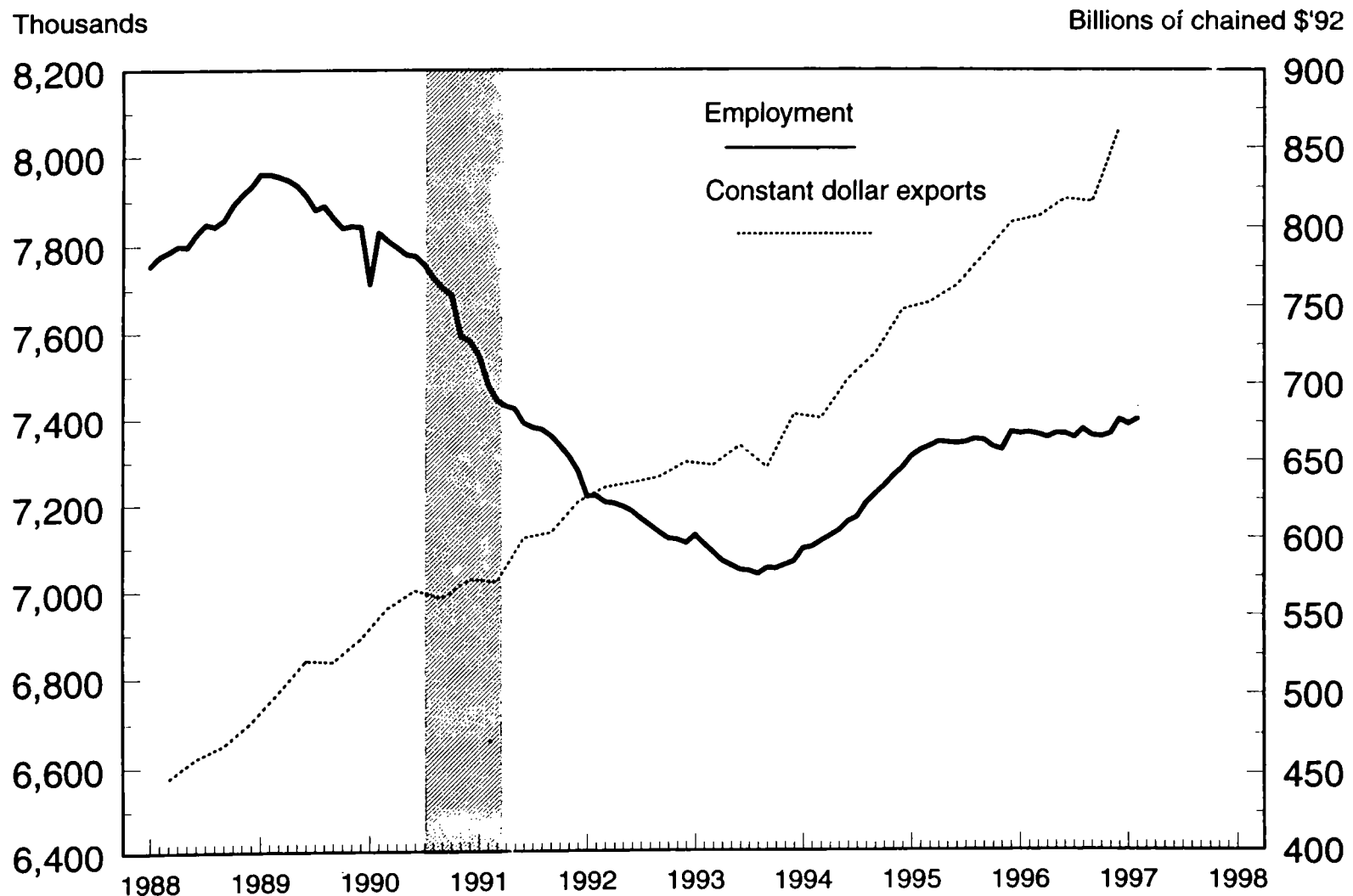
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Billions of chained \$'92



NOTE: Shaded areas denote recession

Employment in Export-Related Manufacturing Industries, Seasonally Adjusted, 1988-97



NOTE: Series includes industries with at least 20 percent of 1990 employment tied to exports

NOTE: Shaded areas denote recession

INTERPRETING THE EXPORT-SENSITIVE INDUSTRIES SERIES

Many industries have some portion of their output that is exported. For most industries, however, this is a very small percent of their total output. In an effort to examine employment trends in industries that are more heavily dependent on exports for their sales, the Bureau has compiled a series composed of industries where at least 20 percent of their employment is tied to exports. The list of industries that comprise this export-sensitive series is attached. The percent of employment tied to direct or indirect exports in 1990 is noted for each industry. Only three industries relied on exports for over half of their work force.

It is important for the user to be clear that this series does not measure the level of employment tied to exports--but it measures all employment in industries where at least 20 percent of their workers produced goods for export in 1990. These data are from the Current Employment Statistics Program, which provides up-to-the-month information on employment by detailed industry, but does not collect specific data on employment tied to exports. Such a figure is available from other statistical programs, but with at least a 2-year lag. This series on employment in export-sensitive industries provides the only current indication of the impact of exports on employment.

Because exports account for a relatively small part of employment in most of these industries, trends in the export-sensitive industries are impacted by many factors besides exports. In fact, employment continued to decline in these industries even during a period when exports were increasing. There are several reasons why employment trends in these export-sensitive industries may differ from changes in exports. For example, declines in domestic demand may be greater than increases in exports. Also, increases in productivity mitigate the need for new workers to meet rising export demand. Of course, some of the growth in export demand impacts industries that are not part of this special series because their export share falls below the 20 percent cutoff.

While analysis of this series must be approached with caution, it can be useful in trying to explain trends in employment. For example, during the manufacturing downturn that began in 1989, the export-sensitive series fell at a slower rate than total manufacturing, implying that the continued growth in exports was making up for some lost domestic demand. Because of the particular usefulness of the export-sensitive series in analysis of employment trends in manufacturing, we developed a separate series that excludes the nonmanufacturing industries from the export-

sensitive list. This series has experienced both a steeper rate of decline and a faster rate of growth than the broader export-sensitive industries series.

One of the greatest negative impacts on manufacturing employment since 1988 has been the decline in U.S. defense spending. Because many defense-dependent industries are also export-sensitive, we have developed a special series that eliminates the defense-dependent industries from the export-sensitive list. This "export-sensitive industries, except defense" series declines at a slower rate and increases at a faster rate than the series that includes defense. Thus, there is further evidence of the positive impact of exports on employment.

All three of these series are attached. The series begin in 1988 because the 1987 Standard Industrial Classification (SIC) revision caused a break in some of the industries that comprise the series. For further information on the export-sensitive industries series, contact Lois Plunkert on 202--606-6527 or Ron Hetrick on 202--606-6555.

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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Work statement
for our contract
with Raul Hinojosa

*****DOL Requisition Form*****

Request a Non-Personal Services Contract be issued to:

1. Contractors

Raul Hinojosa-Ojeda
North American Integration and Development Center (NAID)
405 Hilgard Avenue
University of California, Los Angeles
Los Angeles, California 90024

SS#: (b)(6)

[001]

Telephone: (310) 825-8956
FAX: (310) 206-5566

2. Period of Performance

July 1, 1995 -- June 30, 1996

3. Cost

(b)(6)

Contractor is required to perform services and produce deliverable items as specified in the contract provisions as detailed in the attached pages.

4. Background and Work Statement

A. Background

The domestic employment effects of the North American Free Trade Agreement (NAFTA) and other regional trade agreements have generated an intense debate in the United States. In fact, bringing two industrialized and wealthy nations (the United States and Canada) into a close partnership with a developing country (Mexico), with its economic problems, may set a precedent for other areas of the world, in relationship to the benefits and costs of having free trade agreements between industrialized and less developed areas. In this sense, the North American Free Trade Agreement may become a model to the world.

Over the last decade, a growing number of computable general equilibrium (CGE) models have been built with the aim of estimating the effects of trade and structural change on employment and earnings. However, much still needs to be done to make this class of models accurate, relevant, accessible and user friendly to policy makers as well as post-model assessments of their accuracy.

B. Statement of Work

This project will provide a concise and comprehensive report of the effects of the NAFTA and other regional trade agreements on the employment and earnings of U.S. workers. The research will combine three interconnected dimensions or tracks.

- a. Create a comprehensive and highly flexible computable general equilibrium (CGE) modeling framework for evaluating alternative policy scenarios on trade, capital flows, migration, and technological change, and their impacts

on a variety of economic sectors, occupational-skill categories, countries (the United States, Canada, Mexico, and a dozen other countries or country groups in the Western Hemisphere, like Chile, Central America, the Caribbean, and Andean Pact and Mercosur countries) and subnational regions (e.g. selected states and counties in the United States).

TASK ONE. Create the CGE modeling framework to evaluate the effects of the NAFTA and other free trade agreements on U.S. employment and earnings. The model will be constructed to allow for accessible and easily programmable analysis of the effect of different variable and parametric assumptions, and different comparative static and dynamic effects, including demographic, investment, and productive (productivity/production) simulations.

Undertake a more detailed sectoral, occupational, and regional analysis of the impacts of alternative policy scenarios on the U.S. labor markets. Using other available CGE modeling results of Latin American labor markets, analyze the hemispheric effects on national economic structures and labor markets as well as the impacts of migration, capital flows, and trade patterns.

The policy scenarios considered will include issues related to NAFTA deepening (e.g., through additional agreements on investment and migration) and /or widening (e.g., through the inclusion of other countries in the hemisphere. Specifically, the scenarios will address issues such as: the type of negotiating strategies to pursue with regard to accession to NAFTA by other countries in the Americas; identification of trade and investment shifts that generate higher paying jobs (or create displacements or lower paying jobs) in particular sectors, occupations, and subnational regions for U.S. workers; how U.S. trade agreements will affect labor market and economic conditions in partner countries and how these agreements may affect capital and migration flows for those countries.

TASK TWO. Establish a comprehensive relational database framework (covering the United States, Canada, Mexico, and other Western Hemispheric nations) for historical and continuous tracking of employment and earnings and international trade, investment and migration flows on a multisectoral, occupational, and regional level.

Relevant data sources will be evaluated, including the U.S. Department of Labor data on certifications under the NAFTA Transitional Adjustment Assistance Program and the U.S. International Trade Commission estimates of the Armington import elasticities. Provide systematic analysis of the Department of Labor's data on the NAFTA Transitional Adjustment Assistance program (NAFTA-TAA), which covers workers who are laid off as a result of increased imports from Mexico or Canada, or a shift of U.S. production to Mexico and Canada.

Establish a system to maintain U.S. county and metro establishment employment data linked to relevant trade data and other under the NAFTA transitional adjustment information (such as worker certifications assistance program).

- b. A major contribution of this project will be having the results publicly accessible on Internet.

TASK ONE. Both the CGE model scenario results and the historical time series will be made available to the Department of Labor (Office of International Economic Affairs and the National Administrative Office), with complete documentation and a user's guide, through the Internet in a menu-driven, geographic information system (GIS). The project will allow for user friendly Internet accessing of a menu driven CGE modeling framework, with easy changes in parameter and variable values for comparative generation and evaluation of models and scenarios used in the project's quarterly reports.

TASK TWO. The project will also produce a user friendly, menu driven, GIS based application for the accessing of continuous updated relational time series database, which will also be available on the Internet.

- c. The project will determine the effects of the NAFTA and other regional trade agreements on employment and earnings of U.S. workers.

TASK ONE. This research will examine the effects of trade under NAFTA and other free trade agreements on the occupational/skill mix of U.S. workers. The study will use CGE modeling framework for evaluating alternative policy scenarios on trade and its impacts on a variety of occupational/skill categories.

TASK TWO. The study should examine which occupational groups benefit or suffer the most from more open trade and what effect more open trade has on the earnings and distribution of earnings of U.S. workers.

TASK THREE. Compare the alternative CGE model policy scenario results (i.e., ex ante predictions) with the actual time series impacts (i.e. ex post outcomes) on sectors, occupations, and regions generated from different trade agreements, including NAFTA and other trade agreements within the Western Hemisphere.

TASK FOUR. Apply the results of econometric time-series analysis and evaluations of sensitivity, relevance, and accuracy to update and recalibrate the U.S. CGE model and its regional components and rerun and update the alternative policy scenarios.

This project will provide a synthesis of the findings and policy implications from the tasks described above. The aim is to provide an overall assessment of the impact that the NAFTA and other regional free trade agreements have on U.S. workers.

5. Deliverables

- a. A final research report shall be submitted to the Department of Labor/ILAB by June 30, 1996. The report should be reasonably bound and must cover the research methodology, findings, conclusions, and policy implications resulting from the project work. The final report must also be submitted on a Word Perfect 5.1 diskette.
- b. A short (100-word) executive summary with policy implications must accompany the report.
- c. The final report shall contain either in the preface or on the title page the following acknowledgement:
 This project was funded under purchase order no. (give number) from the Bureau of International Labor Affairs, U.S. Department of Labor. Points of view or opinions stated in this document do not necessarily represent the official position or policy of the U.S. Department of Labor.

- d. At the conclusion of the project, the contractor will present a seminar on the project findings. The seminar will be held at the U.S. Department of Labor in Washington, D.C., and will be funded out of the contractor's project funds.

6. Reporting Requirements

The contractor must submit quarterly progress reports. These could include an extensive outline, literature review, preliminary findings, and tentative conclusions and policy implications/ recommendations.

7. Publishing Rights

The contractor shall have free rights to publishing the report after submission and acceptance by the COTR. It is possible that DOL might publish reports in an edited collection of background papers where there is a sufficient number of reports on a like topic to warrant such an effort.

8. Contracting Officers Technical Representative

The COTR for this purchase order shall be Dr. Robert W. Bednarzik, Division of Foreign Economic Research, Office of International Economic Affairs, Bureau of International Labor Affairs. He shall be responsible for providing guidance to the contractor and approving deliverables and invoices for payment. He may be reached at (202) 219-6100. The project director for this project will be Dr. Ana Gustave-Schmidt, who may be reached at (202) 219-7610. She will be the primary contact. All questions and draft and final reports should be directed to her. She will set up a seminar upon the completion of your report.

9. Compensation, Travel, and Billing Instructions

Total compensation under this purchase order shall not exceed \$24,995, one half payable upon receipt of an acceptable first draft of a research paper, one-fourth upon receipt of an acceptable draft final research paper, and the balance upon acceptance of a final report. The invoice shall include the contractor's name, address, social security number, and purchase order number. The invoice should be sent to Alysia Shaw, U.S Department of Labor/ILAB, Room S-5325, 200 Constitution Avenue, N.W., Washington, D.C. 20210. If there are any billing questions, she may be contacted at (202) 219-7613.

North American Integration Three Years After NAFTA

A Framework for Tracking, Modeling and Internet Accessing the National and Regional Labor Market Impacts

by

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December 1996

To obtain copy of report please send an email (hinojosa@ucla.edu) or fax (310 825 8574) with your name, phone, address, and express shipper number (if so desired). The cost of the report is \$20 for which you will be invoiced.

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Worker Anxiety and Displacement

Talking Points for Presentation to the
Advisory Committee on Trade Policy and Negotiations
June 11, 1998

Introduction

- Thank you Mayor Hammer, Ambassador Barshefsky (Charlene). It is most assuring to note that this advisory committee is concerned not just about expanding trade, but also that adjustments that may result from such trade are managed to ease any burdens that may fall on some American workers. Trade liberalization, almost by definition, means shifts in the patterns of economic activity, and that means adjustments.
- Anxiety about adjustments are not necessarily irrational. Although it is generally recognized that the U.S. economy benefits as a whole from liberalized trade, the adverse effects of open trade fall disproportionately on certain worker groups and communities. It is primarily the low-skilled, non-college educated workers - many of whom also must overcome a limited proficiency in English - who are hurt the most by changes in the job market.

What U.S. Government Data Shows:

- National overall employment picture is very positive

Unemployment at 4.3 percent is at a historic 28 year low.

Over 16 million jobs have been created since the President took office five years ago

Average hourly earnings rose 0.3 percent in May and climbed 4.3 percent from its year ago--the largest 12 month increase since 1989.

- Overall data mask some of the adjustments that are taking place; it is the displaced workers--and those who fear displacement-- that relate to these factors.

Unemployment rate for workers with only high school education was 6.7 percent
Unemployment for those with college education was _____

We know that from January 1994 through the end of 1997, 440,000 workers have been certified for trade adjustment assistance or NAFTA Adjustment Assistance because of import competition or because their plant shifted production to Mexico or Canada.

points used against fast track authority.

These relate to (1) our record with dislocated workers and increased commitment to do more, i.e.: community adjustment assistance; (2) tools to support lifelong learning, including out-of-school youth initiatives; and (3) our international labor standards agenda.

DISLOCATED WORKER PROGRAMS

In arguing for new trade agreements, it is most difficult to deal with the economic pain and anxiety of workers who lose their jobs to international competition or who believe they might. While we can't argue that no workers will ever lose their jobs because of trade liberalization, we should be able to argue that those adversely affected are not left in the cold and that this Administration has a strong record of assisting workers manage the tough transition to get new jobs -- "manage the change."

Dislocated workers are not left out in the cold.

- **Title III of the Job Training Partnership Act (JTPA).** One clear statement in this regard is the Administration's commitment to triple the funds provided to assist dislocated workers get reemployed and retrained. The Department of Labor's JTPA dislocated worker program now serves some 500,000 -- which we estimate to be less than twenty-five percent of workers dislocated each year. Moreover, of the workers who completed their training last year, States report nearly three quarters of them were reemployed at an average of 94% of their previous wage when surveyed 13 weeks after leaving the program. Indeed, we have a rather compelling series of visual success stories that we could put forward to illustrate our case.

Improvements are still needed. The Department is currently undertaking administrative actions to improve assistance under Title III, including --

- ▶ enhanced early intervention through rapid response assistance for all workers being dislocated as a result of a plant closure or substantial layoff -- regardless of the reason for the layoff, such as trade impacted layoffs, to provide information to workers regarding all types of community services available to assist in the adjustment process;
- ▶ targeted assistance for secondary workers (those workers who are employed by supplier firms to directly affected trade dislocations but who are not eligible for trade benefits) and to reaffirm the Secretary's commitment to serve those workers;
- **Trade Adjustment Assistance (TAA) and TAA-NAFTA programs.** Incorporating the same commitments as stated above for dislocated workers.

Response to Charges the Administration's Trade Policy is Dormant Without Fast Track

THE ADMINISTRATION IS AGGRESSIVELY RESPONDING TO THE MOST SIGNIFICANT THREAT TO THE GLOBAL ECONOMIC SYSTEM TODAY - THE ASIAN FINANCIAL CRISIS.

- * U.S. leadership has been critical to stabilizing the immediate crisis in the affected countries. Our work is not done, but there are signs of progress. Last week Korea launched a \$4 billion bond offering, reentering the capital markets for the first time since the crisis hit. Mexico took 7 years to achieve this in the 1980's; 7 months in the 1990's. Korea has taken only 4 months.
- * We have been active in containing the contagion. Part of that is a long-term effort to work with countries in Asia and Latin America to strengthen their financial sectors. At Santiago, the hemisphere's leaders will commit to implement the Basle Committee's Core Principles, a model of high quality standards for bank supervision. This is the first time a region of the world has made such a commitment.
- * The President kicked off our effort to replenish IMF funding in the State of the Union and a host of Cabinet members (Rubin, Albright, Cohen, Glickman, Daley and Barshefsky) have been active on the Hill. We are making progress. The Senate voted 84-16 for full funding; the House Banking Committee approved it 40-9. This remains a top priority.

WE ARE CONTINUING AN ACTIVE MARKET OPENING AGENDA IN EVERY REGION OF THE WORLD.

- * **Latin America:** This week we will launch the FTAA at the Santiago Summit, where leaders will approve a structure and plan for negotiations. Talks will proceed under 9 negotiating groups tackling a wide range of areas, including services, government procurement and dispute settlement. This work will be overseen by the Trade Negotiations Committee, comprised of 34 Vice-Ministers of Trade, who will meet to begin work by June 30, 1998. These talks can begin without fast track. Uruguay Round negotiations began without fast track authority in 1984, eventually culminating in the world's largest trade agreement.
- * **Europe:** Our negotiators are actively exploring contours of a new U.S.-EU trade initiative, part of our effort continually to seek new market opening opportunities. Annual U.S.-EU trade and investment flows total half a trillion dollars, the largest bilateral flows in the world. Leaders are expected to assess the possibilities for such an initiative at the May U.S.-EU summit.
- * **Asia:** Our market opening agenda in APEC - 16 sectors over two years, 9 this year - covers substantial areas of U.S. exports. Across the sectors identified for tariff reductions this year, global trade approaches \$1.5 billion. These sectors include energy products and services, environmental technologies and services, natural resources, medical equipment,

telecommunications, gems and jewelry.

- * **Africa:** This Administration proposed the first-ever African trade bill, which passed the House with strong bipartisan support. Building on the President's historic trip, we will renew our effort in the Senate. This bill is part of the President's Partnership Initiative an even broader effort to boost economic growth and democratic reforms across the region.
- * **Globally:** In the last year, we have completed an amazing "trifecta" of three major agreements in the WTO: ITA (covering \$500 billion in global trade and more than \$100 billion in U.S. exports), the global telecommunications agreement (which will create more than a million jobs in the next ten years) and the financial services accord. Together these initiatives cover trade totaling well over \$1 trillion annually. We are now preparing for broad new WTO talks covering key areas such as services, agriculture, government procurement and intellectual property.

THE ADMINISTRATION IS PUSHING ON MANY OTHER FRONTS TO OPEN FOREIGN MARKETS, STRENGTHEN THE GLOBAL ECONOMY AND PROMOTE U.S. VALUES.

- * **Civil Aviation:** In the last four months alone, we have reached significant civil aviation agreements with the largest market in Asia (Japan) and the third largest market in Europe (France). This is part of a continuing Administration effort - resulting in thirty agreements to date - to open foreign airline markets, giving better international service to more Americans at better prices.
- * **Trade Enforcement:** In the last six months, we have initiated 3 new cases in the WTO challenging key unfair trade practices such as EU and Canadian export subsidies. In general, we have brought more trade cases to the WTO than any other nation. Our record is unparalleled: we have prevailed on 18 of 19 cases brought (cases were either acted on or settled on favorable terms).
- * **Anti-Corruption:** In November-December, we successfully reached agreement on a landmark Anti-Corruption Convention within the OECD, which outlaws corporate bribery of foreign officials. We will soon submit the treaty for Senate ratification and press other countries to ratify and enact implementing legislation by year end.
- * **Strengthening Financial Architecture:** This month, we convened finance ministers from 22 countries, who agreed to take concrete steps to strengthen global financial processes and architecture. Efforts include improved surveillance, increased disclosure and transparency and strengthening banking and financial system infrastructure, regulation and supervision, globally and at national levels.
- * **Labor/Environment:** We continue efforts in many fora to improve foreign labor practices. By June, we seek to reach agreement in the ILO to increase the ILO's capacity to hold countries accountable for meeting core labor standards. Environmental efforts include pushing in the G-7 and OECD for official export credit agencies to adhere to environmental standards.

Opportunities of the Global Economy

On the edge of a new millennium, our people are creating a new economy, a very different one from the one that our founders faced 50 years ago. The new one is driven by technology, powered by ingenuity, rewards knowledge and teamwork, flexibility and creativity. US econ. Growth, exports...

This new global economy of ~~ideas~~ offers the possibility, but no the guarantee, of lifting billions of people into a worldwide middle class and a decent standard of living, the opportunity to give their children a better life. Yet it also contains within it, as we all know, the seeds of new disruptions, new instabilities, new inequalities, new challenges to the balance of work and family, of freedom and security, of equal opportunity and social justice, of economic growth and a sustainable environment.

Export Growth -expanding the economy-opening other markets

Creating higher paying jobs

Lower prices, more variety

Creating opportunities ???

Ensuring that American Workers Share in the Benefits of Globalization

Building a strategy for the next generation of America's workers

- ~~Skills~~ Education investments
- ~~Technical~~ Hi-tech/ information tech. Training - in schools etc...
- Child care
- ~~flexibility / independence~~

Promoting economic and political development abroad helps our economy grow at home

- Information
- Tech assistance, ETA, UI, PWBA etc...
- AID, etc....

Helping US workers successfully manage economic change by giving US workers the competitive edge

- \$35 billion in HOPE and Life Long learning tax credits for training etc
- Dislocated Workers assistance

Creating a fair playing field in the global economy for American workers

- Core Labor Standards, Child Labor
- Technical assistance for labor market stabilization



RESULTS OF FAST TRACK PROCESS AND NEXT STEPS

Opponents of fast track were successfully tapping into at least two concerns: (1) that those workers and communities negatively affected by trade are not being helped sufficiently; and (2) that trade agreements permit U.S. companies to relocate production abroad to take advantage of poor labor conditions (and low wages). Regardless of the outcome of fast track, it would still seem useful to agree on a strategy to tell positive stories about the Administration's record on dealing with worker dislocation, engaging other countries on labor standards issues, and highlighting more clearly the positive impacts of trade. It is also important to fulfill commitments that the Administration made to members of Congress during the efforts to obtain fast track authority last fall.

I. The Fast Track Process

Trade and Job Anxiety

Despite very low unemployment, workers remain deeply anxious about potential displacement due to international trade (and other factors that get interpreted as international trade or globalization). Reinforcing this impression, there is a disproportionate impact from trade competition on those with lower levels of skills. These concerns were reflected repeatedly in the Congressional fast track debate.

Perceptions

- A Washington Post poll conducted in the summer of 1996 found 72% of non-college graduate workers think the economy is not doing better than it is because companies are sending jobs overseas, while only 6% of economists think this is true. And a Yankelovich poll (February 1996) found that 51% of Americans thought trade agreements were mostly bad for U.S. workers, but 58% thought they were mostly good for U.S. companies.

Economic Reality

- To some extent, the anxiety is rooted in the wage stagnation and growing income inequality of recent decades, which also gets attributed to international trade -- although other factors may be more important. College graduates went from making 29% more than high school graduates in 1979 to 69% more in 1996. For male high school dropouts

the real median weekly earnings fell 30%, and for high school graduates by 18% for that same period.

- It is lower-skilled workers, often in high-paying production jobs, who are more likely to suffer the negative impacts of trade competition. The Economic Policy Institute released a report in September that found job loss impacts from trade competition are disproportionately higher for those with a high school education or less, and lower for those with more education.
- Displaced workers typically suffer permanent earnings losses of 15 to 25 percent, and the losses are even greater for less educated or unionized workers in such sectors as primary metals, mining, transportation equipment and automobiles.

The debate was framed by opponents

- Although many factors help to explain these trends, opponents of fast track have succeeded in portraying trade -- and NAFTA specifically -- as the most important cause. Opponents of fast track also argued that the Administration has done too little to counter the negative impacts of our expanded economic relationship with Mexico, particularly in border communities and sensitive sectors such as apparel and transportation equipment. The tools put in place to address these concerns, such as the NADBank, NAFTA trade adjustment assistance and the labor and environmental side agreements, are also criticized as inadequately implemented or flawed in design.

During October we did develop additional initiatives and made further commitments to respond to many of the concerns expressed, but in some ways it was perceived as too little, and too late. Confidence in these commitments was also weak because they were made in the context of minds having already been made up, skepticism based upon a sense that the Administration "wasn't in touch," and after bad memories of being promised NADBank, but seeing it largely inactive.

Reframing the debate

- Having the Administration placed in this position was unfortunate given our strong record on programs to empower all workers to benefit in the new economy. Going forward we could emphasize three basic themes where we have a much better story to tell than was able to get through and which involve central points used against fast track authority and trade agreements.

These relate to (1) our record with dislocated workers and increased commitment to do more, i.e., community adjustment assistance; (2) tools to support lifelong learning, including out-of-school youth initiatives; and (3) our international labor standards agenda.

Dislocated Worker Programs

In arguing for new trade agreements, it is most difficult to deal with the economic pain and anxiety of workers who lose their jobs to international competition or who believe they might. While we can't argue that no worker will ever lose their job because of trade liberalization, we should be able to argue that those adversely affected are not left in the cold and that this Administration has a strong record of assisting workers manage the tough transition to get new jobs -- "manage the change."

- **Title III of the Job Training Partnership Act (JTPA).** One clear statement in this regard is the Administration's commitment to triple the funds provided to assist dislocated workers get reemployed and retrained. The Department of Labor's JTPA dislocated worker program now serves some 600,000 -- which we estimate to be less than twenty-five percent of workers dislocated each year. Moreover, of the workers who completed their training in 1995, States report nearly three quarters of them were reemployed three months after leaving the program at an average of 96% of their previous wage. Indeed, we have a rather compelling series of visual success stories that we could put forward to illustrate our case.

Improvements are still needed. The Department has already undertaken administrative actions to improve assistance under title III, including --

- o enhanced early intervention through rapid response assistance for all workers being dislocated as a result of a plant closure or substantial layoff -- regardless of the reason for the layoff, such as trade impacted layoffs, to provide information to workers regarding all types of community services available to assist in the adjustment process;
- o targeted assistance for secondary workers (those who are employed by supplier firms to directly affected trade dislocations but who are not eligible for trade benefits) and to reaffirm the Secretary's commitment to serve those workers;
- **Trade Adjustment Assistance (TAA) and TAA-NAFTA programs.** Incorporating the same commitments as stated above for dislocated workers.
 - o **Community Adjustment Assistance.** Enhanced readjustment and rapid response assistance through linkage with economic development initiatives in local communities (Base Closure Model).

Lifelong Learning

To pursue lifelong learning goals the Administration also makes available several other tools for many workers who want to return to school. These give many more working

Americans the financial means to go back to school if they want to choose a new career or upgrade their skills. We need to emphasize the tools related to this issue.

- Student financial aid includes *Pell Grants* and *student loans*. Eligible low-wage workers can apply for Pell Grants to cover tuition and related education expenses, and any qualified worker can seek direct loans, enabling them to invest in themselves with repayment based on their ability to pay.
- New tax benefits include:
 - o Through the "*Hope Scholarship*" Tax Credit, students enrolling in college or vocational school will receive a 100 percent tax credit for their first \$1,000 of tuition and required fees, and a 50 percent tax credit for the second \$1,000.
 - o *Lifetime Learning Tax Credit* is targeted to adults who want to go back to school, change careers, or take a course or two to upgrade their skills (and to college juniors, seniors, graduate and professional degree students).
 - o The new tax law extends *Section 127* of the tax code for three years, allowing workers to exclude up to \$5,250 of employer-provided education benefits from their income.
 - o The *Out of School Youth Initiative*. Invest in young people so that they are able to take advantage of new jobs created by trade.

International Labor Standards

Another much debated area was the Administration's record on assuring that we do more to protect labor (and environmental) standards as we engage in the global economic process. Particular attention focused on the alleged shortcomings of the NAFTA labor agreement. In fact, this Administration has done more than any in history to bring the labor standards agenda into the trade integration process.

- *NAFTA labor issues*. The NAFTA labor agreement set an important precedent of linking labor standards to a trade agreement. Despite the criticisms of the agreement made during the recent debate, we have a good record on using the agreement to press Mexico to move forward on a number of labor issues, and as a vehicle to consider public complaints alleging Mexican labor law violations. And although we can't oversell its success, it has arguably contributed to reinforcing the trends towards democratization in Mexico, including union democratization. Independent Mexican unions and human rights groups have brought cases to the DOL under the agreement. We certainly have aren't satisfied with the amount of progress that has been made with Mexico on labor issues, but can tell a positive story for the NAFTA labor agreement.

- *Building international consensus on labor standards.* Moreover, since 1993, the Administration has taken the lead in developing an international consensus that a group of core labor standards (freedom of association, the right of collective bargaining, prohibitions on forced labor and exploitative child labor, and non-discrimination in employment) are not dependent upon a country's level of economic development -- and should be applied by all countries. (These initiatives are discussed in a separate paper.)

Although it can always be argued that we could do more -- and we ought still consider ways of how we could do more -- our record is stronger on labor standards (including the linkage of labor standards and trade) than was generally recognized during the fast track debate.

Next Steps

In order to build greater support for the Administration's trade agenda, we believe that it would be useful for DOL, in conjunction with other agencies and White House Legislative Affairs, to build a congressional outreach strategy to make the case on what has been done and what is being done in terms of worker assistance and international labor standards. Otherwise, members will still believe that during fast track we were engaged in "rhetoric for the moment," but not a planned serious commitment. The same has and will be said for our position on worker rights in terms of the pending IMF legislation. We will need to state our message on worker issues repeatedly if we are going to succeed in making some progress.

There are also several strategies that can be used to balance the negative stories about trade impacts by highlighting positive stories such as workers getting new jobs in export-oriented facilities, new openings of plants to produce products for export, and the Department's response to plant closings.

II. Commitments Made During Efforts to Obtain Fast Track and Follow-Up

Another important element in repositioning the Administration is a serious and consistent effort to implement the commitments made to members of Congress during the fall of 1997. The bulk of these on labor standards are contained in a letter sent by the President to Senator Daschle. The commitments related to labor standards and the status of each are given below. The same information is also provided regarding commitments to improve worker adjustment programs.

Labor Standards Commitments

- **International Financial Institutions (IFIs):** The Administration committed to a series of measures to enhance the U.S. leadership role in pressing for incorporation of core labor standards (CLS) into the planning and programs of the IFIs.
 - o Enhanced focus within the Administration: A commitment was given that

Secretary Rubin and Secretary Herman would form an interagency team to explore issues related to core labor standards broadly and explore their systematic incorporation in the work of the IFIs. Although DOL and Treasury staff have been working more cooperatively in recent months, no policy level team or process has been established.

- o Ensuring international focus on worker rights issues: A commitment was made to seek summit meetings of presidents of the IFIs and the Director-General of the ILO to reinforce the commitment of the institutions to work closely together. It does not appear any progress has been made towards this commitment.
- o Heightened priority given by the IFIs to worker rights issues: The commitments made in this area are:
 - seek a World Bank office dedicated to the analysis of labor issues and encourage contacts between this office and the ILO;
 - promote the Administration's proposal for a screening mechanism to ensure that work rights issues are systematically taken into account by the IFIs in planning and operations;
 - propose a joint world Bank-IMF conference on core labor standards, which could bring together senior IFI and ILO officials, as well as academics and NGO representatives;
 - increase technical assistance by the multilateral development banks to promote core labor standards;
 - urge the IMF further to emphasize the importance of labor issues in the annual reviews of member countries and by examining the link between core labor standards and macro performance;
 - follow up on the child labor paper prepared by the World Bank; and
 - implement the Frank Amendment which directs the Treasury Department to encourage promotion of internationally-recognized worker rights by the IFIs.

Most of these commitments remain to be implemented.

Also relevant to this issue is recent Congressional activity regarding IMF replenishment in the wake of the Asian financial crisis.

- o Language related to core labor standards and internationally recognized worker rights is found in the House version of the bill that was reported out of the Banking Committee on March 18, 1998.
- o The bill contains an objective to "structure International Monetary Fund programs and assistance so that the maintenance and improvement of core labor standards are routinely incorporated as an integral goal in the policy dialogue with recipient countries." Four outcomes are sought from this goal: (a) recipient governments commitment to core labor standards; (b) ensure IMF-suggested measures to enhance labor market flexibility are consistent with the observance of core labor standards; (c) IMF staff adequately take account of ILO views in the design of IMF programs; and (d) the staff of the IMF surveys labor practices and recipient countries and make recommendations that would enhance the observance of core labor standards.
- o Another objective of the bill is to "vigorously promote the adoption and enforcement of laws promoting respect for internationally recognized worker rights," where the rights are defined as in GSP.
- o On March 26, the Senate passed an IMF authorization bill; the Senate bill does not contain provisions on core labor standards.
- **Export Processing Zones (EPZs):** The fast track commitments call for DOL to update its 1990 study on EPZs finding that some countries restrict trade union rights in such zones; encourage ILO work on EPZs; and consider recommendations for ILO coordination on this issue with the WTO.
 - o DOL has begun preparations to update and, as appropriate, expand the 1990 report on EPZs; in preparing the study, DOL will draw on information developed by the ILO in its work on EPZs.
 - o The ILO plans to produce 8-10 country studies on the implementation of core labor standards in EPZs. DOL will exert leadership within the ILO to encourage the organization to continue to focus on EPZs, conducting comprehensive and timely reports.
 - o Depending on the results of the ILO and its own study, DOL will seek to work with USTR on approaches for possible WTO/ILO coordination.
- **Labor Department Annual Report on Labor Conditions under the North American Agreement on Labor Cooperation (NAAALC):** In response to this commitment, DOL will produce an annual report that focuses on its activities in the areas of: (1) submissions, including a synopsis of each of the cases considered by the U.S. National

Administrative Office during the year; (2) steps being taken to implement decisions on previous submissions, including the results of Ministerial Consultations that might have been held; and (3) cooperative activities undertaken by the three countries.

- **Review of Future Free Trade Agreements (FTAs):** The Administration commitment is to inform members of Congress and the public about relevant conditions in prospective FTA partner countries. Among the issues to be reviewed are labor law and practice and legal system, specifically "relevant labor and environmental laws including enforcement of those laws." DOL, working with other relevant agencies, would develop an assessment of labor law and practice of potential FTA partners. The assessment would focus on core labor standards, but would also look at other relevant labor law principles.

Worker Adjustment Commitments

- **Improve and expand Trade Adjustment Assistance and ensure a quick response for worker dislocation.**
 - **Reauthorize TAA and NAFTA-TAA for two years.** Both the House Ways and Means and the Senate Finance Committees have approved an extension of TAA and NAFTA-TAA for two years. (TAA and NAFTA-TAA expire on September 30, 1998.) The Administration included with its FY 99 Budget Request provisions for a five-year extension of both TAA and NAFTA as part of legislative proposal for the harmonizing of TAA and NAFTA-TAA.
 - DOL is drafting legislative language which will be submitted to OMB by next week.
 - **Give workers in firms which shift production to another country trade adjustment assistance.** Under TAA, workers may only be certified for assistance if their firm is adversely affected by imports. Under NAFTA-TAA, workers may be certified if either their firm is adversely affected or their firm shifts production to Mexico or Canada. The Administration will propose legislation to give workers in firms which shift production to another country trade adjustment assistance.
 - Legislative language to "harmonize" the TAA and NAFTA-TAA programs is being drafted and will be submitted to OMB by next week. A major element of that legislation would be to expand worker eligibility for shifts in production to another country.
 - **Promote "rapid response" for all substantial layoffs and plant closures.** The Department of Labor will issue guidelines by May 1998 to the States reiterating that "rapid response" should be used for all substantial layoffs and plant closures.

The issuance would ensure that as soon as the State receives a Worker Adjustment and Retraining Notification (WARN) of any substantial layoff or plant closure, or when the State became aware of such an event through other sources, workers as well as their employers would begin to receive early initial information to facilitate access to all public programs to help individuals affected by such notices to look for new jobs while an assessment of their needs for reemployment assistance is conducted.

- A Federal-State-local workgroup consisting of Title III and trade adjustment practitioners and planners has been established and has had an initial meeting to focus on rapid response quality and timing issues which will constitute the major elements of the guidelines which will be issued. The workgroup will also assist in the identification of "best practices" on rapid response to be disseminated to the service delivery system. Additional guidance will be issued by the end of 1998.
- o **Cut certification times by one-third.** The Office of Trade Adjustment Assistance is in the process of increasing its staffing level for Worker Investigations and is implementing an in-house trade and industry capability which will result in the more timely issuance of determinations. In addition, the legislation proposed will require a reduction in the certification period to 40 days.
 - Additional staffing increases are requested for FY 99 which will result in further reductions in investigator caseloads and more timely issuance of TAA determinations.
- o **Modify waiver for training requirements for TAA and NAFTA-TAA so that they are similar.** This is included as part of the Administration's legislative proposal for the harmonizing of TAA and NAFTA-TAA. Currently, TAA has broad waiver authority while NAFTA-TAA has no waiver authority. The legislative proposal will harmonize the waiver rules between the two programs by specifying the conditions for issuing waivers.
 - Legislative language is being drafted and will be submitted to OMB by next week.
- o **Implement performance measures for TAA and NAFTA-TAA programs to ensure that programs work effectively.** A technical conference was held in December to develop data elements. A contractor has been selected. The performance measures plan was sent to OMB for approval in February; approval is anticipated by late April. A bi-regional pilot training session for States was held in San Francisco during the week of March 23. In addition, the legislative proposal will provide for common reporting for JTPA Title III, TAA and

NAFTA-TAA.

- Upon receipt of OMB approval, four additional bi-regional training sessions will be held for States. Fourth quarter of FY 98 will be the roll-out quarter. Full implementation is expected in the first quarter of FY 99.
- o **Create Presidential Commission on "Workers and Economic Change."** DOL has proposed the creation of a Presidential Commission on Workers and Economic Change in the New Economy.
 - The budget for FY 99 has requested \$1 million and 5 FTEs to support the Commission. A transfer request is pending at OMB to allow for start up of Commission activities prior to FY 99.
- **Expand dislocated worker funding so that funding in 2003 would be triple what it was in the year before President Clinton took office.**
 - o **\$750 million increase in dislocated worker funding over five years.** The Administration proposed to increase funding so that a total of \$750 million more in dislocated worker funding would be provided over the next five years. Thus, by 2003, funding available for dislocated workers would more than triple the \$517 million in funding for dislocated workers in the year before the President took office.
 - The current budget request would increase funding for dislocated workers by \$800 million by the year 2003 -- \$50 million more than proposed in the commitment. The request for FY 99 is \$100 million more than the appropriated level for FY 98.
- **Earmark \$250 million in existing funds for secondary workers -- while initiating an informational campaign to reach out to them more effectively.**
 - o **\$250 million over five years in Secretary of Labor's dislocated worker discretionary fund earmarked for secondary workers.** The Department will issue a Statement of Administrative Action extending the Secretary's authority to use JTPA Title III funds to serve secondary workers in firms doing business with primary firms eligible for or certified for TAA. The Department will fence off \$250 million in Secretary's discretionary Title III funds over the next five years to provide job training and income support for secondary workers.
 - Beginning July 1, 1998, an administrative setaside of \$50 million in Title III national reserve account funds (Secretary's discretionary fund) will be created for assistance to secondary workers.

- Application guidelines will be developed to facilitate access to discretionary funds for secondary workers; to be issued by July 1.
- Develop a certificate for secondary workers who have been certified for assistance to facilitate access to Title III local community services and assistance. The certificate will also provide resource contact points such as web page identifiers, names and telephone numbers for program staff needing technical assistance and guidance on the secondary worker assistance program.
- o **Clarify that secondary firms can be certified, even if primary firm does not apply for certification.** This is addressed in the Secondary Worker Questions and Answers to be included on ETA/Dislocated Worker Home Page. Roll-out is scheduled for mid-April. DOL/ETA is developing Secondary Worker Fact Sheet which clarifies this issue.
 - DOL is planning targeted outreach. DOL to develop guidances to States to perform targeted outreach in high-import industry sectors.
- o **Initiate informational and outreach campaign to increase take-up rate of secondary workers.** Secondary Worker Q's and A's to be included on ETA/Dislocated Worker Home Page. Roll-out is scheduled for mid-April. DOL/ETA is developing a Secondary Worker Fact Sheet.
 - Explore proposed modifications to identify secondary workers being served.
 - Targeted Outreach: DOL to develop system for requesting primary firms to identify suppliers and finishers. General Administrative Letter to be developed to engage States and Stakeholders in targeted outreach.
- **Create a Trade-Adjustment Assistance Contingency to ensure that workers who lose their jobs due to trade -- including those who lose their jobs due to future trade agreements negotiated under Fast-Track authority -- receive benefits.**
 - o **Create Trade-Adjustment Assistance contingency fund that will automatically make additional adjustment assistance available for workers who have lost their jobs due to trade.** This is included as part of the Administration's legislative proposal for harmonizing TAA and NAFTA-TAA.
 - Legislative language is being developed and will be submitted to OMB by next week.

- **Provide \$250 million for community adjustment -- creates Office of Community and Economic Adjustment to coordinate the response to trade-impacted areas.**
 - o DOL/ETA is participating in an effort led by the NEC to improve collaboration among federally-funded programs in responding to economic adjustment needs of communities.

Will the President lift Tiananmen sanctions?

- Tiananmen sanctions cover a number of areas: 1) Trade and Development Agency; 2) OPIC; 3) satellite launches; 4) crime control equipment; 5) arms sales (Munitions List items); 6) nuclear energy cooperation.
- I do not foresee lifting of the sanctions on crime control equipment or arms sales.
- I waived the sanction for nuclear energy cooperation this year in connection with implementation of the U.S.-China Agreement for Nuclear Cooperation.
- We will continue to consider applications for waivers to permit satellite launches on a case-by-case basis, as has been the practice of the Bush and Clinton Administrations for the last nine years.
- The law sets the standard for waivers on sanctions as the "national interest." That is the standard that this Administration has applied and will apply to decisions on waivers of TDA and OPIC sanctions. It is premature to speculate on these decisions.

Is the U.S. aware of the use of coercive practices by the Chinese government in the implementation of its family planning program?

- The Government Of China officially prohibits the use of force to compel people to submit to abortion and sterilization. Nevertheless, we are aware that poor supervision of local officials who are under intense pressure to meet family planning targets can result in instances of abuse, including forced abortion and sterilization. Family planning policies in China vary widely between provinces and regions. Fertility in China is 2.4 births per woman, indicating that the one-child policy is not enforced on all Chinese couples.
- We have stressed repeatedly with the Government of China our concern over those elements of China's family planning program that are inconsistent with the internationally agreed upon principles of non-coercion and voluntarism in population control, including the practices of forced sterilization and abortion. The issue will be addressed again during the upcoming visit.
- We are convinced that Chinese birth rates can be stabilized without coercion, through voluntary family planning and reproductive health services, maternal and child health services, basic education for girls, fighting discrimination against women and generally respecting human rights. We have urged the Chinese government to further embrace the comprehensive approach to population and development agreed to at the U.N. conference in Cairo.
- We have also sought to provide protection to persons who are the victims of coercive family control practices and flee China. In 1996, the President signed into law immigration provisions that make clear that persons who have experienced forced abortion or sterilization or have reasonable fears of such practices may be eligible for asylum in the United States.

- But the President will make clear to the Chinese leadership that it can fully integrate China into the community of nations and global economy until there is greater personal. Our message remains strong and constant. Do not arrest people for their political beliefs. Release those who are in jail for that reason. Resume dialogue with the Dalai Lama. Allow people to worship when, where and how they choose.

Will the President speak out about Tiananmen and human rights during his visit to China?

- Human rights, religious freedom and ending forced abortions will be a central element of the President's visit. You can expect the President will speak about human rights both in his public comments and private meetings and he will seek to continue the movement in human rights we have seen since the Washington Summit.

Will the President meet with dissidents during his trip?

- No. We have to make a judgement about what the best way to advance the causes of human rights, religious tolerance and freedom of expression during the President's trip. The President will not be visiting prison camps but rather reaching out beyond the Beijing leadership to meet with ordinary Chinese who are affecting and shaping the change that is currently developing within China—including students, lawyers, religious leaders, young entrepreneurs, artisans, etc.

Will the President meet with Martin Lee?

- Yes. The President will meet with representatives of the parties whose candidates were directly elected to Hong Kong's Legislative Council in last month's elections, as a statement of his support for and interest in Hong Kong's democratic development. The meeting also will include representatives of other Hong Kong institutions crucial to protection of civil liberties and rule of law. He will meet privately with Martin Lee after this meeting.

Will the President raise the issue of Tibet during his trip? Will he speak about it publicly?

- I am sure the President will raise his concerns about the preservation of Tibet's unique cultural, religious, and linguistic heritage during his visit. I am not going to speculate on what specific subjects the President will and will not discuss in his public statements.

What did you think of the concert this weekend?

- While we do not agree with all that was said this weekend, I thought it represented the best part of America. People from all over the country gathering peacefully to express their views and opinions—that is what makes America strong and vibrant and the type of experience that I hope the people of China can someday enjoy.

Will the President raise the issue of Johnny Chung and campaign finance?

- As you know we have raised the issue of campaign fundraising abuses and whether China played a role is an issue I expect to raised in the context of the Summit.

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PROLIFERATION

The Washington Times reported yesterday that, White House claims to the contrary, China is assisting Iran and Libya on missiles. What's your reaction?

- We have been concerned for some time about Iranian efforts to acquire missile technology. We have been actively engaged at the highest levels to stem any foreign involvement in Iran's programs.
- We strongly oppose any missile cooperation with Iran. We have repeatedly made clear to China at senior levels our concerns about reports of Chinese exports of missile-related equipment and technology to Iran, and will continue to do so.
- In October 1994, China committed not to export MCTR-class ground-to-ground missiles. We have no reason to believe China has engaged in activities inconsistent with that commitment.
- However, China's continued exports of missile-related equipment suggest that at a minimum, China does not interpret its MCTR commitments as narrowly as the United States.
- Engaging China on nonproliferation has been a top priority of the Administration for several years. Over time, these efforts have led China to expand its international nonproliferation commitments and tighten up on their enforcement. In particular, China has made key progress in the imposition and enforcement of controls on nuclear-related technologies.
- However, we still have important concerns about China's missile-related exports, and will continue to work with China to bring its missile policies and practices better in line with international norms.

What is your reaction to the Washington Post report that the U.S. and China will exchange retargeting pledges at the Summit?

- The United States is engaging the Chinese in a strategic dialogue to strengthen our relationship. In this context, we are seeking to enlarge common ground between us on a wide range of regional and global issues.
- The U.S. remains interested in exchanging pledges with China that our two countries will not target each other with nuclear weapons. The subject remains under discussion.
- We believe that a reciprocal agreement not to target each other with nuclear weapons would be an important step that would send a positive message to the citizens of our two countries.

Will the President raise the issue of Chinese stealing American technology?

- The President will certainly make proliferation a centerpiece of the summit and will discuss the importance of maintaining strict controls and safeguards on all technology that could contribute to regional arms races or instability.

TRADE

Will the debate on MFN be more difficult given the current controversy regarding satellites?

- MFN is critical to our ability to engage China. U.S. interests are best served by a secure, stable and open China. The manner in which we engage China will help determine whether it becomes more open, or whether it becomes more isolated and unpredictable.
- This vote must be about how best to promote U.S. interests. Extending to China the same normal trade treatment we give to virtually every nation on earth will help further integrate China – and promote the interests of the American people. Revoking MFN would rupture our relationship and jeopardize our political and economic security.

What is the status of negotiations on China's accession to WTO? Will there be an agreement reached before the President's trip?

- We continue our negotiations with the Chinese on their accession to the WTO. We are looking to make as much progress as possible, especially on market access issues – tariffs, non-tariff measures, and services. We have no deadline; we want to see China a member of the WTO at the earliest possible date, but its accession must be on a commercially sound basis. I do not expect negotiations to be completed by the time of the President's visit.

CONGRESSIONAL

Do you think that Congress has rejected your policy of engagement, given some of the recent actions they have taken?

- Recent events demonstrate that having a productive relationship with China is more important than ever. The stakes are enormous. China has the potential to assist or obstruct U.S. objectives. Engagement is producing tangible results:
- China and the United States agree on the dangers caused by this testing. China condemned India's nuclear testing and urged restraint in Pakistan. China is hosting a P5 meeting in Geneva tomorrow to address South Asian security concerns. China's role critical to preventing arms race and lessening chance of conflict.
- China has responded responsibly to Asia's financial turmoil. China has maintained the value of its currency, despite pressures to devalue -- which would likely set off a new round of competitive devaluation in the region, destroying its fragile stability
- China continues to play a constructive role in easing tensions and moving peace talks forward on the Korean Peninsula.
- China and Taiwan have resumed cross strait contacts, and will resume talks at senior level later this year. Tensions at lowest in three years, no threatening military exercises.

But do you really think that China is living up to its agreements?

- China's adherence to international norms advances the interests of the American people.
- On nonproliferation, China has joined us in the NPT, CTBT, and CWC regimes, committed to no new nuclear assistance to Iran, joined a major international nuclear suppliers group, the Zangger Committee, and put into place comprehensive nuclear export controls.
- We have a strong bilateral program to combat alien smuggling, narcotics trafficking and terrorism, and are working with China to meet environmental challenges.
- Negotiations continue on China's acceptance of WTO standards that are critical to greater access for U.S. goods and services. MFN extension supports our efforts to draw China more fully into the global economy and builds cooperation in important areas.

CHINA SATELLITE

Did licensing the launch of U.S. commercial satellites by China result in a transfer of technology that threatens U.S. security?

- None of the satellite licenses or waivers authorizes the transfer of sensitive missile technology to China. All are for commercial satellites. The licenses are subject to careful inter-agency scrutiny by the Department of Defense, the Department of State, the Arms Control and Disarmament Agency and the Department of Commerce and are subject to strict controls and safeguards.

Isn't it true that the waiver granted to Loral this February was granted over the opposition of Justice and compromised U.S. national security?

- Not true. The President did not "overrule" or "ignore" anyone's views, nor has granting the license compromised U.S. national security.
- When the State Department recommended a waiver for a Loral satellite in 1998, it noted that an investigation of Loral was under way. We therefore took the added step of asking Justice for its views on the request. Justice raised concerns about the potential impact of the waiver on its ability to persuade a jury to convict Loral in the event that the incident is found to warrant prosecution.
- The President weighed the Justice Department's views carefully against factors which supported a waiver. The State Department recommended that the waiver would be in the national interest, and State and the Department of Defense found that the license contained the safeguards necessary to protect the national security. The licensing request was for a commercial satellite export, not for the kind of activity for which Loral was being investigated. The State Department has a long-standing practice of not presumptively

barring from a license companies under investigation as opposed to indictment. In balancing all these factors, the President decided to approve the waiver.

- The process was transparent and open. Agencies responsible for our national security reviewed and supported the request, we took the additional step of asking Justice for its views. These considerations were reflected in a memorandum for my decision.

But didn't the President overrule Secretary Christopher when he opposed the 1996 transfer of licensing jurisdiction for commercial satellites to the Commerce Department?

- No. The State Department initially opposed the 1996 transfer of jurisdiction to the Commerce Department. However, we then took specific steps to deal with its concerns. These additional safeguards resulted in State supporting the transfer of jurisdiction to the Commerce Department for commercial communications satellites. Secretary Christopher confirmed this in a recent Los Angeles Times editorial.
- Under the approach adopted, Defense, State and ACDA review all commercial satellite license applications to ensure they are consistent with national security. If any agency disagrees with a proposed license, it can block the license and put the issue into a dispute resolution process that can ultimately rise to me.
- Also, let's be clear that this 1996 decision regarding transfer of licensing jurisdiction is a separate issue from the 1998 Loral waiver decision. Indeed, the Loral waiver involved a State Department license for technology associated with the satellite export.

How do you respond to allegations that Loral's campaign contributions influenced the President's decision to grant it export waivers and also influenced the decision to transfer licensing jurisdiction from State to Commerce?

- There is absolutely no connection between any campaign contributions and U.S. foreign policy. There is no evidence of such a connection. It simply did not occur.
- The Loral waiver was recommended by State as in our national interest. The President followed State's recommendation.
- The policy of licensing U.S. commercial satellites to be launched by Chinese rockets is bipartisan and pre-dates my Administration. It was instituted by President Reagan and further implemented by the Bush Administration. The Bush Administration approved three waivers over three years for nine U.S. satellites to be launched from China, I have approved ten waivers over five years covering eleven satellite programs.
- Every waiver approved was based on a recommendation from the State Department or the Commerce Department. Each license under these waivers was approved after careful interagency review that included State, Defense and ACDA. And the process begins from the bottom-up, with a company making a request for a license to the relevant agency which

then seeks approval from the other agencies. Only then will a recommendation go to the President.

But it appears that your decision on the February licensing request by Loral was based on political pressure from one of the Democrats largest campaign donors.

- Loral's request for a prompt response to its 1998 licensing request had no effect on the President's decision or any impact on national security.
- American companies that need U.S. government approvals for business transactions should be able to expect a prompt response, especially if they are operating under a specific deadline. They are not entitled to a positive response, but they do deserve a timely one.
- In the case of the 1998 Loral request, my staff was aware of a deadline with important commercial implications and tried to be responsive. But the decision whether or not to grant the waiver was based on the judgments of the agencies involved in reviewing the license and recommending the waiver. In fact, my decision came after the deadlines identified by the company had passed, because we took the time to make an informed, judicious decision.

What about the McDonnell-Douglas case -- didn't they transfer sophisticated machine tools to China that were diverted to a facility that produces military aircraft and missiles?

- In fact, the McDonnell Douglas case is a good example of our export control system working with national security as its touchstone. In September 1994, the Administration approved the export to China by McDonnell Douglas of machine tools, to make parts for civilian aircraft to be built in China. The licenses were approved after careful interagency review -- including by the Departments of Defense, State, Energy and the Arms Control and Disarmament Agency.
- To prevent the equipment from being diverted from its intended use, the reviewing agencies added stringent conditions to the licenses. These included quarterly inspection reports by MD to monitor the equipment and detect unauthorized use. In preparing its first report in March 1995, the company discovered that the machine tools had been moved without authorization, six to an aircraft production facility in Nanchang that produces both civilian and military aircraft. Only one of the machines in Nanchang -- a large hydraulic tool -- was uncrated, but it had not been rendered operational.
- MD promptly informed Commerce and Defense. Commerce immediately began to work with MD and the Chinese government to secure the equipment. All the machine tools were secured and returned to an authorized location monitored by MD, where they remain today.
- Commerce Department investigators developed sufficient evidence to refer the case to the Department of Justice for a criminal investigation. The investigation is under the leadership of the Department of Justice, with the participation of Commerce and Customs enforcement agents. The matter also was the subject of a detailed report to Congress in November 1996 by the United States General Accounting Office.

Where there's smoke, there's fire: in the last couple of weeks, there have been multiple stories citing numerous cases of our export control system becoming a sieve under your watch -- China satellites, McDonnell Douglas, Supercomputers, furnaces to China. Hasn't the system gotten more lax, and isn't this a result of Ron Brown "dollar diplomacy" trumping national security interests?

- Just the opposite. If anything, we've made the export control system stronger, both in terms of protecting our national security and making the license review process more efficient and effective.
- In 1995, by Executive Order, the President *expanded* the right of Defense, State, Energy and ACDA to fully take part in the Commerce Department's licensing process. Previously, these agencies reviewed only certain dual-use applications (i.e. licenses for commercial technology that could have a military application). As a result of the EO, they now have the right to review *every* dual-use application.
- At the same time, we continued a process begun under the Bush Administration and supported by both parties in both houses of Congress to move essentially commercial license applications to the Commerce Department, which has tighter deadlines and greater transparency -- but also stringent national security controls, including the obligation to secure the approval of Defense, State, Energy and ACDA on dual-use applications. If any of these agencies object to the license, they can block it and put the issue into a dispute resolution process that ultimately rises to me.
- This move reflected the reality that the Cold war was over and that our companies were being disadvantaged in their competition with foreign companies, which do not face the same export control restrictions. I would also point out that our national security benefits from the ability of our high tech firms to export around the world. These companies give our military its information and technological edge, but need the profits they generate from exports to fund their R&D.
- As to the cases you cite -- several of which were exhaustively reported on months and even years ago -- we should let the facts catch up with the emotional and erroneous charges that have been made.

PLA USE OF U.S.-SUPPLIED COMMUNICATIONS SATELLITES

- I'm not going to confirm or deny whether the Chinese military is using U.S.-manufactured communications satellites for internal military communications.
- Public discussion of this question could damage national security and intelligence capabilities.
- Of course, as a technical matter, the satellites can be used by any sector of Chinese society, including the PLA.

- In licensing these satellites, we take into consideration the technical fact that they could be used by the PLA.
- As a matter of general policy, we would not license a commercial satellite to the PLA itself because of our broad restrictions on exporting any commodities to the PLA, but we do not consider potential PLA use of the satellites to pose a national security concern.
- It is quite common for military organizations to use civilian communications satellites for internal military communications. This is not a national security concern.
- As a consequence, there are no restrictions in the satellite licenses issued by the Reagan, Bush, and Clinton administrations to China or any other country that prohibit military use of the satellites.
- In our judgement, PLA use of the satellites would not contribute any significant military advantage to China.
- Because these are civilian communications satellites, they don't offer the technical and security features of military communications satellites. We do not license export of military communications satellites to China.
- As a consequence, military organizations, including the PLA, gain no particular security advantage from using civilian communications satellites for their communications.

FAMILY PLANNING PRACTICES

COSCO

Background for the Briefer ONLY: On 26 May, the Navy signed a Record of Decision (ROD) regarding the transfer of the BRAC-closed Long Beach Naval Complex property to the city of Long Beach. Although not the final step (the Navy must complete a "Lease in Furtherance of Conveyance" or LJFOC), the ROD is the principal step towards handing-over this property.

On 27 May, Mayor O'Neill wrote the President requesting a waiver for a port lease to COSCO. Mayor Beverly O'Neill wrote the President requesting he waive the prohibition contained in , section 2826 of the National Defense Authorization Act for FY-98, which prohibits the transfer or lease of property at the closed Long Beach Naval Station to the China Ocean Shipping Company (COSCO). Per the statute, the President cannot exercise the waiver authority until he has received separate reports from the Secretary of Defense and the Director of the FBI on national security implications of a conveyance to COSCO and determined that appropriate action has been taken to address any national security risk identified in the reports. Although the statute called for the reports not later than 30 days after the date of enactment of the Act (November 18, 1997), only the FBI report has been submitted. If the

President were to exercise this waiver authority, it would go into effect 30 days after the President notifies Congress regarding his determinations under the Act. Anxious over pending FY-99 amendments (both House and Senate) that would deny the President waiver authority for such a lease, the Mayor seeks quick action from the White House.

We understand that the DOD report is awaiting General Counsel review and signature by the Secretary. The FBI report was released by the Justice Department on June 4th.

In order to exercise this waiver authority, the President must first determine that "(A) appropriate action has been taken to address any increased national security risk identified [in the reports from DoD and FBI] . . . ; and (B) the conveyance would not adversely affect national security or significantly increase the counter-intelligence burden on the intelligence community."

Why is the White House involved with COSCO and the City of Long Beach?

- The prohibition contained in section 2826 of the National Defense Authorization Act for FY-98 requires a Presidential waiver in order to allow conveyance (by sale, lease, or other method) of any portion of the closed Naval complex to COSCO.

Will the President grant a waiver to COSCO?

- Mayor Beverly O'Neil of Long Beach has written to the President to request that he exercise his waiver authority under section 2826 of the National Defense Authorization Act for FY-98 to allow the lease of a portion of the closed Long Beach Naval complex to the China Ocean Shipping Company, COSCO. Per the statute, the President's consideration of a waiver cannot be undertaken until he receives required reports from both the Secretary of Defense and the Director of the FBI on the national security implications of a COSCO lease. To date, only the FBI report has been received by the President.
- [IF PRESSED] The Defense Department is in the process of reviewing the report contents to ensure that they fully assess the national security implications of COSCO's past and present operations. It is expected shortly.

MFN

Why renew MFN?

- MFN is critical to our ability to engage China. U.S. interests are best served by a secure, stable and open China. The manner in which we engage China will help determine whether it becomes more open, or whether it becomes more isolated and unpredictable.
- This vote must be about how best to promote U.S. interests. Extending to China the same normal trade treatment we give to virtually every nation on earth will help further integrate

China – and promote the interests of the American people. Revoking MFN would rupture our relationship and jeopardize our political and economic security.

What are the economic stakes of MFN?

- An estimated 170,000 U.S. jobs depend on exports to China. Those exports have more than tripled over the past decade, to \$12.8 billion., and China is now our fifth largest trading partner.
- Revocation would derail the talks on China's entry into the WTO, under which China would reduce its trade barriers substantially, creating new export opportunities for U.S. companies and workers.
- Revocation would invite retaliation against U.S. exporters and investors. Revocation would also hurt U.S. consumers, who could pay upwards of half a billion dollars more in a single year because of higher tariffs on such products as shoes and clothing.

Doesn't MFN undercut movement on human rights?

- Engagement does not mean endorsement. The Administration has consistently pressed its human rights concerns with China, including President Clinton's direct statements to the world at the October summit, in the presence of China's President.
- Our strategy is showing results. China has released dissidents Wei Jingsheng and Wang Dan; signed the International Covenant on Economic, Social and Cultural Rights and committed to signing the Covenant on Civil and Political Rights.
- Normal trade and continued economic engagement continues the process of opening China, exposing Chinese to our politics, ideas, economy and personal freedoms. Revoking normal trade status will diminish these ties and play into the hands of those in China who want less openness.

Doesn't MFN undercut religious freedom?

- Revocation would also set back the cause of expanding religious freedom in China. China has received our religious leaders delegation, expanding the dialogue on this key issue.
- Revoking MFN would close doors to U.S. religious groups and others that seek to promote religious freedom in China through educational, cultural and other exchanges. It would also make it more difficult to pursue the cases of imprisoned religious leaders.

Is MFN important to Hong Kong and Taiwan?

- Hong Kong is the gateway of trade between the U.S. and China. Because of this close linkage, revocation of MFN for China would seriously weaken the People of Hong Kong by slashing its trade, eliminating tens of thousands of jobs, cutting economic growth and income sharply. That's why Hong Kong leaders across the political spectrum favor renewal of MFN for China.
- Although revocation of MFN for China would not directly affect our trade with Taiwan, it would damage Taiwan's economy, with \$20-30 billion invested in the mainland. Taiwan's economic viability is in the interest of the American people.

Asia
June 16, 1998

Japan

Q: What did the President talk to Hashimoto about?

A: The President reiterated his concern about the Asia crisis generally and the state of the Japanese economy in particular. He stressed to the Prime Minister that Japan has a critical role to play in helping to restore financial stability in Asia, by stimulating domestic growth, strengthening its financial system, deregulating and opening its markets.

Policies to help restart Japan's economic growth are essential to reestablishing the confidence that is needed. We welcomed the Government of Japan's fiscal stimulus package and have urged rapid implementation of its components. The President made clear that it is also critical for the GOJ to quickly resolve the banking system's bad debt problem and to move decisively on deregulation and opening of Japan's markets.

Q: Did the President dispatch a mission to the region?

A: The President and the Prime Minister agreed that Deputy Secretary Summers and Deputy Secretary Talbot would travel to Japan to meet with their counterparts in Tokyo. We are still developing the timing and nature of those meetings with the GOJ.

Q: Are you concerned that the crisis in Asia may be deepening?

A: Our economy is the strongest in the world, but the crisis in Asia does pose a threat to American jobs and exports. We have already seen evidence that weaknesses in economies there are having an impact here -- cutting into our ability to export goods to the region and increasing our trade deficit.

To make sure that our economy continues on a path of steady growth, Congress must step up to the plate and make sure that the IMF is strong enough to respond to any broadening of the current crisis. We should not take risks with the funds that the IMF needs to help stabilize the world economy. And because the IMF functions like an international credit union, paying our share won't cost American taxpayers a dime.

 Elizabeth R. Newman
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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

June 11, 1998

REMARKS BY THE PRESIDENT ON U.S.-CHINA RELATIONS IN THE 21ST CENTURY

National Geographic Society
Washington, D.C.

10:32 A.M. EDT

THE PRESIDENT: Thank you very much, President Fahey. I don't know what to say about starting the day with this apparition. (Laughter.) But it's probably good practice for our line of work. (Laughter.) I try to read every issue of the National Geographic, and I will certainly look forward to that one.

Chairman Grosvenor, members of Congress, members of the administration, and members of previous administrations who are here and others who care about the national security and national interests of the United States. First let me, once again, thank the National Geographic Society for its hospitality, and for the very important work that has done for so long now.

As all of you know, I will go to China in two weeks time. It will be the first state visit by an American President this decade. I'm going because I think it's the right thing to do for our country. Today I want to talk with you about our relationship with China and how it fits into our broader concerns for the world of the 21st century and our concerns, in particular, for developments in Asia. That relationship will in large measure help to determine whether the new century is one of security, peace, and prosperity for the American people.

Let me say that, all of you know the dimensions, but I think it is worth repeating a few of the facts about China. It is already the world's most populous nation; it will increase by the size of America's current population every 20 years. Its vast territory borders 15 countries. It has one of the fastest growing economies on Earth. It holds a permanent seat on the National Security Council of the United Nations. Over the past 25 years, it has entered a period of profound change, emerging from isolation, turning a closed economy into an engine for growth, increasing cooperation with the rest of the world, raising the standard of living for hundreds of millions

of its citizens.

The role China chooses to play in preventing the spread of weapons of mass destruction are encouraging it in combatting or ignoring international crime and drug trafficking; in protecting or degrading the environment; in tearing down or building up trade barriers; in respecting or abusing human rights; in resolving difficult situations in Asia from the Indian subcontinent to the Korean Peninsula or aggravating them. The role China chooses to play will powerfully shape the next century.

A stable, open, prosperous China that assumes its responsibilities for building a more peaceful world is clearly and profoundly in our interests. On that point all Americans agree. But as we all know, there is serious disagreement over how best to encourage the emergence of that kind of China, and how to handle our differences, especially over human rights, in the meantime.

Some Americans believe we should try to isolate and contain China because of its undemocratic system and human rights violation, and in order to retard its capacity to become America's next great enemy. Some believe increased commercial dealings alone will inevitably lead to a more open, more democratic China.

We have chosen a different course that I believe to be both principled and pragmatic: expanding our areas of cooperation with China while dealing forthrightly with our differences. This policy is supported by our key democratic allies in Asia, Japan, South Korea, Australia, Thailand, the Philippines. It has recently been publicly endorsed by a number of distinguished religious leaders, including Reverend Billy Graham and the Dalai Lama. My trip has been recently supported by political opponents of the current Chinese government, including most recently, Wang Dan.

There is a reason for this. Seeking to isolate China is clearly unworkable. Even our friends and allies around the world do not support us -- or would not support us in that. We would succeed instead in isolating ourselves and our own policy.

Most important, choosing isolation over engagement would not make the world safer. It would make it more dangerous. It would undermine rather than strengthen our efforts to foster stability in Asia. It would eliminate, not facilitate cooperation on issues relating to mass destruction. It would hinder, not help the cause of democracy and human rights in China. It would set back, not step up worldwide efforts to protect the environment. It would cut off, not open up one of the world's most important markets. It would encourage the Chinese to turn inward and to act in opposition to our interests and values.

Consider the areas that matter most to America's peace, prosperity and security, and ask yourselves, would our interests and ideals be better served by advancing our work with, or isolating ourselves from China.

First, think about our interests in a stable Asia, an interest that China shares. The nuclear threats -- excuse me -- the nuclear tests by India and Pakistan are a threat to the stability we seek. They risk a terrible outcome. A miscalculation between two adversaries with large armies would be bad. A miscalculation between two adversaries with nuclear weapons could be catastrophic. These tests were all the more unfortunate because they divert precious resources from countries with unlimited potential.

India is a very great nation, soon to be not only the world's most populous democracy, but its most populous country. It is home to the world's largest middle class already and a remarkable culture that taught the modern world the power of nonviolence. For 50 years Pakistan has been a vibrant Islamic state, and is today a robust democracy. It is important for the world to recognize the remarkable contributions both these countries have made and will continue to make to the community of nations if they can proceed along the path of peace.

It is important for the world to recognize that both India and Pakistan have security concerns that are legitimate. But it is equally important for India and Pakistan to recognize that developing weapons of mass destruction is the wrong way to define their greatness, to protect their security, or to advance their concerns.

I believe that we now have a self-defeating, dangerous, and costly course underway. I believe that this course, if continued, not moderated and ultimately changed, will make both the people of India and the people of Pakistan poorer, not richer, and less, not more, secure. Resolving this requires us to cooperate with China.

Last week, China chaired a meeting of the permanent members of the U.N. Security Council to forge a common strategy for moving India and Pakistan back from the nuclear arms race edge. It has condemned both countries for conducting nuclear tests. It has joined us in urging them to conduct no more tests, to sign the Comprehensive Test Ban Treaty, to avoid deploying or testing missiles, to tone down the rhetoric, to work to resolve their differences including over Kashmir through dialogue. Because of its history with both countries, China must be a part of any ultimate resolution of this matter.

On the Korean Peninsula, China has become a force for peace and stability, helping us to convince North Korea to freeze its dangerous nuclear program, playing a constructive role in the four-party peace talks. And China has been a helpful partner in international efforts to stabilize the Asian financial crisis. In resisting the temptation to devalue its currency, China has seen that its own interests lie in preventing another round of competitive devaluations that would have severely damaged prospects for regional recovery. It has also contributed to the rescue packages for affected economies.

Now, for each of these problems we should ask ourselves, are we better off working with China or without it? When I travel to China this month, I will work with President Jiang to advance our Asian security agenda, keeping the pressure on India and Pakistan to curb their nuclear arms race and to commence a dialogue; using the strength of our economies and our influence to bolster Asian economies battered by the economic crisis; and discussing steps we can take to advance peace and security on the Korean Peninsula. I will encourage President Jiang to pursue the cross-strait discussion the PRC recently resumed with Taiwan, and where we have already seen a reduction in tensions.

Second, stopping the spread of nuclear, chemical and biological weapons is clearly one of our most urgent security challenges. As a nuclear power with increasingly sophisticated industrial and technological capabilities, China can choose either to be a part of the problem or a part of the solution.

For years, China stood outside the international arms control regime. In the last decade it has joined the Nuclear Nonproliferation Treaty, the Chemical Weapons Convention, the Biological Weapons Convention, and the Comprehensive Test Ban Treaty, each with clear rules, reporting requirements and inspection systems. In the past, China has been a major exporter of sophisticated weapons-related technologies. That is why in virtually all our high-level contacts with China's leadership, and in my summit meeting with President Jiang last October, nonproliferation has been high on the agenda.

Had we been trying to isolate China rather than work with it, would China have agreed to stop assistance to Iran for its nuclear program? To terminate its assistance to unsafeguarded nuclear facilities such as those in Pakistan? To tighten its export control system, to sell no more anti-ship cruise missiles to Iran? These vital decisions were all in our interest, and they clearly were the fruit of our engagement.

I will continue to press China on proliferation. I will seek stronger controls on the sale of missiles, missile technology, dual-use products, and chemical and biological weapons. I will argue that it is in China's interest, because the spread of weapons and technologies would increasingly destabilize areas near China's own borders.

Third, the United States has a profound stake in combatting international organized crime and drug trafficking. International criminal syndicates threaten to undermine confidence in new but fragile market democracies. They bilk people out of billions of dollars and bring violence and despair to our schools and neighborhoods. These are problems from which none of us are isolated and which, as I said at the United Nations a few days ago, no nation is so big it can fight alone.

With a land mass spanning from Russia in the north to Vietnam and Thailand in the south, from India and

Pakistan in the west to Korea and Japan in the east, China has become a transshipment point for drugs and the proceeds of illegal activities. Last month a special liaison group that President Jiang and I established brought together leading Chinese and American law enforcement officials to step up our cooperation against organized crime, alien smuggling, and counterfeiting.

Next month the Drug Enforcement Agency of the United States will open an office in Beijing. Here, too, pursuing practical cooperation with China is making a difference for America's future.

Fourth, China and the United States share the same global environment, an interest in preserving it for this and future generations. China is experiencing an environmental crisis perhaps greater than any other nation in history at a comparable stage of its development. Every substantial body of water in China is polluted. In many places, water is in short supply. Respiratory illness is the number one health problem for China's people because of air pollution.

Early in the next century, China will surpass the United States as the world's largest emitter of greenhouse gases, which are dangerously warming our planet. This matters profoundly to the American people, because what comes out of a smokestack or goes into a river in China can do grievous harm beyond its borders. It is a fool's errand to believe that we can deal with our present and future global environmental challenges without strong cooperation with China.

A year ago, the Vice President launched a dialogue with the Chinese on the environment to help them pursue growth and protect the environment at the same time. I have to tell you that this is one of the central challenges we face -- convincing all developing nations, but especially China, and other very large ones, that it is actually possible to grow their economies in the 21st century without following the pattern of energy use and environmental damages that characterize economic growth in this century. And we need all the help we can to make that case.

In Beijing, I will explore with President Jiang how American clean energy technology can help to improve air quality and bring electricity to more of China's rural residents. We will discuss innovative tools for financing clean energy development that were established under the Kyoto climate change agreement.

Fifth, America clearly benefits from an increasingly free, fair and open global trading system. Over the past six years, trade has generated more than one-third of the remarkable economic growth we have enjoyed. If we are to continue generating 20 percent of the world's wealth with just four percent of its population, we must continue to trade with the other 96 percent of the people with whom we share this small planet.

One in every four people is Chinese. And China boasts a growth rate that has averaged 10 percent for the past 20 years. Over the next 20 years, it is projected that the developing economies will grow at three times the rate of the already developed economies. It is manifestly, therefore, in our interest to bring the Chinese people more and more fully into the global trading system to get the benefits and share the responsibilities of emerging economic prosperity.

Already China is one of the fastest growing markets for our goods and services. As we look into the next century, it will clearly support hundreds of thousands of jobs all across our country. But access to China's markets also remains restricted for many of our companies and products. What is the best way to level the playing field? We could erect trade barriers. We could deny China the normal trading status we give to so many other countries with whom we have significant disagreements. But that would only penalize our consumers, invite retaliation from China on \$13 billion in United States exports, and create a self-defeating cycle of protectionism that the world has seen before.

Or we can continue to press China to open its markets -- its goods markets, its services markets, its agricultural markets -- as it engages in sweeping economic reform. We can work toward China's admission to the WTO on commercially meaningful terms, where it will be subject to international rules of free and fair trade. And we can renew normal trade treatment for China, as every President has done since 1980, strengthening

instead of undermining our economic relationship.

In each of these crucial areas, working with China is the best way to advance our interests. But we also know that how China evolves inside its borders will influence how it acts beyond them. We, therefore, have a profound interest in encouraging China to embrace the ideals upon which our nation was founded and which have now been universally embraced -- the right to life, liberty and the pursuit of happiness; to debate, dissent, associate and worship without state interference. These ideas are now the birthright of people everywhere, a part of the Universal Declaration of Human Rights. They are part of the fabric of all truly free societies.

We have a fundamental difference with China's leadership over this. The question we Americans must answer is not whether we support human rights in China -- surely, all of us do -- but, rather, what is the best way to advance them. By integrating China into the community of nations and the global economy, helping its leadership understand that greater freedom profoundly serves China's interests, and standing up for our principles, we can most effectively serve the cause of democracy and human rights within China.

Over time, the more we bring China into the world the more the world will bring freedom to China. China's remarkable economic growth is making China more and more dependent on other nations for investment, for markets, for energy, for ideas. These ties increase the need for the stronger rule of law, openness, and accountability. And they carry with them powerful agents of change -- fax machines and photocopiers, computers and the Internet. Over the past decade the number of mobile phones has jumped from 50,000 to more than 13 million in China, and China is heading from about 400,000 Internet accounts last year to more than 20 million early in the next century. Already, one in five residents in Beijing has access to satellite transmissions. Some of the American satellites China sends into space beam CNN and other independent sources of news and ideas into China.

The licensing of American commercial satellite launches on Chinese rockets was approved by President Reagan, begun by President Bush, continued under my administration, for the simple reason that the demand for American satellites far out-strips America's launch capacity, and because others, including Russian and European nations, can do this job at much less cost.

It is important for every American to understand that there are strict safeguards, including a Department of Defense plan for each launch, to prevent any assistance to China's missile programs. Licensing these launches allows us to meet the demand for American satellites and helps people on every continent share ideas, information, and images, through television, cell phones, and pagers. In the case of China, the policy also furthers our efforts to stop the spread of missile technology by providing China incentives to observe nonproliferation agreements. This policy clearly has served our national interests.

Over time, I believe China's leaders must accept freedom's progress because China can only reach its full potential if its people are free to reach theirs.

In the Information Age, the wealth of any nation, including China, lies in its people -- in their capacity to create, to communicate, to innovate. The Chinese people must have the freedom to speak, to publish, to associate, to worship without fear of reprisal. Only then will China reach its full potential for growth and greatness.

I have told President Jiang that when it comes to human rights and religious freedom, China remains on the wrong side of history. Unlike some, I do not believe increased commercial dealings alone will inevitably lead to greater openness and freedom. We must work to speed history's course. Complacency or silence would run counter to everything we stand for as Americans. It would deny those fighting for human rights and religious freedom inside China the outside support that is a source of strength and comfort. Indeed, one of the most important benefits of our engagement with China is that it gives us an effective means to urge China's leaders publicly and privately to change course.

Our message remains strong and constant: Do not arrest people for their political beliefs. Release those

who are in jail for that reason. Renounce coercive population control practices. Resume your dialogue with the Dalai Lama. Allow people to worship when, where, and how they choose. And recognize that our relationship simply cannot reach its full potential so long as Chinese people are denied fundamental human rights.

In support of that message, we are strengthening Radio Free Asia. We are working with China to expand the rule of law and civil society programs in China so that rights already on the books there can become rights in reality.

This principled, pragmatic approach has produced significant results, although still far from enough. Over the past year, China has released from jail two prominent dissidents -- Wei Jingsheng and Wang Dan -- and Catholic Bishop Zeng. It announced its intention to sign the International Covenant on Civil and Political Rights, which will subject China's human rights practices to regular scrutiny by independent international observers. President Jiang received a delegation of prominent American religious leaders and invited them to visit Tibet.

Seeking to isolate China will not free one more political dissident, will not open one more church to those who wish to worship, will do nothing to encourage China to live by the laws it has written. Instead, it will limit our ability to advance human rights and religious and political freedom.

When I travel to China I will take part in an official greeting ceremony in front of the Great Hall of the People, across from Tiananmen Square. I will do so because that is where the Chinese government receives visiting heads of state and government, including President Chirac of France and, most recently, Prime Minister Netanyahu of Israel. Some have suggested I should refuse to take part in this traditional ceremony, that somehow going there would absolve the Chinese government of its responsibility for the terrible killings at Tiananmen Square nine years ago, or indicate that America is no longer concerned about such conduct. They are wrong.

Protocol and honoring a nation's traditional practices should not be confused with principle. China's leaders, as I have repeatedly said, can only move beyond the events of June 1989, when they recognize the reality that what the government did was wrong. Sooner or later they must do that. And, perhaps even more important, they must change course on this fundamentally important issue.

In my meetings with President Jiang and other Chinese leaders, and in my discussions with the Chinese people I will press ahead on human rights and religious freedom, urging that China follow through on its intention to sign the Covenant on Civil and Political Rights, that it release more individuals in prison for expressing their opinions, that it take concrete steps to preserve Tibet's cultural, linguistic, and religious heritage.

We do not ignore the value of symbols. But, in the end, if the choice is between making a symbolic point and making a real difference, I choose to make the difference. And when it comes to advancing human rights and religious freedom, dealing directly and speaking honestly to the Chinese is clearly the best way to make a difference.

China has known more millennia than the United States has known centuries. But for more than 220 years, we have been conducting a great experiment in democracy. We must never lose confidence in the power of American experience or the strength of our example. The more we share our ideas with the world, the more the world will come to share the ideals that animate America. And they will become the aspirations of people everywhere.

I should also say we should never lose sight of the fact that we have never succeeded in perfectly realizing our ideals here at home. That calls for a little bit of humility and continued efforts on our part on the home front.

China will choose its own destiny, but we can influence that choice by making the right choice ourselves -- working with China where we can, dealing directly with our differences where we must. Bringing China into the community of nations rather than trying to shut it out is plainly the best way to advance both our interests and our values. It is the best way to encourage China to follow the path of stability, openness, nonaggression, to

embrace free markets, political pluralism, the rule of law; to join us in building a stable international order where free people can make the most of their lives and give vent to their children's dreams.

That kind of China, rather than one turned inward and confrontational, is profoundly in our interests. That kind of China can help to shape a 21st century that is the most peaceful and prosperous era the world has ever known.

Thank you very much. (Applause.)

END 11:00 A.M. EDT

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

June 17, 1998

PRESS BRIEFING

BY

**TREASURY SECRETARY BOB RUBIN,
TREASURY SECRETARY BOB RUBIN, NATIONAL SECURITY
ADVISOR SANDY BERGER, AND
DIRECTOR OF THE NATIONAL ECONOMIC COUNCIL GENE SPERLING**

The Briefing Room

3:15 P.M. EDT

MR. LOCKHART: Hello, everybody. Oh, it's a packed house. As promised, the long-awaited briefing on our trip to China. The President's National Security Advisor Sandy Berger will start it off with a preview of the trip, a look at the schedule and at some of the goals that we hope to accomplish on the trip. We'll then hear from Treasury Secretary Rubin on some of the economic elements of the trip. And also the National Economic Council Advisor, Gene Sperling.

Sandy.

MR. BERGER: You'll notice that we delayed this briefing so that you cannot file until the market closes since we have Rubin here. (Laughter.)

Let me first try to put the trip in some perspective and then talk a bit about the agenda and then a bit about the itinerary. And then Secretary Rubin and Gene Sperling will discuss the economic and trade aspects of the trip.

Let me first try to, though, put the trip in some context. Since the beginning of this administration, the President has spoken of a number of fundamental strategic objectives that he has for defining America's role in the world in the next century, one of which is to build a strong bridge to Asia, and in particular to put the U.S.-China relationship on a more solid footing. And the reason for that is because the direction China takes over the next 10 years or 20 years will fundamentally and profoundly affect our interests, our children's future, stability in Asia, peace in the world.

Thus we have a fundamental interest in engagement with China, which does not necessarily mean that we endorse all about China or all of China's policies. Engagement is a vehicle, is a means to both expand the areas of our cooperation and to deal with the Chinese directly, face-to-face, about areas of difference.

I think one needs only to look at the events of the past month in Asia to see the importance of China and the importance of the U.S.-China relationship. With an escalation of tension in South Asia, clearly China, with its unique and complex relationship to both of those countries, is an indispensable part of a process of de-escalation and finding a way down the ladder of tension.

In Korea we have an extraordinary new president, Kim Dae Jong, who has reached out to the North and who seeks to accomplish a reconciliation between North and South, which could profoundly affect Asia. But, again, within the context of the four-party talks that we initiated a few years ago, China will play a very important role in that process.

And then, finally, in the context of the Asian financial crisis, the stability of China's currency, its ability to contribute both economically and financially to the situation in China and in Asia will be very important to the trajectory by which we work our way out of that crisis. So for all of these reasons, this is a very important relationship.

There are also, obviously, areas where we have serious and significant differences with China, such as in human rights, in some of their weapons transactions. But we have found that we have made more progress by looking them in the eye and telling them strongly and firmly what we believe their obligation is to the international community than by seeking to isolate them or seeking to isolate ourselves.

Now, let me talk about the five or six areas where we will concentrate in the meetings with President Jiang and with Premier Zhu Rongji, in particular.

One, is stability in Asia. As I mentioned before, China has been -- played a constructive role in the past several weeks in forging a consensus among the permanent five members of the Security Council on the steps that India and Pakistan must take to stop this escalation and move towards a situation of less tension. And we will be working with the Chinese to try to encourage both the Pakistanis and the Indians to take those steps.

On nonproliferation, I think this is an area where there's been quite remarkable progress in the past four or five years. We've seen China join the Nonproliferation Treaty. We have seen it stop nuclear testing and sign the Comprehensive Test Ban Treaty. Had they not, think about the situation in South Asia right now if China were not adhering to a test ban.

They have indicated and, in fact, complied with a commitment not to provide assistance to unsafeguarded nuclear facilities -- i.e., Pakistan. When President Jiang was here in October, they made a commitment not to provide support to the Iranian nuclear program. They've stopped their supply of anti-ship cruise missiles to Iran. They have indicated that they would adhere to MTCR with respect to missiles. These are all steps that have been the product of engagement and we would hope to continue this progress, particularly in the area of missiles and missile technology, and seek further steps by the Chinese to bring itself wholly in line with the international regimes.

On crime and drug trafficking, this has been an area of growing cooperation between our two countries. We have a DEA office opening in Beijing and have had a growing degree of cooperation in the law enforcement area and hope we will take further steps.

On the environment, Vice President Gore launched an initiative with the former premier, Li Peng, to help China deal with its really daunting environmental problems. It has probably the greatest environmental problems of any country in the world. I think I've said before the number one cause of death in China is from respiratory illnesses that are caused by pollution. And when you get to Beijing, which is a thriving, quite exciting city and you look up in the sky and you can see it looks like perhaps Los Angeles looked 10 years ago or Mexico City.

We will be engaging with the Chinese in a range of clean energy projects, which obviously benefit them and benefit us at the same time. And I'll let Secretary Rubin and Gene address the economic and trade issues.

Let me quickly just walk through the bare bones of the schedule so you can decide how many shirts to pack. We will leave on -- or blouses -- we will leave on Thursday -- I saw the glare.

A week from today, we'll have a 19-hour very pleasant plane right and arrive in Xian on Thursday evening. As most of you

know, Xian was China's capital -- ancient capital -- from 1100 B.C. to roughly 900 A.D., and once rivaled Rome and Constantinople as one of the great and most important cities in the world. It is the home of some of the great excavations of the terra cotta warriors, which we will visit.

We will also -- there will be an arrival ceremony there for the President that I think will be quite colorful. The President will make remarks to the people of Xian and we will tour a local village outside of Xian and speak with a cross-section of village people.

On Saturday, we will arrive in Beijing, there will be an arrival ceremony on the steps of the Great Hall -- on the steps and portico of the Great Hall of the People, which is next to Tiananmen Square. Then there will be a bilateral meeting between President Jiang and President Clinton, a working lunch with President Jiang, a meeting with Prime Minister Zhu Rongji, and at some point, a press availability. The President and President Jiang, presumably, together will have some remarks to the press.

On Sunday, the President will attend -- go to one of the larger churches in Beijing, the Chong Wen Men Church, a Protestant church. Afterwards, he will meet with a group of clerics. The issue of religious freedom has been an important one to the President; he'll be meeting this Thursday, tomorrow, with the three -- Rabbi Schneier and Bishop McCarrick, and Donald Argue, who the President sent as three representatives to China to talk to the Chinese about issues of religious freedom. They will be here tomorrow and this will be a chance to continue that effort.

He will also do some touring on Sunday afternoon, looking at the Forbidden City and the Great Wall, and then will have dinner with President and Mrs. Jiang.

On Monday, the President will give a major speech on the U.S.-China relationship at Beida or Beijing University, followed by a Q&A session with students and faculty. And then we'll leave for Shanghai.

In Shanghai on Tuesday, the President will have a roundtable discussion with a group of young entrepreneurs, some of whom have been featured in recent articles, who are obviously building a new economy in China, and that discussion will take place at the Shanghai Municipal Library, which is the largest library in the world and which is connected by Internet to the New York Public Library.

On Wednesday, there will be a number of events including a meeting with new homeowners in China. There is a program in China that seeks to encourage homeownership. We are assisting them with technical assistance in terms of creating a secondary mortgage market in China, and we will visit some folks that are involved in that.

On Thursday, we will start in Guilin, do an environmental event there with a group of environmentalists from China, and then take a boat ride down the famous Li River, before we head into Hong Kong, where we will have a reception with Hong Kong's Chief Executive, C.H. Tung. The following day the President will make a speech at the Convention Center, meet with political leaders, including Martin Lee. And we will be leaving late Friday night and arriving back on July 4th.

Q There's a news conference.

MR. BERGER: Oh, excuse me, press conference on Friday. You know the schedule better than I do.

SECRETARY RUBIN: Well, I'll comment briefly on some of the economic issues; Gene will pick up on trade.

Let me say the United States has an enormous stake in the economic well-being of China. China, if things go according to most people's expectations, will be the largest economy in the world some time in the first half of the next century. And as I said a moment ago, there's enormous benefit to us in terms of our trade relationship and otherwise in China being successful economically. In that respect, we have been very supportive of China, will continue to be as they make their transition to a market-based economy, and also very supportive of China as they integrate with the world economy.

With respect to the issues they face in going to a market-based economy, we will continue the discussions that we have had in many other fora with Chinese officials about the state-owned enterprises, the reform of that system, the issues around the financial sector, and the challenges they face with respect to their banking sector. It is very much our view that the key for China is to establish the basis for long-term growth, including good economic -- as they have been doing -- strong macroeconomic policy and strong reform and not be especially focused on growth in any given year. This year growth will presumably be somewhat less than had been expected because of conditions in the region.

All of those on our side, economic officials who have met with their economic officials, have come away consistently with being very impressed both with the extent to which and the sense in which their economic officials recognize the challenges that they face and with their commitment to transforming or moving to a market-based economy.

In terms of integrating with the world economy, Gene will cover trade. Sandy mentioned their importance with respect to the Asian financial crisis. We have been in touch with them, we've had discussions with them. I think they have played an absolutely critical role in maintaining their currency, which has been very much

in their interest as they've seen it, and I think correctly so, but they're doing so has also been an island of stability in an otherwise very difficult time.

Let me just conclude by saying that over the past two or three years we have developed regular interchange with Chinese economic officials and I think it's been a very useful thing. Treasury has regular interchange now with officials in the Ministry of Finance several times a week. We have the joint economic commission which met recently here in Washington; it meets once a year. We've had several meetings in China, and now we very much look forward to our meetings when we go with the President.

MR. SPERLING: Let me just say a couple words about our trade goals on the trip and over the next week or two. Clearly, open markets and expanding open markets has been one of the three cores of the President's economic agenda, and we feel it is strongly in our national interest to bring China into the global trading system -- not only because of the 400,000 and certainly exceedingly growing number of American jobs that would be dependent on exports to China and Hong Kong, but also because it is, as Sandy suggested, part of our belief that more open markets leads to a more open system, that brings in more free flow of ideas, more people traveling, more people interacting through companies, through e-mail, through the 4 million Chinese that by the year 2000 will be on the Internet. And that a withdrawal from this type of engagement would be harmful not only in terms of economic terms but in those who would like less openness for China.

The President will press during the meeting for China to open its markets, for good service in agricultural, as it engages in the sweeping economic reforms Bob mentioned. And we expect the President to discuss several trade issues, including the current negotiations on China's potential membership in the WTO.

Let me just say, at the moment we have had a team on the ground there led by Deputy USTR Richard Fisher, along with Bob Cassidy, and others. Charlene -- Ambassador Barshfsky is on her way and will arrive tomorrow for meetings with her counterpart, Minister Shi.

At this point I think it is fair to say that over the last couple of years there has been progress in some areas, including having independent judicial review of administrative actions, allowing our businesses to be able to bypass -- or commitment with WTO membership -- of a commitment of our firms' ability to bypass the government and deal directly with Chinese businesses and customers, and some significant progress in closing down pirated factories. In fact, they've closed down 64 factories that engage in pirated CDs or CD-ROMs.

All that said, there are still significant and at times very destructive barriers that are complex and confusing, including high tariffs that make it very difficult for our businesses and our

workers to have fair access and a fair shot at doing business. Again, we believe that this is -- more openness will be better for both economies. Some of the examples of where there are problems is that they still have average tariff rates on goods of 23 percent, though as Ambassador Barshefsky discusses with them, we'll be looking not just at the across-the-board tariff rate, but at the tariff rate of key areas such as autos and chemicals where the tariffs have been quite higher than that 23, even double that amount.

China's distribution system also is wanting in many ways, not allowing foreign firms to own and manage distribution networks, wholesaling outlets, or warehouses, and has recently issued a ban on direct selling that affects Revlon, Amway, others doing business there.

In agriculture, while we do have a surplus in our trade with China, U.S. farmers still face very high barriers, and despite our '92 agreement, still face nonscientific-based restrictions on U.S. wheat, citrus fruit exports.

I think as we go forward, we very much want to work with China to bring them into the WTO, but the ball is very much in their court. And as our position has always been, our standard will be whether commercially viable terms will be -- can be reached, and not those that are just politically convenient.

And again, as I said, Charlene arrives tomorrow, and so those talks will be going on not just -- on trade not just when the President arrives, but serious talk over the next several days.

Q Secretary Rubin, can we ask you about -- do you see today's intervention on behalf of Japan sort of like an emergency patch, the first perhaps of a number of efforts, a bail-out, or is this going to do it?

SECRETARY RUBIN: Well, Sam, I would say this. This is something we've been working on for the last few days and thinking through, and there were many paths we could have taken. We spent a lot of time analyzing this and a fair bit of time talking with people at the Fed about it, one thing and another.

The key in Japan in policy. Their problems are economic, and those problems have gone on for a long time. They've built up and increased over time, and the only answer to those questions in any long-run sense is policy. Having said that, their Prime Minister and Finance Minister, as you know, made announcements this morning. I made a subsequent announcement. And I think in doing that, they gave you a sense of their approach and, in a broad sense, their plans going forward. It is in that context, and in that conjunction, that we made a determination to intervene.

Q Well, with all due respect, the Japanese have, over many decades, made promises about opening their markets, about changing their policy, and it hasn't happened.

DOL BUDGET GROUP HAND OUT PACKAGE

1. *BUDGET & APPROPRIATIONS TIMELINE*
2. *302(b) ALLOCATIONS*
3. *DOL BUDGET ISSUES*
4. *FY '98 CONGRESSIONAL REPORT STATUS*
5. *HISTORICAL COMPARISONS*
6. *SENATE & HOUSE APPROPRIATIONS MEMBERS*

TENTATIVE
FY 1999 BUDGET & APPROPRIATIONS TIMELINE

MAY

May 20 House Budget Committee marks-up FY 1999 Budget Resolution

Mid-May *OASAM issues guidance for FY 2000 requirements*

May 23-31 Congress not in session (Memorial Day Recess)

JUNE

June 2 Congress Returns

Early June House Appropriations Committee issues 302(b)'s.

Early June House FY 1999 Budget Resolutions on floor

June 10 *DOL FY 2000 budgets, performance plans, due to Office of Budget*

June 10-17 *DOL analyses of agency materials*

June 17 - *Deputy Secretary holds meetings with agency heads*
July 8

Late June Conference on FY 1999 Budget Resolution

Late June Potential House Appropriations Subcommittee mark-up of FY 1999 Labor/H bill

June 26-
July 13 House not in session (Independence Day Recess)

June 26-
July 5 Senate not in session (Independence Day Recess)

JULY

Early July Senate Subcommittee mark-up of FY 1999 Labor/HHS Appropriations bill

Early July Senate Full Committee mark-up of FY 1999 Labor/HHS Appropriation bill

Unless a specific date is listed, all actions **do not** reflect a set schedule - they are **projected** dates.

Items in *italics* denote key events in DOL's FY 2000 budget formulation process.

Early July	House Appropriations Full Committee mark-up FY 1999 Labor/HHS Appropriations bill
<i>July 8</i>	<i>Preliminary DOL budget and management decisions</i>
<i>July 13</i>	<i>Briefing for the Secretary on budget and management decisions</i>
<i>July 17</i>	<i>Deputy Secretary issues decision letters</i>
<i>July 20</i>	<i>Agencies begin preparation of OMB submission materials</i>
<i>July 22</i>	<i>Appeals to Secretary (if necessary) due from agencies</i>
<i>July 29</i>	<i>Secretary issues final decisions (if necessary)</i>

AUGUST

Early Aug.	House and Senate floor action on FY 1999 Labor/HHS Appropriations bill
<i>August 10</i>	<i>Draft OMB submission materials due to DOL Office of Budget from agencies</i>
August 10 - Sept. 8	House not in session (Summer Recess)
August 1 or 8 - Sept. 7	Senate not in session (Summer Recess)
<i>August 19</i>	<i>Agencies revise OMB submission materials as necessary</i>
<i>August 27</i>	<i>Agencies submit final materials for printing and assembly</i>

SEPTEMBER

<i>September 1</i>	<i>Submit DOL FY 2000 budget and performance plans to OMB</i>
Early Sept.	Conference on FY 1999 Labor/HHS Appropriations or Omnibus bill
September 30	Final passage of FY 1999 Labor/HHS Conference or Omnibus Report

OCTOBER

October 1	Beginning FY 1999
October 9	Target date for Congressional adjournment

Unless a specific date is listed, all actions **do not** reflect a set schedule - they are **projected** dates.

Items in *italics* denote key events in DOL's FY 2000 budget formulation process.

Revised 5/15/98

FY 1999 302(b) Allocations

- o The FY 1999 Senate allocation for Labor/HHS is \$82.3 Billion in BA and \$80.2 Billion in Outlays.
- o The Senate mark falls below the President's FY 1999 Request as scored by CBO by \$1.8 Billion (-2%) in BA and \$835 million (-1%) in Outlays.
- o Compared to an FY 1998 hard freeze, the Senate mark increases BA by \$1.06 Billion (+1%) however, Outlays fall by \$470 Million (-1%).
- o The "hard freeze" level reflects a continuation of last year's funding decisions, without an increase for inflation. The Labor/HHS freeze numbers are higher in both BA and Outlays than the FY 1998 appropriation, reflecting the previous years outlays from increasing BA for forward funded programs, such as education. The BA is higher reflecting advance appropriations for FY 1999 included in the FY 1998 bill, e.g. Youth Opportunities, America Reads, etc..
- o Overall, discretionary spending increased BA by +1% and reduced Outlays by -1% compared to a hard freeze. The Labor/HHS Subcommittee received their "fair share" of these dollars -- a +1% increase in BA and a -1% decrease in Outlays.
- o The overall discretionary allocations were -1% below the President's request in both BA and Outlays. The Labor/HHS Subcommittee's allocations were in line with the overall trend; a reduction of -2% in BA and -1% in Outlays.
- o The Senate also recommends an additional \$2.25 Billion as an emergency appropriation to address government wide year 2000 computer problems. The availability of this amount will be contingent upon an emergency designation by the President. The Senate will not allocate the \$2.25 Billion to a specific subcommittee rather, it will recommend in the Treasury, General Government Subcommittee bill, that the money be available for transfer to all Federal agencies and departments.

FY 1999 302(b) Allocations

In Millions of Dollars /1	FY98 Actual		FY99 @ Freeze /3		FY99 Pres. Request (OMB scoring)		FY99 Pres. Request (CBO scoring)		Senate Chairman's Proposal FY 1999	
	BA	O	BA	O	BA	O	BA	O	BA	O
Agriculture	13,751	13,997	13,930	14,271	13,672	13,796	13,675	13,986	13,675	14,075
Commerce, State, Justice	31,280	28,955	31,378	30,452	33,603	32,285	33,373	32,048	32,159	30,839
District of Columbia	855	554	835	562	427	427	492	485	482	468
Energy and Water	20,732	20,880	20,727	20,607	20,943	20,362	21,007	20,707	21,147	20,672
Foreign Operations	13,147	13,079	12,958	12,757	14,003	12,639	13,542	12,961	12,600	12,400
Interior	13,799	13,707	13,145	13,832	14,098	14,282	14,063	14,382	13,300	13,800
Labor, HHS, Education	80,403	76,137	81,257	80,706	84,457	80,557	84,146	81,071	82,319	80,236
Legislative	2,251	2,251	2,257	2,236	2,466	2,461	2,455	2,399	2,400	2,300
Military Construction	9,183	9,862	9,183	9,250	7,779	8,935	7,785	9,059	8,484	9,110
National Security	247,512	244,198	247,368	246,587	250,763	245,042	251,148	248,527	250,246	245,026
Transportation	12,411	37,204	12,665	39,801	40,929	38,813	12,855	39,968	13,065	39,500
Treasury, Postal Service /4	12,735	12,495	12,653	12,249	13,694	13,326	13,478	13,085	12,957	11,929
VA, HUD	68,575	79,961	70,006	81,133	70,522	80,062	70,470	80,796	69,986	80,780
Allowances					3,250	3,250	3,250	3,250	-	-
Designated Offsets /2					(8,247)	(8,247)				
TOTAL	526,634	553,280	528,362	564,443	562,359	557,990	541,739	572,724	532,820	561,135

1 All figures scored by CBO except where President's FY99 Request scored by OMB

2 Designated Offsets for Discretionary Spending Includes Funds for America and Emergency Discretionary

3 Freeze does not include inflation. Freeze Outlays include spending allocated in previous years. Freeze BA includes advanced appropriations.

4 Approps. Committee recommends \$2.25 billion in an "emergency designation" fund to be used for the Y2K Computer problem, held by the Treasury, Postal Service Subcommittee

FY 1999 302(b) Allocations

In Millions of Dollars	Senate Proposal Compared to FY98 Actual				Senate Proposal Compared to FY99 @ Freeze				Senate Proposal Compared to FY99 Request (CBO)			
	BA		O		BA		O		BA		O	
Agriculture	(76)	-0.5%	78	0.6%	(255)	-1.8%	(196)	-1.4%	-	0.0%	89	0.6%
Commerce, State, Justice	879	3.0%	1,884	6.0%	781	2.5%	387	1.3%	(1,214)	-3.6%	(1,209)	-3.8%
District of Columbia	(373)	-67.3%	(86)	-10.1%	(353)	-42.3%	(94)	-16.7%	(10)	-2.0%	(17)	-3.5%
Energy and Water	415	2.0%	(208)	-1.0%	420	2.0%	65	0.3%	140	0.7%	(35)	-0.2%
Foreign Operations	(547)	-4.2%	(679)	-5.2%	(358)	-2.8%	(357)	-2.8%	(942)	-7.0%	(561)	-4.3%
Interior	(499)	-3.6%	93	0.7%	155	1.2%	(32)	-0.2%	(763)	-5.4%	(582)	-4.0%
Labor, HHS, Education	1,916	2.5%	4,099	5.1%	1,062	1.3%	(470)	-0.6%	(1,827)	-2.2%	(835)	-1.0%
Legislative	149	6.6%	49	2.2%	143	6.3%	64	2.9%	(55)	-2.2%	(99)	-4.1%
Military Construction	(699)	-7.1%	(752)	-8.2%	(699)	-7.6%	(140)	-1.5%	699	9.0%	51	0.6%
National Security	2,734	1.1%	828	0.3%	2,878	1.2%	(1,561)	-0.6%	(902)	-0.4%	(3,501)	-1.4%
Transportation	654	1.8%	2,296	18.5%	400	3.2%	(301)	-0.8%	210	1.6%	(468)	-1.2%
Treasury, Postal Service /4	222	1.8%	(566)	-4.4%	304	2.4%	(320)	-2.6%	(521)	-3.9%	(1,156)	-8.8%
VA, HUD	1,411	1.8%	819	1.2%	(20)	0.0%	(353)	-0.4%	(484)	-0.7%	(16)	0.0%
Allowances	-	0.0%	-	0.0%	-	0.0%	-	0.0%	(3,250)	-100.0%	(3,250)	-100.0%
Designated Offsets /2												
TOTAL	6,186	1.1%	7,855	1.5%	4,458	0.8%	-3308	-0.6%	(8,919)	-1.6%	(11,589)	-2.0%

1 All figures scored by CBO except where President's FY99 Request scored by OMB

2 Designated Offsets for Discretionary Spending Includes Funds for America and Emergency Discretionary

3 Freeze does not include inflation. Freeze Outlays include spending allocated in previous years. Freeze BA includes advanced appropriations.

4 Approps. Committee recommends \$2.25 billion in an "emergency designation" fund to be used for the Y2K Computer problem, held by the Treasury, Postal Service Subcommittee

FY 1999 DOL Budget Issues

<u>ETA and Related</u>		<u>Worker Protection</u>	
Offense	Defense	Offense	Defense
<u>Tier 1</u>	Youth Opportunities Dislocated Workers Adult Training Job Corps Veterans Employment Initiative Learning Anytime/Anywhere UI Integrity Child Care BAT Initiative Child Labor Initiative (ILAB, ETA, W & H & ASP) Pres. Commission on Workers Task Force on Disabilities	School-to-Work ES Privatization W2W language re: grantees W2W offset Alien Cert. Funding	PWBA HIPPA implementation Wage & Hour child labor (see child labor initiative) OFCCP Fair Enforcement Initiative (Pres. Civil Rts Initiative) New OSHA funding CPI Improvement Project Job Opening Survey MSHA training rider removal
<u>Tier 2</u>	R & D LMI Consolidation UI SIC project TAA Expansion	Youth Offenders Incumbent Worker provision Private sector/Career Net project Older Worker/NCSC grant UI Contingency Y2K Package	PWBA Form 5500 FECA Fair Share Proposal MSHA dust Sampling and Hazard Targeting SOL Increases (related to pension & child labor initiative) OIG Pension initiative GPRA Initiative WCF Disability Accommodation
			OFCCP Testing OFCCP/Fair Pay MOU Black Lung Regs LM-2 Internet Project PLA Order & Blacklisting Regs IBT Rerun funding Davis-Bacon Improvement Project (D-B 3rd Party Submissions) Amish/child labor OSHA latex gloves guidance OSHA TB regs OSHA/DOE Privatization/FUSRAP MSHA S & S GPO Worker's Comp Costs

FY 1999 DOL Budget Issues

ETA and Related	Worker Protection	Both
<u>Small Fixes</u>		
UI Contingency Midsession	OIG Realignment ILAB report language Form 5500 report language	Adjustments related to FY 98 reprogramming/transfers
<u>Leg. Initiatives</u>		
UI Reform Legislation TAA Reauthorization WOTC Reauthorization H1B Legislation -- Alien Cert. workload -- Training -- User Fees Minimum Wage Increase: -- Summer Jobs -- Older Workers	Health Care Bill of Rights -- Increased PWBA Workload -- Potential amendments to ERISA President's Medicare Buy-In Proposal President's Proposed FMLA Expansion	Tobacco Legislation: -- OSHA IAQ implementation -- Tobacco farmer worker adjustment assistance (TAA) -- Child care block grant funding -- Money for NIH & related research (relieves pressure on L/H) ISTEA -- Veterans tobacco offset -- W2W transportation -- New Funding Structure/Offsets

FY 1998 Congressional Report Status

Report #	Subject	Assigned To	Due To Congress	Date Due Office of Budget	Date Received in OB	Date Cleared by OCIA	Date Due to OMB	Date Sent to OMB	Date Cleared by OMB	Date Cleared the Dept.	Date Sent to Congress	Notes
House 105-205 Page 18	Job vacancy surveys that provide information about training, job placement, and welfare-to-work efforts.	SUIESO	Prior to Approp Hearings							As of mid-May, Still in process of being cleared		Being updated by ETA (5/22/98).
105-205 Page 17	Notify House Committee when unemployment workload exceeds an average claims volume of 2,789,000	SUIESO	TBD	TBD								Claims are not expected to reach 2,789,000
105-205 Page 21	Issue final regulations on the use of "helpers" under the Davis-Bacon Act	ESA	12/31/97	12/01/97			12/24/97					Not drafted yet
105-205 Page 27	Progress report on steps taken to accomplish more collaboration between Labor, HHS, and Education.	ASP	03/31/98	03/01/98	03/25/98	03/25/98	03/24/98		03/25/98		05/15/98	✓
105-205 Page 27-28	Tracking Inspector General savings they claim to generate by their efforts	OIG	Quarterly									
			01/15/98	12/15/97	n/a		N/A	N/A	N/A	N/A	01/30/98	✓
			04/15/98	03/15/98			N/A	N/A	N/A	N/A		
			07/15/98	06/15/98			N/A	N/A	N/A	N/A		
			10/15/98	09/15/98			N/A	N/A	N/A	N/A		
105-205 Page 10	Annual report concerning the subject of official time spent on union activities	OASAM/OHR	01/01/98	12/01/97			12/24/97				04/16/98	✓
105-205 Page 21	Implementation Plan for electronic filing of reports required to file under LMRD	ESA	04/01/98			03/16/98		03/16/98	05/18/98			In Exec Sec for clearance (5/22/98).
Senate 105-58 Page 26	Report on how the growing international public concern about child exploitation has been translated into specific actions in countries where child labor is a problem.	DM/ILAB	07/15/98	06/01/98			07/08/98					
Conference	Begin the development of a system for the electronic filing of reports required to be filed under the LMRDA	ESA	04/01/98									✓
	IG's of both DOL and SSA shall prepare a joint report to the House and Senate Appropriations Committees relative to the MOA between the agencies providing for DOL admin services with respect to Part B of the Black Lung Program	OIG	04/30/99	04/01/99			04/24/99					N. Ruiz (OIG) states report will be sent before the due date
	Submit operating plans with respect to discretionary appropriations to the House and Senate Committees	OASAM/OB	30 Days After Approp Passage	TBD			TBD					✓



Action completed

I - 4

See notes on following page

**FY 1999 PRESIDENT'S BUDGET
HISTORICAL COMPARISONS**
With Advance Appropriation Based on Year Available
BUDGET AUTHORITY IN MILLIONS

	FY97 Actual	FY98 Request	FY98 Comparable	FY99 Pres. Budget	Difference – FY 97 Actual from:		FY 99 Request vs.	
					FY 98 Request	FY 98 Approp.	FY 98 Approp.	
					Dollars	Percent	Dollars	Percent
TRNG & EMPLOY SVS Total	4,716	5,296	4,983	5,323	580	12%	267	6%
Adult Training	895	1,064	955	1,000	169	19%	60	7%
Dislocated Workers	1,286	1,351	1,351	1,451	65	5%	65	5%
Youth Training	127	130	130	130	3	2%	3	0%
Summer Youth	871	871	871	871	0	0%	0	0%
Job Corps	1,154	1,246	1,246	1,308	92	8%	92	8%
School-to-Work	200	200	200	125	0	0%	0	0%
Out of School Youth 1/	0	250	0	250	250	0%	0	0%
National Programs	184	184	230	188	0	0%	46	25%
OLDER WORKERS	463	440	440	440	-23	-5%	-23	-5%
SUIESO	3,315	3,604	3,461	3,424	289	9%	146	4%
Unemployment Insurance 2/	2,341	2,630	2,481	2,460	289	12%	140	6%
Employment Svs/WOTC	824	824	817	817	0	0%	-7	-1%
One Stop	150	150	163	147	0	0%	13	9%
VETS EMPLOY & TRNG	157	157	157	157	0	0%	0	0%
WORKER PROTECTION	958	1,028	1,000	1,079	70	7%	42	4%
PWBA	77	84	82	91	7	9%	5	6%
ESA	290	314	301	316	24	8%	11	4%
[WH] [non-add]	118	125	121	130	7	6%	3	3%
[OFCCP] [non-add]	59	69	62	68	10	17%	3	5%
OSHA	325	348	337	355	23	7%	12	4%
MSHA	197	206	203	211	9	5%	6	3%
SOL	60	65	65	67	5	8%	5	8%
ILAB	9	11	12	39	2	22%	3	33%
STATISTICS (BLS)	361	379	381	399	18	5%	20	6%
OTHER S&E	281	295	289	313	14	5%	8	3%
ETA/PO & W2W	124	136	132	143	12	10%	8	6%
PBGC	10	11	10	11	1	10%	0	0%
DM (Less SOL & ILAB)	75	76	75	83	1	1%	0	0%
VETS S&E	25	25	26	26	0	0%	1	4%
OIG	47	47	46	50	0	0%	-1	-2%
TOTAL DISCRETIONARY	10,250	11,200	10,710	11,135	950	9%	460	4%

Table excludes BLDTF Admin Funds

1/ In FY 98, Out-of-School Youth received an advance appropriation of \$250 M. for FY 99 and FY 99 Request of \$250M is advance approp. for FY 2000

2/ Includes advance appropriation of \$160M. for Year 2000 computer conversion in FY 98 and \$10M in FY 99

105th Congress

Senate Appropriations

Ted Stevens, R-AK, Full Committee Chairman
Robert Byrd, D-WV, Ranking Minority Member

Labor/HHS Subcommittee

Majority

Arlen Specter, PA, Chairman
Thad Cochran, MS
Slade Gorton, WA
Kit Bond, MO
Judd Gregg, NH
Lauch Faircloth, NC
Larry E. Craig, ID
Kay Bailey Huchison, TX

Minority

Tom Harkin, IA, Ranking Minority
Ernest F. Hollings, SC
Daniel Inouye, HI
Dale Bumpers, AR
Harry Reid, NV
Herbert Kohl, WI
Patty Murray, WA

House Appropriations

Bob Livingston, LA, Full Committee Chairman
David Obey, WI, Ranking Minority Member

Labor/HHS Subcommittee

Majority

John Porter, IL, Chairman
C.W. Bill Young, FL
Henry Bonilla, TX
Ernest Istook, OK
Dan Miller, FL
Jay Dickey, AR
Roger Wicker, MS
Anne Northup, KY

Minority

David Obey, D-WI, Ranking Minority
Louis Stokes, OH
Steny Hoyer, MD
Nancy Pelosi, CA
Nita Lowey, NY
Rosa DeLauro, CT

DEPARTMENTAL MANAGEMENT

Budget Authority/Trust Fund Transfers (Dollars in Millions)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>Change</u>
Program Direction and Support	\$18.0	\$20.2	\$2.2
Legal Services	70.8	72.6	1.8
International Labor Affairs	12.1	39.4	27.3
Administration and Management	14.1	15.8	1.7
Adjudication	34.6	36.2	1.6
Promoting Employment of People With Disabilities	4.4	4.7	0.3
Women's Bureau	7.8	7.8	0.0
Civil Rights	4.6	4.9	0.3
Chief Financial Officer	4.8	5.5	0.7
National Task Force on the Employment of Adults with Disabilities	--	2.4	2.4
Total, Budget Authority	\$171.2	\$209.5	\$38.3

<i>Full Time Equivalents*</i>	<i>2,281</i>	<i>2,315</i>	<i>34</i>
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* Includes 700 FTE in FY 1998 and FY 1999 for the Working Capital Fund and 60 FTE in each year for DM reimbursable activities.

The Departmental Management (DM) appropriation provides funding for the following activities: Program Direction and Support, Legal Services, International Labor Affairs, Administration and Management, Adjudication, Promoting Employment of People with Disabilities, Women's Bureau, Civil Rights and Chief Financial Officer. These activities are responsible for formulating and overseeing the implementation of Departmental policy, for the overall management of Departmental programs and resources, and for providing a variety of unique services in ensuring equal employment opportunity in Departmental programs, in supporting the rights of workers and promoting issues involving women in America's workplaces and in promoting the employment of people with disabilities nationwide.

The budget for the DM appropriation is \$209.5 million and 1,615 FTE for FY 1999, an increase of \$38.3 million and 34 FTE over FY 1998. The Working Capital Fund, which is a no-year revolving fund financed through assessments of DOL agencies, is requesting increase of \$6.1 million in FY 1999, primarily for the development of capitalized systems. As part of the overall

child labor initiative, the budget request includes an increase of \$27.0 million and 3 FTE to give the United States a lead role to seek international action to reduce child labor exploitation through support of the International Labor Organization's (ILO) International Programme for the Elimination of Child Labor (IPEC). Also included in this request is an increase of \$2.4 million and 10 term FTE to establish a National Task Force on the Employment of Adults with Disabilities with the goal of creating a coordinated and aggressive national policy to bring adults with disabilities to gainful employment at a rate that is as close as possible to that of the general population.

A total of \$1.0 million and 5 term FTE are requested to fund a Presidential Commission on Workers and Economic Change in the New Economy, which is an important component of a comprehensive set of initiatives announced by the President last Fall to help ensure that all Americans share the benefits of free and open trade.

Other increases are requested to develop and refine performance measures within the Department, to provide increased legal support for the Department's programs, to establish the Department as a "continuous learning" organization, to expand the initiative undertaken to develop corporate procedures that will promote the use of emerging technologies that are accessible to people with disabilities, to provide further support for the President's civil rights agenda, and to enhance the Department's compliance with the statutory and policy mandates directing the Government's financial management under the direction of the Office of the Chief Financial Officer.

Program Direction and Support

The Program Direction and Support activity, which includes the immediate Offices of the Secretary and Deputy Secretary, provides leadership and direction for all Department-wide initiatives, programs and functions assigned to the Department. This activity provides guidance for the development and implementation of government policy to protect and promote the interest of the American worker toward achieving better employment and earnings, to promote productivity and economic growth, safety, equity and affirmative action in employment, to collect and analyze statistics on the labor force, to monitor and evaluate emerging economic and international and national labor market trends and events and to promote lifelong learning in the 21st century. Program Direction and Support is central to the Departmental mission and not simply an adjunct to autonomous DOL programs. Under the direction of the Secretary, this core staff forges the agenda for major program initiatives in such areas as pension protection, child labor, child care, worker adjustment, Unemployment Insurance reform and sweatshops.

A major initiative in this activity in FY 1999 is a request for \$1.0 million and 5 term FTE for the Presidential Commission on Workers and Economic Change in the New Economy. Lessening restrictions on international trade facilitates the movement of products, services and capital within and among nations, and that greater mobility brings greater competition in both product and labor markets.

As part of the Administration's effort to help workers and those not in the job market to take advantage of the opportunities of expanded trade, this Commission will recommend a variety of strategies for upgrading the skills of existing and future workers. As part of the Administration's domestic child labor initiative, a second major initiative in this activity is an increase of \$800 thousand requested to expand the scope of the National Agricultural Workers Surveys (NAWS), financed through the Office of the Assistant Secretary for Policy. This will allow the Department to significantly improve its data on and documentation of agricultural workers and the perils faced by the children of migrant farm workers.

Other initiatives in this activity include on-going support for the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), which encourages more participation of the small business community in the development of new regulations that significantly affect them, mandates that regulatory agencies provide greater compliance assistance to the small business community, and provides for new mechanisms by which small businesses may register complaints about enforcement actions. The Department's "Employment Laws Assistance for Workers and Small Businesses" (E-LAWS) project supports this initiative by developing easy-to-use 'expert' systems for nearly all Departmental regulations.

Legal Services

The Office of the Solicitor independently litigates cases in the U.S. District Courts, Courts of Appeals, and before administrative law judges and administrative appellate bodies; serves as the co-counsel to the Solicitor General in Department-related litigation in the U.S. Supreme Court; assists the Justice Department and local U.S. Attorneys offices in case preparation and trial; supports regulatory reform through the review of rules and regulations; provides oral and written interpretations and opinions to the client agencies concerning the statutes which the Department enforces; coordinates the Department's legislative program; reviews proposed legislation and assists in drafting legislation; prepares testimony and reports on proposed legislation as requested by the Congress and the Office of Management and Budget, as well as annual reports to the Congress; provides legal advice to interagency groups responsible for U.S. trade matters; assists in negotiating international agreements; and participates in international organizations including the International Labor Organization (ILO). The Office of the Solicitor also serves as "House Counsel" to the Department on a variety of matters, including labor management relations and ethics.

Two new initiatives are included in this budget request -- (1) \$300 thousand and 4 FTE to support the Department's Wage and Hour Division effort to revise existing regulations in accordance with three mandates: SBREFA, the Regulatory Flexibility Act and Executive Order 12866; and to begin update the child labor hazardous orders; and (2) \$267 thousand and 3 FTE to support OSHA's enforcement initiative.

International Labor Affairs

The Bureau of International Labor Affairs coordinates the Department's international responsibilities, including ensuring that U.S. Government foreign policy furthers the well being of the American workforce and providing expert support for the Administration's international

initiatives. The mission of the Bureau is to assist in formulating the U.S. international policies and programs of concern to American workers. The importance of this mission has grown due to the priority placed upon trade and economic liberalization initiatives by the Administration. The Bureau plays a central role in addressing concerns of American workers in this process. Other long-standing responsibilities of the Bureau include representing the U.S. Government at the ILO and on the Employment, Labor and Social Affairs (ELSA) Committee of the Organization of Economic Cooperation and Development (OECD), participation in inter-agency trade policy working groups, research on labor related trade issues, analysis of international labor developments, co-management with the Department of State of the Labor Attache Corps of the Foreign Service, management of cooperative programs with foreign labor ministries, and operation of the Department's technical assistance programs. Also included in this activity is funding for commitments under the North American Free Trade Agreement (NAFTA), including the U.S. National Administrative Office and the U.S. contribution to the International Secretariat.

A major initiative in this area includes an increase of \$27.0 million and 3 FTE to provide additional support for the International Programme for the Elimination of Child Labor (IPEC). This increase is designed to provide a lead role for the United States in the fight against child labor exploitation worldwide. This increase will ensure continuity, expansion and sustainability of existing IPEC programs as well as ensure an appropriate regional and subject matter balance of projects to eliminate child labor. It will allow the ILO to reach out and include more countries in its technical assistance programs and to conduct more detailed analysis of issues of child labor and exploitative labor practices worldwide.

Administration and Management

The Office of the Assistant Secretary for Administration and Management (OASAM) provides leadership and policy guidance in the areas of budget, human resources, information technology, management and administration in order to provide the Department's program agencies with the resources necessary for them to perform their program missions. OASAM's mission includes providing administrative and support services through the Working Capital Fund to the program agencies and Departmental employees to ensure that they can perform their jobs effectively and efficiently.

A major initiative in this activity in FY 1999 involves an increase of \$1.2 million to develop and refine a set of program performance measures for the broad and diverse programs and activities of the Department, to assess agency baseline data needs and systems that support the Department's goals and priority programs, to design a Department-wide performance measurement and reporting system, and to facilitate the linkage between program costs and performance.

Adjudication

The Adjudication activity consists of four components: the Office of Administrative Law Judges, the Benefits Review Board, the Employees' Compensation Appeals Board and the Administrative Review Board. The components of this activity either preside over formal hearings and render timely decisions, or review and decide appeals, on claims filed under

PRESIDENT CLINTON'S INITIATIVE ON CHILD LABOR

"This year, I will send legislation to Congress, and ask other nations to join us, to fight the most intolerable labor practice of all -- abusive child labor"

President Clinton, January 27, 1998

President Clinton is proposing in his FY99 budget a new initiative to fight abusive child labor. The initiative builds on the administration's record of reporting on child labor, aiding the private sector in the development of codes of conduct and labeling efforts, pressing successfully for a greater ILO focus on exploitative child labor, leveraging change in the domestic garment industry through the use of "hots goods" laws, and using U.S. laws to suspend trade benefits in response to persistent exploitative child labor practices.

The president's initiative to fight abusive child labor will:

- ✓ Make the United States the world leader in supporting programs to reduce abusive child labor with a **\$27 million** increase in our commitment to the International Programme for the Elimination of Child Labour.
- ✓ Reduce the supply of child workers in the farm sector by providing a **\$50 million** increase for migrant education to reach 70,000-100,000 additional migrant children and **\$5 million** for a youth job training demonstration.
- ✓ Reduce the demand for illegal child labor in the US agriculture sector with **\$4 million** for 36 new investigators to enforce child labor laws, collect data, and enlist commercial sellers of produce in encouraging child labor compliance by their suppliers.

LEADING THE WORLD IN SUPPORTING PROGRAMS TO REDUCE ABUSIVE CHILD LABOR

The President called for the U.S. to be the world's leading supporter of the International Programme for the Elimination of Child Labour (IPEC). The President's FY99 balanced budget proposes that the U.S. contribute a total of \$30 million -- *a 10-fold increase* -- to IPEC in support of programs aimed at reducing the most intolerable forms of child labor -- forced or indentured work, work by very young children, and work in the most hazardous occupations. The US funds will support multi-dimensional programs including key elements such as: in-country ownership, innovative partnerships between governments, workers, and NGOs, development of reasonable educational alternatives, monitoring, creative use of media, and documentation.

INCREASING EDUCATION SERVICES FOR MIGRANT CHILDREN AND YOUTH

The President's FY99 budget calls for a **\$50 million** increase in the Migrant Education Program which provides special services to migrant children who often have difficulty in school because they change schools frequently. This 16% increase will allow all kinds of school based interventions including after school care, summer sessions, transportation, and recruitment. The funds will serve about 70,000-100,000 additional children. The budget also calls for a **\$5 million demonstration program** within the Migrant Youth Job Training title of JTPA. The demonstration will test the efficacy of new programs to get school age youth out of the fields and into job experience coupled with educational enrichment.

ENFORCING DOMESTIC CHILD LABOR LAWS

The President's FY99 budget calls for **\$4 million** for the Department of Labor to increase enforcement of child labor laws in the agricultural sector. The funds will be used to hire 36 additional investigators; collect data; conduct targeted enforcement actions; and enlist growers, processors, wholesalers, and grocers in encouraging child labor compliance by their supplies.

The President's Advisory Committee on Trade Policy and Negotiations (ACTPN)

The ACTPN is the highest level advisory committee established initially under the Trade Act of 1974 to provide the USTR and the Administration with advice on trade negotiations. It is made up of CEOs, AFL-CIO President Sweeney, UNITE President Jay Mazur, Lenore Miller, Retail, Wholesale & Department Store Union, trade associations, academics and representatives of environmental and consumer groups. Reports and advice from this group are very important in the formulation of Administration trade policy and are of considerable importance in congressional consideration of Administration trade initiatives, including fast track legislation.

About 25-30 of the forty ACTPN members are expected to attend. John Sweeney cannot attend. Jay Mazur and Lenore Miller have accepted. The committee as a whole is supportive of trade liberalization and the Administration's various trade initiatives. They have not supported addressing core labor standards in the WTO or as part of the trade agenda. The union members have had to write dissenting views to ACTPN reports on this issue. On the other hand, the idea of discussing worker anxiety and displacement arose from the committee discussions and was not proposed by the Administration as an agenda item.

The group is reportedly interested in knowing more about the government's response to worker anxiety and displacement concerns. Committee members were sent the ETA publication, *Career Success: Case Studies in Job Transitions*, so they should have basic knowledge of the Department's programs. Other materials sent as background for discussion of this agenda item included John Sweeney's April 1 speech on "The New Internationalism" before the Council on Foreign Relations, and an article by Robert E. Scott, Thea Lee and John Schmitt, "Trading Away Good Jobs: An Examination of Employment and Wages in the U.S., 1979-94" which were submitted by Jay Mazur. A memo from Lewis Cohen on the need to foster a positive national trade policy consensus by educating the public, creating joint forums for workers, consumers environmentalists, business executives and governments officials to voice their concerns, and require groups that oppose trade expansion to persuade the public that the costs of expansion outweigh the benefits. The results of the "Second Annual Survey of Public Opinion on International Trade" done by EPIC-MRA for the Women in International Trade (WITT) group was also distributed.

The preceding agenda item will be a presentation by Andy Kohut, of the Pew Research Institute on the "Importance of International Trade." I understand he may discuss the survey results.

Worker Anxiety and Displacement

Talking Points for Presentation to the Advisory Committee on Trade Policy and Negotiations June 11, 1998

Introduction

- Thank you Mayor Hammer, Ambassador Barshefsky (Charlene). It is most assuring to note that this advisory committee is concerned not just about expanding trade, but also that adjustments that may result from such trade are managed to ease any burdens that may fall on some American workers. Trade liberalization, almost by definition, means shifts in the patterns of economic activity, and that means adjustments.
- The material you received in advance of this meeting, and the presentation by Andy Kohut makes it unnecessary for me to go into a great deal of background.
- In arguing for new trade agreements, it is most difficult to deal with the economic pain and anxiety of workers who lose their jobs to international competition or who believe they might.
- The fears of those who might are not necessarily irrational. Although it is generally recognized that the U.S. economy benefits as a whole from liberalized trade, the adverse effects of open trade fall disproportionately on certain worker groups and communities. It is primarily the low-skilled, non-college educated workers - many of whom also must overcome a limited proficiency in English - who are hurt the most by changes in the job market. Most recently, when the overall national unemployment rate was 4.3 percent, the rate for workers with less than a high school education was 6.7 percent.
- While we can't argue that no workers will ever lose their jobs because of trade liberalization, we can say that those adversely affected are not left in the cold and that this Administration has a strong record of assisting workers manage the tough transition to get new jobs.
- *Dislocated workers are not left in the cold.* This Administration is committed to assist dislocated workers in their retraining to get jobs for the twenty-first century.

Title III

- There are two primary programs that serve dislocated workers--Title III of the Job Training Partnership Act (JTPA) and Trade Adjustment Assistance (TAA) and NAFTA-TAA programs.
 - When the President took office, the Title III program was funded at \$517 million. The President has committed to tripling this amount by 2003, adding \$750 million

to the 1998 appropriated level over the next five years.

- The Department of Labor's JTPA dislocated worker program now serves some 600,000 -- which we estimate to about twenty-five percent of workers dislocated each year. Moreover, of the workers who completed their training last year, States report nearly three quarters of them were reemployed at an average of 95% of their previous wage when surveyed 13 weeks after leaving the program. Indeed, we have a rather compelling series of visual success stories that illustrate our case.
- Improvements are still needed. The Department is currently undertaking administrative actions to improve assistance under title III, including --
 - ▶ enhanced early intervention though rapid response assistance for all workers being dislocated as a result of a plant closure or substantial layoff -- regardless of the reason for the layoff, such as trade impacted layoffs, to provide information to workers regarding all types of community services available to assist in the adjustment process, which can greatly help to alleviate their anxiety;
 - ▶ targeted assistance for secondary workers (those workers who are employed by supplier firms to directly affected trade dislocations but who are not eligible for trade benefits) and to reaffirm the Secretary's commitment to serve those workers;
 - ▶ enhanced readjustment and rapid response assistance through linkage with economic development initiatives in local communities.

Trade Adjustment Assistance

- Trade adjustment assistance programs--programs designed to aid the readjustment of those who loose their jobs because of increased trade--have existed since 1962. Over the years, the emphasis of these programs has shifted from being primarily compensation based toward placing a greater emphasis on worker readjustment through retraining. There are currently two - somewhat similar and parallel - trade adjustment assistance programs.
 - The regular trade adjustment assistance program (TAA) assists workers who lose their jobs because of increased imports from any country.
 - The NAFTA-TAA program was enacted in 1994 to focus specifically on workers adversely affected by increased imports or shifts of production to Mexico or Canada.
 - Both programs offer extended training, income support while in training, job search and relocation allowances to workers seeking to acquire new skills to successfully reenter the workforce.

- The TAA and NAFTA-TAA programs work closely with Title III of JTPA to offer displaced workers the widest array of readjustment services possible - including testing and assessment, counseling and child care.
- During the Fast Track debates, the President committed to expanding and enhancing the services available to workers displaced as a result of liberalized trade. The President has proposed both legislative and administrative improvements including:
 - 1) adding "shift of production" as a criterion for certification of workers under TAA,
 - 2) implementation of a comprehensive performance measurement system to track the outcomes for workers receiving TAA and NAFTA-TAA benefits, and
 - 3) harmonization of the rules for TAA and NAFTA-TAA so as to encourage retraining and early intervention.

Supporting Initiatives

- The Administration has also proposed forming an interagency group including Labor, Commerce, SBA, HUD, Treasury, and other government entities which would explore options and develop an action plan to respond to the need for economic development and job creation initiatives to assist selected communities deal with trade-related mass layoffs and plant closures.
- In order to address the displacement that occurs due to international competition we must all work together. There is a role for the public sector, but there should be a commitment from business by training workers and providing input to training efforts undertaken by others, and also a commitment from individual workers to undertake and continue lifelong learning required by our present economy.
- We expect ACTPN to support improvements in trade adjustment and worker dislocation programs. Business benefits from trade liberalization so it should assist with programs aimed at easing the adjustment burden on individual workers and their communities.