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SEPTEMBER 5, 1997

MEMORANDUM

FOR: **VICTORIA RADD**
JASON BERMAN

FROM: **Emily Bromberg**
Sky Gallegos

SUBJECT: **Fast Track Briefing for NGA**

LOGISTICS
The Briefing is Monday, September 8, 1997, at 10:30 am, in Room 333/335 of the Hall of States. The address is 444 North Capitol Street, NW.

You will begin the program . You will be introduced by Jonathon Jones, the D.C. State Director for Governor Carper (DE). You have been asked to speak for approximately five minutes each with about 15 minutes of question and answer to follow. There are two other presentations scheduled to follow you.

It is an informal setting with the D.C. State Directors for the Governors seated around a table. There will be other staff from the State Offices seated around the room as well. Fred Duval and Emily Bromberg will also attend the meeting.

Because the meeting is an informal one, it is difficult to know exactly who will be there. This is a regular meeting, and is usually well attended. Please note that the Southern Governors Association is holding their Annual Conference concurrently and may detract from attendance.

BACKGROUND
We have not yet asked the Governors as a group to speak out on Fast Track for the Administration. In April of this year, NGA wrote a letter to the President urging his action for the renewal of fast-track trade negotiation authority. NGA adopted policy on international trade with a specific section on the renewal of Fast Track, at their Winter Meeting in January, 1997. In addition, the NGA September News Letter dedicates a section to Fast Track and NGA's support for its renewal. All of this information is attached.

Governor Patton (D-KY) and Governor Schafer (R-ND) are the Chair and Vice Chair, respectively, of NGA's Committee on Economic Development and Commerce. Both Governors were invited to the September 10th event and both declined. Emily can brief you on Governor Patton's position.

Governor Chiles wrote a letter to all of his Democratic colleagues, dated July 9, 1997, on behalf of the DLC in support of Fast Track. This letter is also attached.

Attached is a brief outline of White House IGA's plan for Fast Track kick-off with state and local elected officials for your review. Please note that all of the Governors invited declined.

Governor Thompson has also been particularly supportive of the Administration's efforts to expand global trade. He has worked closely with Ambassador Barshevsky on this issue.

NGA's Committee on Economic Development and Commerce include:
Governor Patton (D-KY)
Governor Schafer (R-ND)
Governor James (R-AL)
Governor Sunia (D-AS)
Governor Rowland (R-CT)
Governor Miller (D-GA)
Governor Gutierrez (D-Guam)
Governor Cayetano (D-HI)
Governor Edgar (R-IL)
Governor Graves (R-KS)
Governor Foster (R-LA)
Governor King (I-ME)
Govenror Whitman (R-NJ)
Governor Johnson (R-NM)
Govenror Pataki (R-NY)
Governor Almond (R-RI)
Governor Janklow (R-SD)

NATIONAL GOVERNORS' ASSOCIATION

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Governor of Nevada
Chairman

George V. Voinovich
Governor of Ohio
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5300

April 16, 1997

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

The National Governors' Association (NGA) has consistently supported federal government efforts to expand global free trade. Joint efforts between the Governors and the administration can be credited for such international trade related successes as passage of the North American Free Trade Agreement and the Uruguay round negotiations of the General Agreement on Tariffs and Trade. We write today out of concern that renewal of fast-track trade negotiation authority has been stalled for far too long. The nation's Governors urge you to take the steps necessary to allow congressional consideration of this issue.

Fast-track authority is an important and effective tool that allows the United States to establish cooperative trade agreements with other nations. We have already seen the negative effects of delayed action on this critical issue. Negotiations with Chile over its accession to the North American Free Trade Agreement seem interminably stalled. The rest of Latin America is watching this process and has voiced growing concerns that the United States will be even less able to negotiate effectively on issues related to the creation of the Free Trade Area of the Americas.

Competing nations will not wait for us to resolve internal political disputes over the structure of fast-track authority, and the Governors do not want the nation's businesses left behind in the global marketplace as a result. It is essential that you act swiftly to remedy this gap in the United States' ability to negotiate effectively with other nations in the area of trade expansion.

The Governors have already sent a clear message to Congress on this matter. We are prepared to fully support efforts to achieve congressional renewal of fast-track authority in this Congress.

Sincerely,

Paul E. Patton

Governor Paul E. Patton
Chair
Committee on Economic Development
and Commerce

Edward T. Schafer

Governor Edward T. Schafer
Vice Chair
Committee on Economic Development
and Commerce

c: Ambassador Charlene Barshefsky, United States Trade Representative

Attachment

NATIONAL GOVERNORS' ASSOCIATION

NGA Policy

EDC-11. GOVERNORS' PRINCIPLES ON INTERNATIONAL TRADE

11.1 Preamble

International trade increasingly has become important to stimulate U.S. economic growth and job creation. Most Governors support existing trade agreements, such as the North American Free Trade Agreement (NAFTA) and the Uruguay Round negotiations on the General Agreement on Tariffs and Trade (GATT), which resulted in the World Trade Organization (WTO). The Governors believe such agreements will continue to create jobs by opening a wide range of opportunities for businesses to expand into foreign markets. As job creators and export promoters, the Governors will continue to be active participants in the formulation of trade policy.

The United States participates in two summits of critical importance to future trade initiatives. The Asia-Pacific Economic Cooperation (APEC) summit held its second meeting in November 1996 in the Philippines. The eighteen member nations of APEC are committed to achieving free trade among APEC's members by 2020. Southeast Asian nations have the fastest-growing economies in the world.

The Summit of the Americas, last held in Miami in December 1994, also concluded with a declaration stressing the need to create a free trade area of the Americas in order to achieve free trade in the western hemisphere by 2005. Latin American nations and the Pacific Rim will be the United States' largest trading partners in the future.

The Governors of the fifty states and the territories of American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands support the following trade policy objectives.

11.2 Expand International Trade

The United States Trade Representative (USTR) should expand existing trade agreements in an effort to achieve greater economic prosperity through global free trade. This includes implementation of regional free trade agreements, as expressed in the goals of the APEC summit and the Summit of the Americas, as well as multilateral and sectoral agreements such as the Multilateral Agreement on Investment and the Information Technology Agreement.

11.2.1 **NAFTA Expansion.** Most Governors support Chilean accession to NAFTA and believe the federal government should encourage other Latin American and Caribbean nations to become parties to the agreement.

11.3 Renew "Fast-Track" Trade Negotiation Authority for the President

The Governors call on Congress to immediately renew fast-track trade negotiation authority for the President, which expired in late 1994. It is important to note that every U.S. President since 1974 has received fast-track trade negotiation authority from Congress. Fast-track authority gives the President the negotiating authority necessary to conclude increasingly complex trade agreements. Without fast-track authority, U.S. ability to expand and open markets around the world will be constrained significantly, and U.S. businesses will likely lose market opportunities and jobs to other countries.

11.4 Ensure a State and Territorial Role in Trade Agreement Negotiation

Federal trade negotiators must be aware of the potential impacts a trade agreement may have on new or existing state or territorial laws. The federal government should consult regularly with states and territories on the development of specific provisions within an agreement that may have an impact on state or territorial law.

11.5 Ensure a State and Territorial Role in Trade Agreement Implementation

The federal government should ensure an effective state and territorial role in the implementation of NAFTA and subsequent trade agreements and participation in relevant WTO activities. Federal agencies must work with states to address conflicts between state laws and provisions of trade treaties. Effective state and territorial participation requires adequate technical support from federal agencies.

11.6 Promote Effective Coordination Between States and Territories and the Federal Government

11.6.1 **Export Promotion.** States, territories, and the federal government play significant roles in promoting the export of U.S. goods and services into foreign markets. The federal government should coordinate with states and territories to maximize the effectiveness of federal export promotion programs.

11.6.1.1 **Agriculture.** States and territories should work with the federal government to ensure support for state and territorial agricultural market development programs, including regional marketing associations, to the extent allowed under international treaties.

If nonagricultural federal export promotion programs are consolidated, the Governors should have input on how those resources will be redirected to state and territorial export promotion programs. The Governors should be provided with the flexibility and discretion to target federal export promotion assistance in a way that will best serve the needs of their individual states and territories, such as the promotion of small and medium-sized businesses or agricultural concerns.

11.6.2 **Public Education.** States and territories should work with the federal government to expand citizen understanding of the importance of international trade and work with the private sector to develop lifetime educational opportunities that prepare Americans to compete successfully in a changing global economy.

Time limited (effective Winter Meeting 1997–Winter Meeting 1999).
Adopted Winter Meeting 1997.

Governors oppose federal preemption of states' rights to determine tax policies that best meet the needs of their states.

could potentially consume several days. Sources report that the bill may not even be considered this session.

Fast-Track Authority

This fall, the president is expected to push Congress to give him fast-track authority to negotiate new trade agreements. The nation's governors have consistently supported fast-track trade negotiation authority for the president. Governors have made their position clear in several letters to Congress, urging members to act quickly on a fast-track proposal.

Fast-track trade negotiation authority for the president expired in 1993. Trade agreements negotiated under this authority go before Congress for a straight up or down vote. Fast-track authority is considered by many, including U.S. trading partners, to be an essential tool for the negotiation of international trade agreements. Negotiations on the extension of the North American Free Trade Agreement (NAFTA) to Chile and other nations and on the establishment of the Free Trade Area of the Americas will likely be stalled until fast-track is renewed.

Internet Tax

Governors oppose federal preemption of states' rights to determine tax policies that best meet the needs of their states. Governors support Internet tax policies that are consistent, nondiscriminatory, and easy to administer, and foster the continued growth of this valuable new resource. In the name of protecting the Internet, the Internet Tax Freedom Act, under consideration in both the House and the Senate, preempts existing state and local taxes, such as sales, use, telecommunications, information services, and business license taxes, all in the name of protecting the Internet. Governors believe a better solution would be a joint industry-government effort to develop tax proposals that best serve government, industry, and the nation's citizens. However, the federal legislation being considered would indefinitely preempt a broad range of state and local taxing authority.

Currently, there are projections that sales over the Internet will reach $200 billion per year in the next several years and $1 trillion per year in the next 10 years. Much of this business represents a shift from more traditional business structures, such as downtown stores, shopping malls, and mail order catalogues. If states are to continue to rely on the sales tax, changes will need to be made to adapt to this new reality, and tax collection procedures must become much easier to administer. Although the immediate revenue loss from the proposed legislation is significant, the implications for states' sales tax bases in the future are huge.

Electricity Deregulation

Nearly every state has or is moving to introduce retail competition in their electric utility industry in order to lower prices, improve performance, and enhance reliability.

Such plans require a delicate balance between all stakeholders and must meet the unique needs of each state. The nation's governors believe federal legislation should enhance the ability of states to implement retail competition successfully, but not mandate states to do so.

To address the host of bills introduced in both the House and Senate this session to restructure the electric industry, NGA passed electric industry deregulation policy at its recent annual meeting. The policy opposes mandates on states to implement retail competition in the electric industry and preemption of state actions that have already implemented retail competition. It also:

- stresses that the federal role in electric restructuring should be limited to the regulation of wholesale electricity sales among utilities;
- calls for prospective repeal of the Public Utilities Regulatory Policies Act, which forces utilities to buy power from facilities using renewable energy sources at an artificially higher price; and
- supports conditional repeal of the Public Utility Holding Company Act.

Tobacco Settlement

When Congress returns from its recess, it will hold a series of hearings on the national tobacco settlement proposal. The president is expected to announce his recommended changes to the agreement the week of Sept. 7.

If approved by Congress and the president, the deal struck between tobacco companies and state attorneys general will cost the tobacco industry $368 billion over 25 years and severely curtail the industry's advertising and marketing practices. It also fines tobacco companies up to $2 billion a year if the rate of teen smoking does not drop. In return, states would drop lawsuits that seek to make the industry repay Medicaid costs for treating smokers. The industry also would win protection from future lawsuits by smokers. Later this month, NGA will conduct a one-day briefing on the proposed tobacco settlement for governors' staff.

Other Issues

Other Congressional issues of concern to states include clean air, workforce development, Indian gaming, unfunded mandates, regulatory reform, campaign finance reform, product liability, and national education standards and testing. ■

September 1, 1997 Vol. 31, No. 18

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THE GOVERNOR OF THE STATE OF FLORIDA

July 9, 1997

LAWTON CHILES

Governor Bob Miller
State of Nevada
State Capitol
Carson City, Nevada 89710

Dear Bob:

Once again this fall, it is anticipated that Congress will take up legislation restoring the "fast track" authority for conducting trade negotiations. "Fast track" is the term for describing procedures used for trade negotiations which delegates authority away from Congress to the executive branch in order to give the President a more unfettered position in conducting trade negotiations. Under fast track, Congress has only a straight up and down vote on specific trade agreements under a process where no amendments are in order.

This authority is critical to a president's ability to protect U.S. interests in international trade, and has been granted to every chief executive since President Gerald Ford. Because of the lapse in granting President Clinton this authority since 1994, it is jeopardizing his stature in trade negotiations as well as undermining his credibility in foreign policy and international economic matters.

As governors, we have been on record through NGA policy as supportive of fast track. We have, over the years, recognized its influence on our states' ability to promote markets for our many goods and services. The Democratic Leadership Council is crafting an appeal to Congress supporting the President on fast track authority and is reaching out to Democratic leaders across the nation to sign such an appeal. The DLC hopes to show members of Congress that the economies of state and local levels throughout the country have a huge investment in the future of international trade. I know this is true in Florida, where our exports have emerged as the backbone of our international trading industry, totaling more than 25 billion during the last year.

I encourage you to lend your name to the DLC's appeal and show your support for giving President Clinton fast track authority. As you well know, the Clinton-Gore Administration has bolstered the U.S. economy and expanded our markets worldwide. Providing fast track authority will only enhance that success. If you agree to support the DLC's appeal, please let Ed Kilgore of the DLC staff know of your interest at (202) 608-1224.

Thanks for your interest and I hope to see you in Las Vegas.

With kind regards, I am

Sincerely,

Lawton

LAWTON CHILES

An appeal to Congress:

Give President Clinton the authority to negotiate tough, fair trade agreements.

America can compete and win

Under President Clinton's leadership, the U.S. economy is now consistently ranked as the most competitive in the world. Not since the Administration of John F. Kennedy has there been a comparable period of sustained low-inflation, low-unemployment growth. Like JFK and every other Democratic President of this century, President Clinton believes trade is essential to economic growth. He has fought to give Americans the education and skills they need to succeed in the new economy. Expanding trade means expanding opportunities for American families and communities.

American trade is critical to state economic growth

As state leaders, we know lower trade barriers have been critical to expanding markets for American goods and services overseas and increasing investment here. Nearly all states have registered *double-digit export growth* over the past four years. *Export-related jobs accounted for nearly one-fourth of the new jobs created since 1992 -- jobs that pay an average of 13 - 15% more.* Increasing trade is essential to increasing growth. But if we hesitate to open new markets, this growth could falter.

No time for unilateral disarmament in trade

For three years now, the President of the United States has not had fast-track negotiating authority. Now *key negotiations are about to start* -- in agriculture, services, financial services, and information technology -- sectors where our country is the world leader -- and in Asia and Latin America, the two fastest growing regions in the world. This is no time to unilaterally disarm our President and our negotiators. *Without fast track*, the United States cannot negotiate new trade agreements that are in our interest, and fair, reciprocal trading rules. Failure to renew negotiating authority will only encourage more competitors to leave us behind by cutting America out of new industry-wide and regional accords. Already *22 agreements* have been signed without the United States.

We urge Congress to give President Bill Clinton the ability to protect America's interests in the world trading system through renewed fast-track trade negotiating authority -- which every President since Gerald Ford has received. We call on all Democrats to support fast-track authority for this Democratic President. We must not lose tomorrow's jobs because we failed to lead today.

Democrats for Economic Leadership

Compete, don't retreat. Let America lead.

Sponsored by the Democratic Leadership Council

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