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THE UNITED STATES TRADE REPRESENTATIVE

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FAST TRACK LEGISLATION

Talking Points

- "Fast track" legislation is the single most important piece of trade legislation the Administration seeks.
- If we are not competing in the world with an aggressive agenda, we are retreating in the face of our competition and the prospect of providing our industries and workers a fair shot at the most important markets in the world. Remember, 95 percent of the world's consumers live outside the U.S. and they are becoming key engines of growth.
- Massive economic opportunities are at stake:
  - Trade now equals nearly 30 percent of GDP, up from 13 percent in 1970; and
  - Over 11 million higher than average pay jobs are supported by exports. This number has grown by 1.4 million 1992-96 and we want that to accelerate.
- We want to work closely with Congress in a bipartisan manner. We are interested in a broad fast track with sufficient duration.
- The Administration has major trade agreement initiatives underway in the Western Hemisphere, the Asia Pacific region, the TransAtlantic Market and possibly additional initiatives to pursue. Fast track is central to these efforts.
- The Western Hemisphere and Asia Pacific region together account for our fastest growing export markets and a growing percentage of our total exports - 74 percent, but our strongest competitors have targeted these markets and are taking action.
- We also have important ongoing work in the WTO and the OECD (i.e., the Multilateral Agreement on Investment) where fast track is important.
- We believe there is an understanding to be found on this issue with Congress.

Background

The immediate relevant event regarding fast track is the Frei visit February 25-27 where the President will have to explain the situation to Frei and the Administration's intentions on fast track. The key question is to what degree will we be able to progress on this issue in advance of the Frei visit, which depends on a variety of factors.

WHY "FAST TRACK"

(Congressional Trade Agreement Implementing Procedures with Proclamation Authority)

Fast track is the single most important tool the U.S. has to advance U.S. trade interests as we establish a strategy for economic growth entering the 21st century.

- Without this legislation, the U.S. cannot effectively:
  - implement comprehensive trade agreements (i.e., in contrast, our major trading partners have such agreed procedures on an ongoing basis); and
  - advance its comprehensive strategy to open markets and "level the playing field."
- Periodic multilateral rounds of negotiations were central method to reform the trading system "all at once" for decades, but a singular approach is now insufficient:
  - the U.S. must now, and at an increasing pace, address a range of comprehensive objectives to compete in the global economy.

Trade agreements are vital to ensuring the best possible U.S. position in a global economy that offers enormous opportunities for export growth and higher paying U.S. jobs.

- Fast track is central to the principal objectives of the President. It enables the President to exercise one of his principal policy levers for expanding our economic growth potential. The debate over fast track is a debate over how effective we will be in pursuing our country's economic aspirations.
- Trade has become increasingly central to prospects for the U.S. economy (trade turnover - exports plus imports of goods and services and foreign investment earnings - now equals 29 percent of GDP, up from 25 percent in 1992 and 13 percent in 1970). U.S. companies invest more and workers produce and earn more when the country's most competitive industries have more access to global markets.
  - One simple fact illustrates the point: The CEA has estimated (based on 2-year period) that in the last 4 years roughly two-thirds of job creation has been of jobs paying wages above the median U.S. wage. This estimate has been repeatedly cited as evidence that the expansion of the last 4 years has not, as often asserted, resulted in the preponderant growth of low-wage jobs.
  - Trade was critical to making this possible. Between 1992 and 1996 (estimated) U.S. jobs supported by exports have expanded by 1.4 million (to 11.3 million). Jobs supported by goods exports pay a wage on average 13% to 16% more than the U.S. average wage. Roughly 6.5 million jobs paying above the median wage were created between 1992-96 and increased exports accounted for as many as 1 in 5 of those higher paying jobs.

- Another factor will tend to magnify the gains over the next several decades if we aggressively pursue our trade interests -- or amplify the losses if we were to disengage:

  - Low and middle income countries around the globe are adopting market-oriented strategies. These are also countries where nearly 85% of the world's population lives. Their movement toward more market-oriented policies has created a tidal wave of growth in economic opportunity. For example, U.S. exports to Brazil have soared - increasing by 55 percent ($4.45 billion) in just two years.

- The U.S. is best placed to serve these markets. Possibly more importantly, no country can be more influential in assuring that they stay on the course and continue to open their economies - the stakes are high.

  - For example, an interagency team estimated that a successful Uruguay Round could raise the average annual U.S. growth rate by as much as a quarter of a percent per year over at least a decade. Such growth, while modest in any one year, compounds over time, eventually reaching hundreds of billions of dollars in annual output and income gains.

- Some of our workers are displaced by expanded trade, but far fewer than are displaced by changes in technology, demand, etc. Moreover, workers displaced by imports receive preferential treatment by the government when compared to other displaced workers. The role of the government in assuring new opportunity during periods of transition is vital and possibly in need of improvement.

- However, whatever is the appropriate set of policies to assist the displaced, this issue should not provoke any hesitation to move forward with trade agreements. The most significant opportunities for export growth are shifting and growing in the world.

Fast track is critical to U.S. efforts to compete in the fast emerging markets of the Western Hemisphere and the Asia Pacific region.

- The emerging markets in the Western Hemisphere and the Asian Pacific Rim now provide the fastest growing markets for U.S. exports, and accounted for 69 percent of total U.S. exports in 1995, and this percentage has grown to 74 percent through 10 months of 1996.

<u>Western Hemisphere</u>

- U.S. exports to the Western Hemisphere alone (our single largest export market with nearly 40 percent of the total) were $224 billion in 1995 ($201 billion through 10 months of 1996), and exports to Latin America and the Caribbean have been our fastest growing export markets.

- U.S. exports to Latin America and the Caribbean alone, if trends continue, are expected to exceed those to the EU-15 by the year 2000 and to the EU and Japan combined by the year 2010.

- We estimate nearly 2.9 million jobs are supported by exports to the Western Hemisphere.

- The President and the democratically-elected leaders of the hemisphere are committed to building a Free Trade Area of the Americas (FTAA) by the year 2005, with "concrete" progress by the year 2000.

- The FTAA is our opportunity to ensure the inequity in respective market openness is rectified between the U.S. and Latin America and the Caribbean (e.g., Latin American tariffs are on average 4 times higher than U.S. tariffs) and, maybe more importantly, to ensure these markets stay open and comprehensive U.S. inspired rules are adopted.

- The absence of fast track will cripple our capacity to leverage U.S. inspired trade rules and effective market access negotiations as we move towards the early 1998 second Summit of the Americas in Santiago, Chile.

- Our capacity to meet our commitment to make concrete progress by the year 2000 will be virtually eliminated in the absence of fast track.

- The lack of fast track will also preclude the U.S. from concluding a NAFTA accession agreement with Chile and, therefore, eliminate a major opportunity to strategically influence the broader FTAA negotiations, form a partnership with the best managed and most dynamic economy in the region, and fulfill a longstanding commitment to Chile.

Asia Pacific

- U.S. exports to the Asia Pacific region (our second largest single export market at about 30 percent of total exports) were $180 billion in 1995 ($155 billion through 10 months of 1996).

- We estimate that over 2.2 million jobs are supported by exports to the Asia Pacific.

- As in the FTAA, the Asia Pacific Economic Cooperation (APEC) process is entering a stage where U.S. negotiating credibility and implementation authority are critical. The President, along with his APEC colleagues, is committed to reach free and open trade.

- In 1996, the APEC economies identified the base line of our trade regimes, indicating the short term steps we will take to reach free and open trade by 2010/2010. The absence of fast track will make it impossible to reach the APEC goals, or convince other APEC economies that the U.S. is serious about reaching the goals.

- The U.S. is limited by the Uruguay Round residual tariff cutting authority which covers only 45 percent of trade between APEC members and precludes the U.S. from the full range of cross sectoral strategies. The authority is also limited to the MFN approach and requires negotiations be done under the WTO.

- More flexible and broader fast track authority would provide a central tool in advancing U.S. negotiating interests, including the possibility of selective bilateral trade arrangements with key partners that would enhance our strategy/options in the broader APEC process.

Fast track will better position the U.S. to improve WTO and other multilateral rules and proceed effectively with additional regional trade initiatives.

WTO

- The Uruguay Round agreement requires WTO work on an expansive "built-in" agenda addressing a range of topics (i.e., agriculture, technical barriers to trade, rules of origin, services, intellectual property rights, procurement, etc.) as we enter the 21st century.

- Although the Administration has limited residual tariff cutting authority, we are not positioned with broad authority to address the full range of tariffs or other topics that will be under review and negotiation in the WTO. For example:

  - the agenda calls for agricultural negotiations to commence by December 31, 1999. To enable the U.S. to promote ambitious negotiations we must have fast track authority in the near term.

  - The Administration is required to seek legislation to implement the results of a December 31, 1997 rules of origin harmonization negotiation. Fast track would better position us in this negotiation and provide a means for implementation.

- Fast track authority is also invaluable should the Administration seek the initiation of a more comprehensive set of WTO negotiations as we enter the 21st century.

- Recent success in leading the WTO to a valuable ITA demonstrates what is possible when we have implementing authority.

OECD

- Broad fast track would provide an important procedure (as an alternative to a treaty) for implementing the results of the ongoing negotiation of the Multilateral Agreement on Investment (MAI) which has a target date for conclusion of May 1997.

TransAtlantic Agenda

- Fast track would greatly expand U.S. - EU options for pursuing market opening. That would be consistent with the broad objectives of the U.S. - EU Summit.

- A broad cross section of U.S. industrial export interests would support fast track authority as a powerful tool to build the TransAtlantic Marketplace.

Africa

- The Administration has been considering, as are some in Congress, a multifaceted initiative to promote economic development in Africa through stronger trade and investment ties.

- Broad fast track authority provides the U.S. the best tool to encourage market opening in Africa, a region rich in resources with significant U.S. foreign policy considerations.

Fast track is essential to redress our competitors in the worlds' fastest growing markets.

- The emerging economies of Latin America and the Asia Pacific are magnets attracting significant commercial interest from major and emerging U.S. competitors.

- Both regions have intra-regional free trade arrangements at the top of their regional agendas. This integration effort in not one being guided by U.S. inspired rules, but increasingly is guided by our regional and global competitors to our detriment.

- The EU and its member states, China, Korea, Japan, Malaysia and others are all engaged in an unprecedented effort to tie in with these two regions. China's fastest growing export market outside its immediate neighbors is Latin America.

- The EU has agreed with MERCOSUR, Chile and Mexico to pursue preferential trade agreements. China has designated Mexico, Brazil, Argentina, Chile and Venezuela as "strategic" priorities in their relations. The Japanese Prime Minister and others have been promoting economic ties with the region.

- The Latin Americans, in turn, have reciprocated with an unprecedented number of high level visits and initiatives to increase political and commercial ties.

- In the Asia Pacific region, China, Japan and the EU have intensified trade and investment ties and, more importantly, are working hard to shape the trade related rules of the game. This phenomenon will continue with, or without, the U.S.

Fast track is critical to rebalancing the global system towards openness and fairness.

- The principle of most favored nation (MFN) has been fundamental to the multilateral system, but by itself is not sufficient to meet U.S. economic and trade interests in the rapidly changing and highly competitive global economy.

- For example, while the emerging markets of the developing world have opened their economies unilaterally, or through multilateral trade rounds in the GATT/WTO, many of the most significant barriers to U.S. goods and services remain, and some of the most obvious - tariffs - remain much higher than U.S. barriers on average.

- Similarly, the MFN based multilateral system has not sufficiently addressed key sectors for U.S. market access interests, such as services. The only way to rebalance the equities in the system and really open economies is through reciprocity-based free trade areas.

- Simultaneously, a regional and bilateral trade agreement agenda can serve as valuable U.S. leverage within the WTO and multilateral system, as shown by the NAFTA negotiations during the Uruguay Round.

Fast track is required to assure U.S. foreign policy leadership, particularly in the emerging markets of Latin America and the Asia, but in other regions as well.

- Significant U.S. trade agreement initiatives are important to the foreign policy objective of promoting open societies and the rule of law. They inspire respect for U.S. leadership.

- In Latin America, fast track is viewed as the bellwether of U.S. credibility in follow-up to the Miami Summit of the Americas. The lack of fast track would significantly cede leadership in a broader spectrum.

- In Chile, in particular, no fast track means a U.S. that "does not live up to its commitments" and will sour bilateral ties with a model of reform.

- In Asia and Europe the lack of fast track means a less formidable and flexible U.S. in which to pursue deeper relationships (i.e., APEC, the U.S. - EU Summit follow-up, etc.).

- In Africa, it means little potential for significantly closer trade ties and less U.S. influence in a region heavily influenced by Europe.