FOIA Number: 2017-0401-F

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THE WHITE HOUSE

WASHINGTON

'97 SEP 9 PM 8:48

September 9, 1997

FAST TRACK KICKOFF PRESENTATION

DATE:	Wednesday, September 10, 1997
TIME:	1:30-2:00 p.m.
LOCATION:	East Room
FROM:	Sandy Berger Victoria Radd Jay Berman Gene Sperling Dan Tarullo

I. PURPOSE

To formally begin the process of winning congressional approval of fast track trade negotiating authority this fall.

II. BACKGROUND

Tomorrow's event will focus on explaining: (1) fast track in the context of your three-part economic strategy of eliminating the deficit, investing in education and training, and opening markets abroad; (2) the importance of trade to American economic growth and job creation; (3) the need to renew fast track authority to build on the Administration's trade accomplishments (the theme of "compete or retreat"); (4) the consequences if fast track authority is not renewed (the "costs of inaction"); and (5) the importance of addressing labor and environmental concerns.

The fast track legislation itself will not be transmitted in conjunction with this kickoff event. Over the past ten days, senior Administration officials have held a series of meetings with Members of Congress and key congressional staff to consult on the legislation. We anticipate that the legislation will be ready for introduction early next week, following additional consultations with Members of Congress and prior to the first hearings on fast track authority, now scheduled to be held by the Senate Finance Committee on Wednesday, September 17th.

Our consultations have had two key objectives. First, we have been working to reassure congressional Republicans about the nature of fast track trade agreements and the non-inclusion of labor or environmental provisions in those agreements unless those provisions are directly trade-related. Republican leaders have made clear that they would oppose anything more, which would stall the process.

Second, we have sought to address the concerns of key Democrats, including Minority Leader Daschle, by discussing potential labor and environmental initiatives that we would be able to undertake outside the scope of fast track trade agreements -- including through side agreements modeled on the NAFTA labor and environmental agreements, separate measures that address particular labor or environmental concerns, and improvements to domestic programs that assist those American workers adversely affected by trade.

We hope that a bipartisan approach can be fashioned by early next week, when we hope to introduce the legislation. We have avoided setting a deadline, but early introduction is necessary to have any hope of enacting legislation this year. We plan to continue the congressional consultations for the remainder of this week -- including the possibility of your meeting with several groups of Members.

III. PARTICIPANTS

Pre-brief participants:

Sandy Berger
Jay Berman
Victoria Radd
Gene Sperling
Dan Tarullo
John Hilley
Secretary Rubin
Secretary Daley
Ambassador Barshefsky
Secretary Herman
Mack McLarty

Event participants:
Vice President Gore

Gene Lang - Mr. Lang and his sons operate a 1,300 acre farm, growing corn and soybean from hybrid seeds that are genetically engineered to help produce greater yields. Lang estimates that 20% of his corn sales and 30-35% of his soybean sales are derived from exports.

Susan Corrales-Diaz - Systems Integrated, a $50 million company, provides intelligent data acquisition systems and products to improve the efficiency and control of hydroelectric power generation, distribution automation, substation automation and automated meter monitoring in its predominant East-Asian market. Corrales-Diaz expects that the 30% share of total revenues due to exports will increase to 50% over the next two years.

The audience for the event will be comprised of many executives from small- and medium-sized businesses and agricultural firms.

IV. PRESS PLAN

The event is OPEN PRESS. Following the event, Secretary Rubin, Secretary Daley, Ambassador Barshefsky, Dan Tarullo and Gene Sperling will join Mike McCurry's daily briefing to help answer questions and highlight the Administration's commitment to winning fast track authority. We also have an aggressive media outreach effort to highlight small business success stories. In addition, Cabinet and White House officials will be briefing columnists as well as doing print and radio interviews into targeted media markets. This will precede a fanning out of the Cabinet to cities across the country for the remainder of the week, including Secretary Glickman in Kansas City, Missouri, Secretary Daley in Minneapolis, Minnesota, and Mack McLarty in Miami, Florida.

20/corn
35/soybean
export

grows corn + soybean 1300 acres
hybrid seeds genetically engineered
California
Iowa

V. SEQUENCE OF EVENTS

- **You** and the ~~Vice President~~ arrive to Blue Room to greet: Mr. Eugene "Gene" Lang and Ms. Susan Corrales-Diaz
- **You** proceed to the East Room. The Vice President gives welcoming remarks and introduces Mr. Lang. 50 mill co
- Mr. Lang gives brief remarks and introduces Ms. Corrales-Diaz.
- Ms. Corrales-Diaz gives brief remarks and introduces **You**.
- You gives brief remarks and proceed to Blue Room for receiving line then depart.

VI. REMARKS

To be provided by speech writers

VII. ATTACHMENTS

List of Members of Congress attending event

'97 SEP 9 PM9:19

Draft 9/8/97 8:30pm

PRESIDENT WILLIAM J. CLINTON
REMARKS FOR "FAST TRACK" SPEECH
THE EAST ROOM
SEPTEMBER 10, 1997

Acknowledgments: VP Gore; Cabinet Members; Members of Congress; Eugene Lang and Susan Corrales-Diaz'[kor-AL-ess DEE-ahz].

The stories we have just heard make it clearer than ever that as we approach the new century and the new millennium, we are living in an incredible time of profound change and unparalleled possibility. New technologies, new ways of working, and a dynamic and highly competitive global economy are opening new vistas of opportunity and posing new challenges. We Americans have faced such moments of change before --.we have always been a confident, energetic nation of pathfinders. And as we have done throughout our history, we have taken our nation and led the world to the edge of a new era and a new economy. We are building on a comprehensive strategy of eliminating the deficit, investing in our people, and expanding exports.

In this new era, a strong American economy demands that we put our fiscal house in order, to create the conditions for private sector growth. We have done so, dramatically cutting the deficit. And now -- with the first balanced budget in a generation -- we are moving forward.

In this new era, a strong American economy demands that we invest in our people, so they can reap the rewards of that growth. We have done so -- with education improving at every level and the doors of college open wider than ever before. And now -- with the best education budget in a generation -- we are moving forward.

And just as important, in this new era, a strong American economy demands that we master the forces of the global marketplace. More than ever before, we know that this is the way we will create more jobs, offer more opportunity, and help more of our people to prosper. So today, I come before you and the American people, to say: we must move forward. I am asking the Congress to renew the President's traditional authority to negotiate the tough trade deals that will open more markets to American goods and services -- the same authority that every President has had since 1974.

Expanding exports and mastering the challenges of trade are more important than ever before. Consider: America has only 4% of the world's consumers, and 20%of the world's wealth. 96% of the world's consumers live outside our borders. The only way an economy like ours can continue to grow -- and one of the best ways we can continue to create high wage jobs, jobs with a future -- is to export. And that is what we are doing.

For four-and-a-half years, America has aggressively worked to open new markets -- negotiating over 200 trade agreements, including NAFTA, the GATT, and most recently the Information Technology Agreement. And every one of those agreements has helped to create more jobs and more prosperity, and helped our economy to grow.

Exports are a powerful engine driving our economic success. In the past four-and-a-half years, exports have accounted for more than one third of our economic growth. Exports support more than 11 million jobs nationwide-- including 1 in 5 of our manufacturing jobs. And exports have helped to create 1.7 million high paying jobs -- jobs that on average pay 15% more than other American jobs.

Once again, we are the world's number one exporter, the world's largest producer of automobiles, and the world's largest producer of semiconductors. From the farms of our heartland to the high-tech firms of the future, American business is booming. From specialty steel to telecommunications, America leads the world.

But to keep America growing, to continue creating jobs and opportunities, we must continue to expand exports. We must use every tool we have to pry open foreign markets to American-made products. We must act now, to continue our progress so our new economy works for all Americans. America must continue to fight for open trade around the world -- and that means Congress must renew the President's traditional authority to negotiate trade agreements.

First, this authority strengthens our ability to break down trade barriers and unfair trade restrictions in sectors where America already leads, and where our future lies, such as telecommunications, medical equipment, agriculture, and environmental technology.

We know what a strong trade agreement in a key sector can do for our people and our businesses. The Information Technology Agreement that we reached with 37 other nations last December will unshackle trade on $500 billion in computers, semiconductors, and telecommunications. This amounts to a $5 billion cut in tariffs on American products exported to other nations -- and it can lead to hundreds of thousands of high-wage jobs for Americans.

Second, renewing fast track authority will help us open markets in the fastest growing countries in the world -- Latin America and Asia -- economies that are expected to grow three times faster than our own in the next decade.

Third, without fast track authority, we will leave the field to our competitors to break down trade barriers for their own products -- and to reap the benefits of the world marketplace without us. Since 1992, in Latin America and Asia alone, our competitors have negotiated 20 new trade agreements that don't include the United States. For example, now that Canada has negotiated a trade agreement with Chile, every major economy in this hemisphere has duty-free access to Chile's markets . . . every economy but one: the United States -- and that is unacceptable.

Those of us who support open trade have to acknowledge that the benefits and burdens of the global economy do not automatically fall equally on everyone. We must acknowledge the possible effects of global trade on our communities, our businesses, and our workers. That is why since I took office we have doubled funding for the dislocated workers program; and that is why I fought for and won both the $1,500 HOPE Scholarship and a 20% tuition tax credit to help workers enhance their skills throughout their working lifetimes.

And let me make one further point. As we continue to expand our economy here at home by expanding our leadership in the global economy, I believe that we have an obligation to support and encourage core labor standards and environmental protections abroad.

America's high standards for worker rights and environmental protection are a reflection of our fundamental values, a benefit to our economy, and the envy of the world. We will continue to set the highest possible standards for workers' rights and for environmental protection -- as we have for decades. And we cannot and will not allow free trade to lower our standards to meet those of other countries.

Our goal must be to persuade other countries to build on the prosperity that comes from trade to lift their standards up. I will not negotiate trade agreements that provide unfair advantages to countries that abuse their workers or their environment. Trade cannot pull standards down -- it must lift them up -- and with the right kind of trade agreements, I know we can do that.

For more than 50 years, we have had a national consensus on the importance of trade. Now, it is more important than ever that we come to a new consensus on the new global economy of the 21st Century. We must make sure that any agreement we come to addresses our concerns, reflects our values -- and helps us to achieve our greatest potential as a nation. I am committed to consulting with the Congress to make sure that this legislation will receive the full bipartisan support that it deserves -- and that the American people expect.

If the historic budget agreement we reached this July has taught us anything, it is that we can -- we must -- and we will pull together for the good of the American people and for the future of America. Our trade policy should not be about politics -- it should be about prosperity, and building a new economy for the new millennium. American workers are the most productive in the world; they can outcompete anyone in the world; and we must give them that opportunity.

This, then is the challenge we face: will we rest on our record and live with the consequences of complacency, or will we act now to prepare America for the 21st Century? Today, America stands at the pinnacle of its influence; our economy is the strongest in the world. Will we shrink from the future, or will we embrace it?

History has already shown us where those two very different paths can lead. Once in this century, in the aftermath of World War I, we chose to turn inward -- and built walls around our economy that ultimately led to the Great Depression. Then, after World War II, we chose the path of progress, rebuilding the shattered economies of Europe, uniting former foes in new partnerships of prosperity . . . and creating the great American middle class.

At the dawn of the 21st Century, America must choose again. The future will not wait for us -- but it is ours to shape. And I say to you today that we cannot not sit on the sidelines while other nations move forward to forge the bonds of trade. We dare not turn inward while the world is turning outward. And we must not let this rare opportunity to be pathfinders in the new global economy pass us by.

I say to you today that we will keep America on the path of progress -- the path of more jobs, more prosperity, more opportunity for every American.

Thank you.

MEMBERS CONFIRMED TO ATTEND (Not a complete list):

Rep. Robert Matsui
Rep. James Moran
Rep Jim Davis
Rep. Cal Dooley
Rep. Vic Fazio
Rep. Chris John
Rep. Floyd Flake
Rep. Ellen Tauscher
Rep. Bill Luther
Rep. Marion Berry
Rep. William Jefferson
Rep. Charles Stenholm
Rep. Donald Payne
Rep. Robert Menendez
Rep. Norm Dicks
Rep. Christopher Shays
Rep. Charles Rangel

Senator John Rockefeller
Senator John Breaux
Senator Richard Bryan
Semator Max Baucus
Senator Daniel Patrick Moynihan
Senator Bob Kerrey

MEMBERS INVITED BUT UNABLE TO ATTEND:

Rep. Ken Bentsen
Rep. Estaban Torres
Rep. Lee Hamilton
Rep. Earl Blumenauer
Rep. Jim Kolbe
Rep. Charles Ney
Rep. Rob Portman
Rep. Jennifer Dunn
Rep Xavier Becerra
Rep. Dick Armey
Rep. Tom Campbell
Rep. Bill Paxon
Speaker Gingrich
Rep. Bill Archer
Rep. Greg Ganske

Rep. Deborah Pryce
Rep. John Kasich
Rep. Darlene Hooley
Rep. David Skaggs
Rep. Jay Johnson
Rep. Howard Berman
Rep. Jim McDermott
Rep. Chet Edwards
Rep. Leonard Boswell
Rep. David Drier
Rep. Silvestre Reyes
Rep. Vic Snyder
Rep. John Tanner
Rep. Tom Latham

Senator Trent Lott
Senator Mary Landrieu
Senator John Chafee
Senator Tom Harkin
Senator Bob Graham
Senator Kent Conrad
Senator Sam Brownback
Senator Richard Lugar
Senator Jeff Bingaman
Senator William Roth

MEMBERS PENDING:

Rep. Bob Clement
Rep. Harold Ford Jr.
Rep. Steny Hoyer
Rep. Michael McNulty
Rep. Henry Hyde
Rep. Phil Crane
Rep. J.C. Watts
Rep. Michael Oxley
Rep. Bill Tauzin
Rep. Christopher Cox

Senator Tom Daschle
Senator Ron Wyden
Senator Herb Kohl
Senator Carol Moseley-Braun
Senator Mike Dewine

115

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6162

THE WHITE HOUSE

WASHINGTON

FAST TRACK MEETING WITH
SELECTED MEMBERS OF THE HOUSE

DATE: September 12, 1997
LOCATION: Yellow Oval Room
TIME: 11:00 a.m. -12:00 p.m.

FROM: SAMUEL BERGER
GENE SPERLING
DANIEL K. TARULLO
JOHN HILLEY
JAY BERMAN
VICTORIA RADD VR

I. PURPOSE

To make our affirmative case for fast track to undecided Democratic House members.

II. BACKGROUND

This is the third meeting you are holding with House Democrats who we feel can be persuaded on fast track, plus some supporters. As with the first two meetings, we recommend your message be built around three themes.

1. Optimism/Future v. Pessimism/Past: This issue is at the center of our national debate about our future: whether we will meet the challenge to compete and win, or whether we will convince ourselves - against the evidence - that we should not move forward. Trade expansion has been a key element of a forward-looking economic strategy that has created nearly 13 million jobs, brought core inflation to a 30-year low and created sustained economic growth.

2. American Leadership: As we enter the 21st Century, we need to be in front of world trade opening efforts, not lagging behind and losing market opportunities. The world is watching. If we don't act, others will.

3. Important Market Opening Opportunities: Fast track is the tool for eliminating foreign barriers, whether through sectoral agreements (e.g., medical equipment, environmental technology, agriculture), continuing regional processes in Latin America or Asia or eliminating global barriers in the WTO. This is not a referendum on NAFTA, as some suggest. It

is about a far different agenda: eliminating foreign barriers worldwide, which are much higher than ours.

As you know, we are currently in the process of persuading key Democrats (notably Daschle and Rangel) to be as supportive as possible, before we formally introduce legislation. Daschle has presented us with a list of steps (some in the bill, some outside it) that would demonstrate a commitment on labor/environment. We are engaging him and are hopeful of gaining his support. Rangel is threatening next week to introduce separate Democratic legislation that would embrace Gephardt's approach on labor/environment and add a jobs bill for U.S. workers. We are pressing him to forbear. Obviously, we need to attract them while ensuring sufficient Republican support to move forward.

If asked about labor/environment, we recommend you make the following points: 1) restate your commitment to pursuing an aggressive agenda on international worker rights and environmental protection; 2) indicate frankly that we need both to preserve your capacity to pursue that agenda but also assemble a bipartisan majority for this bill; and 3) remind them that trade agreements are but one way to make progress with countries, citing labor/environment side agreements, work in multilateral institutions (ILO, WTO) and other methods - and that we will use a broad range of tools to make progress.

If asked when we will introduce a bill, we recommend you say "soon" but avoid giving a date. A deadline would only work against us if events prevent us from meeting it.

Finally, there is increasing pressure for a "Democratic" bill. We urge you to resist that. It would likely stall the process and make it impossible to secure passage this year. Instead, encourage them to work with you in fashioning an approach that incorporates Democratic values.

III. PARTICIPANTS

See Tab C.

IV. PRESS PLAN

None

V. SEQUENCE

We recommend you open with brief remarks (attached), introduce Jay Berman and Vicki Radd, then open the floor for discussion.

Attachments
Points to be Made
Q's and A's
Participants

POINTS TO BE MADE FOR MEETING ON FAST TRACK

Introduction

- I want to talk with you about why it is in our nation's interest to renew fast track trade negotiating authority. Before I begin, let me introduce Jay Berman and Vicki Radd, who will be leading our effort. Their appointment underscores the high priority I attach to this issue. It is one of the most important votes you will cast this year. In fact, when we look back, I think it will be one of the most important decisions we will make this decade.

Optimism/Future v. Pessimism/Past

- This issue is at the heart of our effort to define America's future. It tests whether we will confidently meet the challenge to compete and win in the global economy, or whether we will convince ourselves - against the evidence - ~~that~~ we should not move forward. As President, I have tried to adopt a forward-looking economic strategy that guides our country into the 21st Century. And it is clear to me that international trade is central to that strategy:

  - Over the next decade, the economies of Latin America and Asia are expected to grow at three times the rate of the U.S. economy. Over the past four years, one-third of our economic growth came from trade. In a world where over 96 percent of the world's consumers live outside the U.S., we must export to sustain growth at home.

Our strategy has made the American economy the envy of the world. We are perfectly positioned to seize these trade opportunities.

  - We have enjoyed the longest period of sustained growth of all of our G-7 partners - seven years as of last March. We have created 12 million net new jobs, more than all of the other G-7 countries combined. The unemployment rate is below 5%, the lowest in over 23 years.

  - We are once again the world's largest exporter, the largest producer of semiconductors, the largest producer of automobiles. Independent studies have found America to be the most competitive economy in the world for the past five years. No country in the world is better positioned to compete.

Global Leadership

- To continue that record, I need the authority to continue opening markets. Without it, America will not maintain its leadership position in world trade and a critical part of our economic expansion will stall. We must be in front of market opening efforts, not lagging behind and losing opportunities.

- Let's not kid ourselves - if we don't act, others will.

  - Since 1992, in Latin America and Asia alone, other countries have reached more than 20 preferential trade agreements without us.

  - Today every major economy in this hemisphere has a preferential trade deal with Chile, except the United States. Chile has an 11% across-the-board tariff that these countries are eliminating for their products. That means every time an American company competes to sell to Chile, it will face an immediate 11% cost disadvantage compared to its Canadian competitor.

  - The EU, China and others are on the move. The EU has begun a process to reach a free trade agreement with Brazil, Argentina and other MERCOSUR countries. President Chirac has declared "the future of the region rests with Europe, not the United States." China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America.

Significant Market Opportunities

- The potential gains are great, if we seize them. If you give me the authority, we will attack foreign trade barriers on a number of fronts:

  - Sectoral Agreements: We would negotiate agreements in sectors where the U.S. is most competitive. The recent Information Technology Agreement, for example, eliminated tariffs and unshackled $500 billion of trade in semiconductors, computers, telecommunications equipment and software, amounting to a $5 billion tax cut in tariffs on American exports. With fast track authority, I can tear down more barriers in areas like medical equipment and environmental technology, where America leads the world.

  - Latin America/Caribbean: This area was the fastest growing market for U.S. exports in 1996. If trends continue, Latin America and the Caribbean will exceed the EU as a destination for U.S. exports by 2000 and exceed Japan and the EU combined by 2010. We remain committed to the Free Trade Area of the Americas process. Chile would be our first step in this process.

  - Asia: Contains the fastest growing economies in the world, with nearly 3 billion people. Forecasters expect real growth of 6-7% annually for the next 15 years. In APEC, we are working to reach agreements in key sectors that could open these markets to America's most competitive products. Without fast track, that process will come to a halt.

- Global: Over 50 years of persistent American leadership has helped bring down global tariffs from an average of 40% at the end of World War II to about 5% today, leading to a 90-fold increase in global trade. Upcoming WTO talks on agriculture can help us cut barriers and subsidies in the $526 billion global farm market. We can eliminate barriers to services trade, a $1.2 trillion global market, where U.S. firms had a surplus of $74 billion in 1996.

Conclusion

- We face a critical choice. We can recognize that the American economy is the model for the world, continue to open foreign markets and seize the initiative. Or we can convince ourselves that we are on the wrong track, that we cannot succeed and that we should not move forward. Years from now, we will either proudly recognize that we saw our opportunities and we took them. Or we will have become paralyzed by indecision, squandered our strong competitive advantage and let others seize the initiative. The choice is that clear - and that important. I ask you to support me on this critical issue.

QUESTIONS AND ANSWERS
FAST TRACK MEETING

LEGISLATIVE PROCESS

Q: When will you introduce a bill?

A: We need to introduce a bill soon if we want to enact legislation this year. But we also need to get good bipartisan support at the outset to ensure this has a good lift-off. I don't want to set a specific deadline - because that can become a liability - but we need to introduce a bill soon.

Q: What will the Administration's bill do about incorporating labor/environment provisions in future trade agreements?

A: I share your concerns about labor and environmental issues. We must remain committed to promoting worker rights and ensuring that economic growth is not at the expense of the environment. I have done more than any other President to promote these issues - and I will continue to do so.

The challenge here is to ensure we can continue to press these concerns, while assembling a majority to pass this fast track bill. I have many tools at my disposal - whether its labor/environment side agreements or pressing for action in global organizations, like the WTO or the ILO. The important thing is that we be able to move this agenda forward effectively.

We continue to consult on how best to do that. But let me emphasize one point: failing to engage these countries will not improve their worker rights or the environment. These countries will advance economically, whether or not we negotiate trade agreements with them - and other countries won't be as concerned about their labor or environmental protection. By leading the world, we have a far better opportunity to promote our values than by disengaging.

Q: We think we need a Democratic bill that reflects our values? Why shouldn't we do that?

A: I think our bill and our approach will reflect Democratic values. I strongly prefer you work with me to fashion a bill we can all support - and has a better chance of passage.

NAFTA

Q: Some say this debate is not about NAFTA. But NAFTA is relevant to fast track. NAFTA has cost us over 400,000 jobs. Our trade surplus has turned into a deficit. If NAFTA was a failure, why should we extend it to the rest of the hemisphere and beyond?

A: The critics are wrong. The best information available indicates that NAFTA has had a positive effect on jobs, creating 90,000 to 160,000 jobs in trade with Mexico alone. The trade deficit with Mexico was caused by Mexico's peso crisis and the recession, not NAFTA.

If anything, the trade deficit would have increased further if it were not for NAFTA. When Mexico had its last financial crisis in 1981-82, it imposed 100% duties on American products, U.S. exports fell in half and it took 7 years for us to recover to 1981 levels. This time, Mexico continued to reduce its tariffs as required by NAFTA (even though it raised on them on our competitors). U.S. exports recovered to pre-recession levels in 18 months, protecting the 750,000 jobs dependent on those exports. A Federal Reserve of Dallas study concluded U.S. export growth was 7% higher than it would have been absent NAFTA.

Q: NAFTA was supposed to have improved labor/environment conditions on the border, but it hasn't. In fact, the problem is worse.

A: The problems along the border existed before NAFTA and they won't be solved overnight. But NAFTA has given us better progress and cooperation than we would have had without it. There are clear signs of improvement:

- From 1993 to 1996, Mexico increased it budget for enforcement of labor laws by 250%.
- The overall rate of occupational injuries and illnesses fell from 47 per thousand in 1994 to 33 per 1000 in 1996.
- Mexico has seen the number of environmental violations dropping; with a 72% reduction in serious violations in the maquiladora industry from 1993 to 1996; and a 43% increase in the number of maquiladora facilities in complete compliance.
- The NAFTA institutions financing border cleanup projects have certified 16 projects, including infrastructure projects costing nearly $230 million.

Q: Opponents have successfully made this a referendum on NAFTA. How do I refute that?

A: I think NAFTA's been good for this country. But no matter what you think, this is not about NAFTA. It's about the global trading agenda I outlined.

- Our competitors would like nothing better than to have us rehash the NAFTA debate for four years, while they seize new market opportunities.

- Inaction will simply let foreign barriers stand. When we reach these trade agreements, we give up very little, while other countries give up far more. When the Uruguay Round is phased in, our tariffs will average only 2.8%. Other countries are far higher: India (31%); Thailand and Turkey (26%); Chile and Indonesia (11%). Becoming mired in a debate about NAFTA won't level the playing field.

Q: NAFTA has diverted investment from the U.S. to Mexico. It was an investment agreement, not a trade agreement.

A: No. U.S. foreign direct investment in Mexico averaged $3.1 billion in 1994-96, little changed from the $2.5 billion the year before NAFTA took effect. The $3.1 billion was less than 0.3% of gross private fixed investment in the U.S. in 1996. The Big 3 invested $39 billion in the U.S. economy in the last three years, only $3 billion in Mexico.

Q: U.S. companies use the threat of relocation to Mexico to jawbone down the wages of America's workers. That will just happen over and over again if we reach more free trade agreements.

A: The fact is that NAFTA makes it more attractive to stay in the United States. Before NAFTA, U.S. exports faced an average 10% tariff when sending U.S.-made goods to Mexico. They had restrictions that basically forced us to locate car production down there if we wanted to sell in their market. NAFTA eliminates all of this - and will eliminate only a 2% average tariff on products coming here.

If we let other countries reach trade agreements, while we sit on the sidelines, it will make it even more attractive for U.S. companies to move offshore. If Brazil has eliminated all tariffs it faces in this hemisphere - and we still face high tariffs - U.S. companies have one more incentive to move offshore. If we want to keep jobs here, we should eliminate trade barriers for U.S.-made products.

<u>Trade Generally</u>

Q: Why should be reach trade agreements with low wage countries? How can U.S. workers compete against foreign workers earning a fraction of U.S. wages?

A: The fact is that U.S. workers do compete successfully with low wage countries. In the last 10 years, U.S. exports to low-wage countries have risen 240%, while exports to high wage countries are up just 140% and domestic sales by 75%. Exports to low wage countries now account for 42% of total U.S. exports. And these are good jobs. Wages for export-related jobs pay 13-16% more than the national average.

Competition from low wage countries does create competitive pressures in industries where skills and productivity are lower, but most such jobs don't compete with imports. In fact, imports from non-oil developing countries account for only 4% of U.S. spending and has grown only 1.5% during the past decade.

For those workers who are affected, we need to maintain our commitment to education and worker retraining. That's why I have made them a priority. It must be part of a complete strategy to prepare us for global competition.

Q: The U.S. trade deficit has hurt the U.S. economy and cost American jobs.

A: It's hard to argue that the trade deficit is devastating the U.S. economy. We are growing at a steady pace of about 3% per year over the past five years, unemployment is at a 23 year low, income levels are rising and exports are at record levels.

But one way to attack the deficit is to break down foreign barriers - and I can't do that unless I have fast track authority.

Hill Participants	Administration Participants
Representative Chris John	The President
Representative Bob Wigin	Vice President
Representative Brad Sherman	Secretary Rubin
Representative Jim Turner	Secretary Glickman
Representative Alan Boyd	Secretary Daley
Representative Carolyn McCarthy	Ambassador Barshefsky
Representative Robert Wexler	Erskine Bowles
Representative Karen Thurman	Sandy Berger
Representative Earl Palmeroy	Daniel K. Tarullo
Representative Juanita Millender McDonald	Gene Sperling
	John Hilley
	Mack McLarty
	Jay Berman
	Vicki Radd
	Susan Brophy
	Bob Kyle
	John Podesta/Sylvia Mathews

FARMLAND SUPPORTS THE RENEWAL OF FAST TRACK AUTHORITY

Farmland Industries, Inc. is the largest farmer-owned cooperative in North America with over 1,500 local cooperative members, serving 500,000 farmer-rancher families in 22 Midwestern states, Mexico and Canada. Also, more than 13,000 livestock producers are direct members of Farmland, marketing their hogs and cattle. It is this network of farmer, farmer-cooperatives and Farmland, and the many people who work for them, that make up the Farmland Cooperative System.

Headquartered in Kansas City, Missouri, Farmland manufactures and distributes to its farm cooperative members agricultural inputs, including petroleum, crop production and feed. Domestic and international marketing opportunities are provided for our member-owners' agricultural outputs, including the slaughtering, processing and marketing of pork and beef, and grain processing and marketing. The Farmland System conducts business in all 50 states and more than 70 countries.

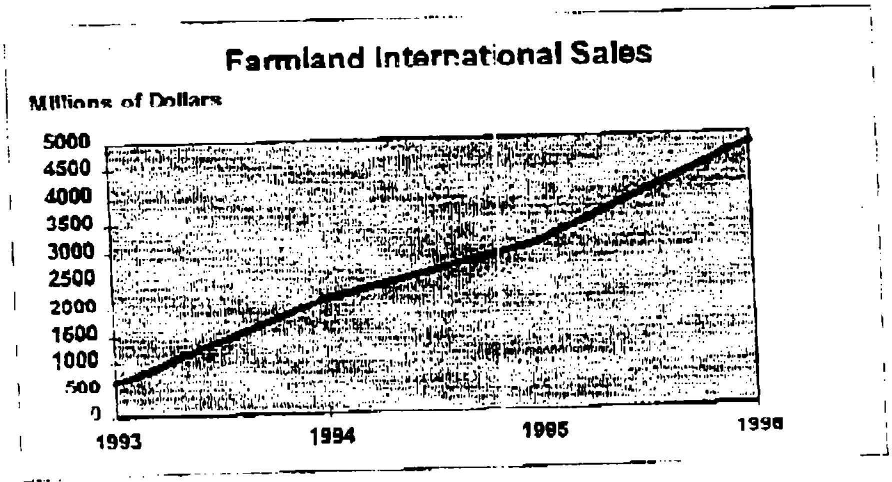
The future economic well being of American agriculture is closely tied to our competitiveness in an expanding global market. The importance of trade to the future of American agriculture has been emphasized under the 1996 Farm Bill, with the reduction in support to producers from domestic farm programs. US producers now depend on exports for over 25 percent of gross receipts. This is anticipated to be 35 percent by 2003.

In response to this globalization, Farmland Industries has developed business strategies that reflect a strong commitment to expanding world markets. The farmers and ranchers who own the Farmland System are very much involved in expanding international markets. In the past six years, our international sales have grown from less than $200 million to over $4.1 billion. In Mexico alone we have seen our trade, since the passage of the NAFTA, grow from less than $50 million in 1992 to $450 million in 1996. We believe US policy must also be dedicated to the expansion of global markets.

Farmland finds that sanitary and phyto-sanitary non-tariff trade barriers, for meat and grain, are among the most important and prevalent of our concerns with respect to international marketing of System products. The incidence and cost of problems related to these barriers, in addition to lost business, is increasing at an alarming rate. These barriers expose Farmland specifically and US agriculture in general to millions of dollars of risk and lost trade.

The next round of global agricultural trade negotiations is scheduled to commence in 1999. The continued removal of tariff and non-tariff barriers to trade, so that new markets are opened and access is increased to existing markets, is of particular importance to Farmland and its member owners. In order to adequately prepare for and participate in these negotiations, US trade officials need fast track authority now.

The farmers and ranchers who own Farmland support the passage of Fast Track authority as a vital tool in the pursuit of trade liberalization. They clearly understand the importance of world trade to US Agriculture's continued growth.



Kevin Moffitt, OR/WA/CA Pear Bureau, 503-652-9720, identifies:
Duties in **Taiwan** are 40-50%, and still selling 400,000-500,000 boxes of fresh pears (of which Oregon pears represents approximately 40%). If tariffs were reduced 10-15%, estimates sales would increase 25-30%.

China has an 80% tariff on fresh pears, and also prohibits NW pears due to fire blight, which is "not scientifically justifiable"

Israel has quota of 525 metric tons duty free, then 18% duty plus $4.50/box after quota to protect local production. Selling 130,000 boxes with the quota, estimates able to sell 300,000 boxes if restrictions were eliminated.

V**enezuela** gives 0% duty preference to Chilean pears and other South American countries in the Andean Pact. Oregon pears have lost 8-15% market share.

Thailand has 60% tariff (plus 30 baht/kg or $.55/lb, whichever is higher) placed on fresh pears. There appears to be very good potential for pears because US apple exports to Thailand were 3 million boxes last year, and the tariff on apples is 10-15%, substantially lower than the tariff for pears. Other fresh and processed fruit/vegetable tariffs into Thailand are also high.

Thailand's tariff of 54% on French fries limits Oregon exports. The Oregon Potato Commission was asked by McDonald's to work on this issue. (Will Wise, Oregon Potato Commission:Tom Lipisky, the National Potato Board; Bob Saunders, Potato Trade Council, and Julian Audry of Lamb Weston were all unavailable on 8/22 to provide further details)

High tariffs on hay is limiting Oregon exports for the Thai dairy industry

Oregon hazelnuts pay 10% duty into **Japan**, while Turkish hazelnuts have no duties.

Sean McGree, Hops Growers of America, 509-248-7043 , identifies:
China imposes 55% duty on hops extract, and 40% on pellets and raw. With Chinese beer production increasing 10-15%/year,, estimates that China will require 42 million pounds of hops, which will be unable to be supplied by domestic hops. While most of Oregon's hops go into the domestic market, 10-15% goes into international markets.

EU hops represent 75% of the world supply and is subsidized. This subsidy represents a larger trade barrier than high tariffs.

Korea trade barriers include import licenses on fresh vegetables, dry onions and seafood products; beef has quotas; (Due to time constraints, unable to reach specific companies and estimated amounts of products affected by Korea's restrictions.)

Oregon Trade Impediments identified on 8/22/97 by ADMD staff

Larz Malony, Pacific Marketing Group, 503-226-2200, identifies:
High duties in EU prevent sales of cooked and peeled shrimp, at the same time that EU and Canadian product is allowed into the US with no duties, effectively lowering US prices and preventing OR product from maintaining US sales. Estimates 500-750 tons/ year could be sold into EU if duties were reduced.

Barry Stice, Oregon Potato Company (employs 120 people in Boardman, OR and 100 in Warden, WA), 541-481-2715, identifies:
1) Korea does not permit importation of dehydrated potato flakes (Dehydrated potato flakes and flour/grind used as an ingredient in snack processing.) The removal of the barrier would permit sales of 3000 MT at a FOB Oregon value of $3,000,000.

2) Brazil has a monetary barrier - they require 14 months terms. same product.The removal of the barrier would permit sales estimated at 4000 MT at a FOB Oregon value of $4,000,000.

Richard Fritz, Oregon Wheat Commission, 503-229-6665, identifies:
TCK issue affecting soft wheat sales into China, Brazil and Chile. Turkey has just raised the duty on wheat to 45%. Before the increase, Oregon wheat sales into Turkey were 52,000 tons.

Al Baker, Norpac, 503-635-9311, identifies:
1) Russian labelling and inspection requirements. There is a relatively expensive (approx. $500) outside inspection required on canned corn. This makes the return on investment not worth Norpac's time to sell into this market.
2) As a non-member of GATT, Taiwan's duty rates are relatively high. For example, Taiwan is approx. 25% on canned corn while Japan is 9-10%.

3) In Norpac's largest export market, Japan, the most frustrating thing is Japan's overly time consuming requirement to provide technical processing information on ingredients.

4) Japan has antiquated illegal ingredient listings, e.g., meat certificate required for bacon in clam chowder (whereas Canada does not require this), and cyanide in baby lima beans.

Fircrest Farms identifies: Canada's poultry quotas and 256% tariff have forced them to make their chicken corn dogs using Canadian poultry. The process requires extra cost and precludes their using their own chicken. (This information was obtained previously to the 8/22 request, and not able to confirm if Fircrest is willing to have follow up by USDA)

Further details on the market access restrictions

- The current tariff on imported further-processed product is 28%. It will eventually be phased down, but will remain at 20% and will continue to add significant cost to imported product for the next decade.

- The import clearance process is burdensome, and can take 2 weeks or longer once product has arrived in Korea. This compares to clearance processes of 1-3 days in other markets, such as Hong Kong and Japan. The clearance process (documentation and time factor) adds another 30% (approximately), according to our importer.

- Korea also has restrictive shelf life laws which state no imported product can be sold once it is more than 9 months old. In the U.S., Pierce Foods® guarantees the quality and safety of its product for a minimum of 12 months – and in many cases the product will remain wholesome for much longer than 12 months if it is stored properly. In Korea, foodservice operators found violating the 9 month law (even if the product is perfectly fit for consumption) can be shut down – as happened with one major theme restaurant which has yet to re-open.

Pierce Foods (Division of Hester Industries)
Moorefield, West Virginia

Lost Market due to Market Access Issues: **Korea**
(Rep. Bob Wise, Sen. Byrd and Rockefeller)

Pierce Foods® is a manufacturer of high-quality further-processed frozen chicken products for the foodservice industry.

> *Pierce Foods® commitment to high quality and innovation has made it a successful leader in the poultry and frozen foods industry for nearly 50 years, but Korea's tariffs and burdensome import process for all U.S. poultry has created major obstacles for our small, family-owned company of 800 employees to expand sales to this large and potentially lucrative market. The impact of losing the opportunity to sell to this market goes well beyond the walls of the plant. Poultry growers, ingredient and material suppliers, truck drivers, dock workers, ocean shipping lines, among others, all stand to lose out on this lost business opportunity. Korea has had significant access to the U.S. for its products and has benefited from billions of dollars of U.S. military aid for nearly 50 years. With the U.S. experiencing record trade deficits, missing the opportunity to sell high-quality and competitive products to this market due to unfair trade practices is an issue which the entire country can not afford to overlook.*

The trade barrier

Korea's market has recently liberalized for U.S. chicken, but its import tariffs and regulations place high-quality U.S. product at a severe price disadvantage. The cost factor involved adds 60% to the cost of Pierce Foods® product just in the customs clearance process. Korean domestic producers do not face these same costs.

The cost to Pierce Foods®

- **Without the added tariff and clearance costs, Pierce Foods® estimates that this market could produce sales of $5-10 million annually, long-term.**
- **Given the current status, annual sales of $1 million would be considered an optimistic outlook.**
- **Pierce Foods® has cautiously started to expand it's business to Korea – but the outlook remains very uncertain.**

FROM: STEVE DAUGHERTY
CFO, PIONEER HIBRED

DRAFT***DRAFT***DRAFT

Pioneer Hi-Bred International is strongly supportive of obtaining the broadest possible fast track negotiating authority. This is important for our company, and for our customers.

Pioneer needs to extend and strengthen the phytosanitary and intellectual property guidelines adopted in the North American Free Trade Agreement and the Uruguay Round negotiations that led to the World Trade Agreement.

Our customers, America's grain and oilseed farmers, need expanded market access, reductions in tariffs, and an end to non-tariff trade barriers.

The United States must not be playing catch up in the game of international trade agreements. With the elimination of direct price supports farmers must look to the international market place for the replacement income. The farmers I've visited with are more than happy to do that. They must not, however, be limited by the inability of our government to negotiate trade agreements favorable to U.S. agriculture.

NAFTA, for example, has been a significant victory for most of U.S. agriculture. Not adding Chile to the agreement means we must pay higher tariffs than our other trading partners – Canada and Mexico – which have agreements with Chile. It is a needless cost. One day we'll wake up and see that instead of providing world leadership in trade negotiations and bringing countries into agreements that we've structured, we'll be rushing around trying to gain access to agreements other countries have hammered out. That's not the way the U.S. should be doing business in the international marketplace.

We should be pursuing a heavy trade negotiating agenda. We need to extend NAFTA, we need to be engaged in bilaterals, we need to be a major player in the scheduled WTO negotiations, and we need to be about these things now.

Post-it® Fax Note 7671	Date 8/22/97 # of pages ▶ 1
To John Winski	From Steve Daugherty
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FAST TRACK PACKAGE CITATIONS

The Los Angeles Times, "Time is Right for Chile Accord," February 28, 1997.

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COMMENTARY

By Paul Magnusson

LABOR AND THE ENVIRONMENT ARE FREE-TRADE ISSUES

Should Canada and Mexico gain a competitive advantage from lax enforcement of their environmental and labor laws? The 1994 North American Free Trade Agreement says no, and two side agreements on workers' rights and environmental protection impose mild sanctions against violators. But what of other nations in Latin America anxious to sign free-trade pacts with the U.S.?

The U.S. Congress and Clinton Administration are at loggerheads over extending NAFTA by authorizing another round of free-trade negotiations with Latin America. Democrats, led by House Minority Leader Richard A. Gephardt (D-Mo.), want tough enforcement measures on labor and the environment written into all trade pacts. On May 27, Gephardt went a step further, demanding an end to China's trading privileges because of its human rights record. The GOP leadership and its business allies are opposed to such linkage. Dealing with environmental and labor issues in a trade agreement "is something that Republicans just can't commit to," says Senate Commerce Chairman John McCain (R-Ariz.).

It's something business should commit to, however. Before the U.S. extends free trade into rapidly growing economies in Latin America and Asia, Corporate America should get behind enforcement mechanisms on labor and the environment. It's simply the smart thing to do.

U.S. companies can only lose if foreign corporations and governments can despoil nature or exploit workers to gain an edge in the global marketplace. And because U.S. companies have some of the world's highest standards to meet, they ought to be lobbying hard for labor and environmental protection in future trade deals just to level the playing field.

Free-trade agreements already range far afield from agreements of the past that were usually aimed at simply lowering tariffs. Most tariffs have been drastically reduced or eliminated among World Trade Organization nations. Today's issues are investments, information flows, and copyright piracy and bribery. And as industrialized nations conclude more free-trade pacts with developing nations, ancillary agreements on matters from restricting commercial fishing methods that endanger dolphins to bans on child labor become more important. "Trade agreements affect income distribution, bargaining power of unions, and jobs, so international trade law will have to take these into greater account," says University of Maryland economist I. M. Destler.

"NO SWEAT." In fact, with little fuss, the U.S. and WTO have begun trying to help the developed world preserve such workers' rights as the ability to join unions and bargain collectively. Even the Helms-Burton law—so revered by Republican conservatives—requires that any post-Castro regime in Cuba can receive aid only by complying with guidelines in the code of the International Labor Organization.

Developing countries are getting the message. The ILO, international soccer organizations, and the U.S. government recently forced Pakistan to crack down on the use of child labor to make soccer balls. Savvy corporations, such as apparel manufacturer Liz Claiborne Inc., are requiring their overseas suppliers to limit work hours and overtime. Recent exposés of working conditions in some Central American clothing plants mean "consumers now want to know if they are buying clothing from sweatshops," says Liz Claiborne's vice-president and general counsel, Roberta Karp. At the urging of the White House, Karp is helping draft rules for a "no sweat" label to certify that imported clothes are not made by exploited workers.

NAFTA was a good start. But it only requires Canada and Mexico to comply with their own environmental and labor-rights standards. Future agreements with nations that lack such protections will have to establish basic standards. Free trade isn't free if one country can gain competitive advantage by sacrificing its environment and workforce.

Magnusson covers trade and international economics from Washington.

MEXICAN TUNA: *If the U.S. has to protect dolphins...*

DAVID HALUNG/IMPACT VISUALS

NO-BRAINER U.S. companies ought to be lobbying hard for worker and ecological protection in future trade deals just to level the playing field

3/20/97

SINCE 1827

The Journal of Commerce

By contrast, policies aimed at curtailing trade encourage other countries to retaliate, thereby shrinking available foreign markets. And domestic producers, sheltered from competition, find greater returns from lobbying for continued protection than from investing in plant and equipment and creating new jobs.

The administration's current policy of seeking to enlarge the number of countries with freer access to U.S. markets — by expanding the Nafta and forcing other countries to open their markets through World Trade Organization agreements — is economically justified and deserves congressional support.

Those initiatives would open new markets for American industries, especially those in high-tech sectors, where U.S. companies have a strong technological edge. They also would stimulate trade by other countries, allowing them to grow richer and, in turn, making them better markets for U.S. exports.

The United States could lose its edge and its leadership role in global trade if it were to withdraw from trade liberalization agreements. And that's more than theory. The losses to the United States can now be measured in its citizens' bank accounts.

3/20/97

SINCE 1827

The Journal of Commerce

Growth through trade

Ever since Adam Smith's "The Wealth of Nations," economists have believed there is a direct relationship between a country's standard of living and its trade. Reams of studies have shown that, in fact, countries that trade more are richer. But the earlier studies did not establish what was cause and what was effect — that is, are nations richer because they trade more, or is it simply that richer countries have more to trade?

That question was answered for the first time recently by two economists at the University of California at Berkeley, David Romer and Jeffrey A. Frankel (now an economic adviser to President Clinton). Their "Trade and Growth" report, published last month by the National Bureau of Economic Analysis, showed not only that trade leads to greater wealth, but also that the effect of trade on economic growth is far greater than hitherto believed.

For the first time, the benefits of trade can be measured in dollars and cents.

For the first time, the benefits of open trade can be measured in dollars and cents.

The study comes at a good time. With U.S. Trade Representative Charlene Barshefsky's testimony in Congress this week, the administration, at last, has launched its push for "fast track" authority to negotiate trade agreements. That will, no doubt, send a signal to all sorts of protectionist groups to come out with their arguments about fair trade and level playing fields.

But if Mr. Romer's and Mr. Frankel's empirical research is any guide, their drive for trade protection is not only misdirected: it could be harmful to the country's economy.

Based on an analysis of trade data from over 100 countries, the NBER study concluded that trade "has a quantitatively large, significant and robust positive effect" on the nation's income. Increasing the share of both imports and exports in the gross domestic product by 1% raises per-person income by 2% or more.

The channels through which trade affects income are well known. The free flow of goods and services allows trading countries to specialize in what they do best. Competition from foreign suppliers also leads to improvements in the productivity of domestic industries.

6/24/97 The Washington Times

Fast-track to nowhere

Rarely does President Clinton sound more like the New Democrat he professed to be in 1992 than when he takes up the cause for free trade. And during the first two years of his first term, courageously battling the Old Guard of his increasingly protectionist party and the New Protectionists of the GOP, he forged bipartisan coalitions that delivered two extraordinary trade victories: the regional North American Free Trade Agreement (NAFTA) among the United States, Canada and Mexico and the global World Trade Organization (WTO).

Since then, unfortunately, the rhetoric has been less frequent, the effort on behalf of free trade agreements has been far subdued and, not surprisingly, the big victories have become a thing of the past. No doubt the two triumphs achieved in 1993 and 1994 brought about "trade fatigue," which, regrettably, has been exacerbated by the increased influence organized labor and the battle over China's most favored nation trade status.

How bad is the situation now? "It's a shambles," Jeffrey Garten, the Under Secretary of Commerce during Mr. Clinton's first term, told the New York Times recently. "What was once a vigorous approach to commercial diplomacy has been eviscerated," he lamented. "In Congress the political foundation for a broad trade policy has crumbled."

Relinquishing the trade initiative comes at a bad time. Many U.S. industries, particularly information technology, telecommunications, financial services and agriculture, are now the most competitive in the world. Moreover, with the U.S. economy thriving, both relatively and absolutely, the leverage of offering increased access to the U.S. market in return for reciprocal arrangements is at its strongest in decades. Meanwhile, the expansion of NAFTA, so promising in late 1994 when nations throughout Latin America convened at a Miami summit, has languished, and countries throughout the region have been bypassing the United States in establishing their own agreements.

The momentum may be about to change, but for that to happen Mr. Clinton will have to exert the strong trade leadership he showed early in his presidency on this issue. In his remarks at the so-called "Summit of Eight" in Denver last weekend, Mr. Clinton once again was at the top of his rhetorical game, offering a flourish of support for the pursuit of free trade. "Protectionism is simply not an option because globalization is irreversible," he said. "So what are we going to do? Are we going to take the lead or wait for others to blaze the path and get the primary benefits? . . . It seems to me difficult to imagine that this is even a serious debate now. . . . I say we should be doing more of it, not less of it. We ought to bear down and charge into the future" — [applause] — "and embrace the rest of the world."

The centerpiece of a free-trade offensive is "fast-track" authority, which enables the administration to engage other nations in give-and-take trade negotiations, producing mutually beneficial agreements that are then presented to Congress for an up-or-down vote without amendments. Fast-track authority is essential because otherwise special interests can obstruct deals by attaching killer amendments they know will be unacceptable to our trading partners.

In Denver the president once again rightly demanded that Congress give him fast-track authority, which expired several years ago. All presidents have had such negotiating power since 1974, and Republicans would love to give it to him. The problem is that the protectionist wing of the Democratic Party, led by House Minority Leader Dick Gephardt and Minority Whip David Bonior, insist that any legislation granting fast-track authority also give the president the power to negotiate environmental and labor standards into new trade agreements. In effect, by requiring foreign companies to closely adhere to the same labor and environmental standards that U.S. corporations must follow, protectionists would succeed in attaching the very trade-killing amendments that fast-track is designed to overcome. Trading partners, Republicans and most economists oppose this requirement, arguing that it would eliminate many of the comparative advantages that enable developing nations to develop.

Our trading partners must wait until September to learn whether Mr. Clinton's free-trade policies match his free-trade rhetoric. But as their actions have demonstrated, these partners are not waiting for the president to make up his mind.

EDITORIAL: Time to Get on a Fast Track

Chicago Tribune
Knight-Ridder/Tribune Business News

Jun. 2--Last month, President Clinton toured Mexico, Central America and the Caribbean, Commerce Secretary William Daley went on a 10-day economic mission through Brazil, Argentina and Chile, and even Mayor Richard Daley, Gov. Jim Edgar and an entourage of state and local politicos dropped in on the president of Mexico.

Yet the most urgent piece of business in U.S.-Latin America relations remained back home unresolved, mired in intramural Democratic Party politics. To get new free-trade talks moving -- including an extension of NAFTA to Chile and other Latin American countries -- Clinton must request and Congress must approve "fast-track" negotiating authority.

So far the president has not made any moves in that direction, and it looks as if he could show up empty-handed at the March 1998 Summit of the Americas in Chile. That would be a blow both to U.S. credibility and to our commercial interests in the region.

The reason behind the Clinton administration's hesitation is the adamant opposition of labor unions, a potent Democratic constituency, to negotiating labor and environmental issues as side agreements to free-trade pacts, as was the case with the original NAFTA accords with Mexico and Canada. The unions want labor and environmental provisions to be part and parcel of any new trade deals.

Meanwhile, Missouri Sen. Richard Gephardt, a likely candidate in the next Democratic presidential primaries against Vice President Al Gore, is only too happy to woo the union vote by playing the anti-NAFTA card.

And to add to the impasse, neither the Republicans in Congress nor our potential foreign partners are willing to talk about labor and environmental issues during the initial negotiations.

In July, President Clinton is to submit to Congress a progress report on NAFTA's first three years, and nothing in it is expected to justify labor's fears of a hemorrhage of U.S. jobs flowing south.

Since NAFTA was signed in January 1994, a total of 117,000 workers have applied for federal assistance because their jobs were abolished by companies that moved all or part of their operations to Canada or Mexico. Meanwhile, the U.S. economy has created 6.7 million new jobs, most of them full-time, and unemployment has fallen by 1.4 million.

Although the U.S. developed a trade deficit with Mexico after the near meltdown of its economy in 1994, both that economy and U.S. exports to Mexico rebounded sharply last year. Some economists say NAFTA prevented Mexico from reverting to protectionist measures that would have prolonged the crisis.

During the state visit to the U.S. of Chile's President Eduardo Frei in February, Clinton vowed quick action to bring Chile into NAFTA. But nothing has happened. Both Clinton and Secretary Daley went to Latin America this month empty-handed, except for more promises to get Congress to approve fast-track.

U.S. exports to Latin America grew by 58 percent between 1991 and 1996, to $109 billion -- and the Western Hemisphere is well on its way to becoming our most important export market.

But as Daley admitted, the U.S. risks a loss of credibility and actual share to aggressive European Union and Asian competitors taking advantage of our indecision. "If we allow a market this size, this close ... to be taken advantage of by our competitors, then that's our fault," he said in Brazil.

But we can't even get into the game until the president demands and Congress gives fast-track negotiating authority. It's time to get it done.

2/28/97

WASHINGTON EDITION
Los Angeles Times

Time Is Right for Chile Accord

Congress should back quick action on a NAFTA-style accord

Once again, as he did in December of 1994 at Miami's Summit of the Americas, President Clinton has put Chile on the U.S. trade agenda. This time, we hope, he'll be able to convince Congress to move promptly on the issue and bring Chile into a NAFTA-type trade agreement. Chile has long been considered the likeliest South American candidate for such a role.

Clinton needs so-called fast-track authorization to move on this opportunity to expand hemispheric trade, a goal we support. The time seems right, but an accord will not happen without full and thorough debate on the proposal within Congress and among interested parties throughout the United States.

Ultimately the White House would put a package together on an enhanced trade relationship with Chile. Congress would have the final say, and, if it approves, there will be no fiddling with the pact after that point, avoiding the last-minute changes that tend to torpedo deals like this.

The Chileans have said they are ready to negotiate an agreement. But the problem for President Clinton is a perception among many Americans that NAFTA, the free trade bloc consisting of the United States, Mexico and Canada, is not working to U.S. benefit and thus this nation should not enter into a pact with Chile. And some sectors simply don't want to compete in a free trade zone.

But the U.S. economic system is based on the principles of free trade, and in today's global economy the fewer the barriers the better the prospects. In a fairly structured agreement, increased trade means more jobs. NAFTA—which some observers say continues to pose open questions—remains the test of that proposition. A deal with Chile might provide a clearer result. Congress should grant the president the fast-track authorization he needs to shape a package for Chile and bring it to a vote.

5/6/97

THE NATION'S NEWSPAPER
USA TODAY
NO. 1 IN THE USA . . . FIRST IN DAILY READERS

Today's debate: FREE TRADE

Foot-dragging on trade hurts U.S. workers

OUR VIEW The president's trip this week gives him an opportunity to pursue an overdue hemispheric trade pact.

As President Clinton parades through summits with Mexican, Central American and Caribbean leaders this week, he comes face to face with a major unredeemed promise: tearing down trade barriers between the United States and the rest of the hemisphere. Inaction on trade is causing U.S. business and workers to lose out.

Quaker Fabric of Fall River, Mass., has seen its textile exports to Canada and Mexico take off since the North American Free Trade Agreement took effect. But Quaker can't compete in Chile and Argentina, where Brazilian manufacturers now sell duty-free while Quaker pays a stiff tariff.

TRC Cos. of Windsor, Conn., sees a huge market in Chile, the fastest-growing country of the hemisphere, for its environmental technology. But it faces 20% withholding on its fees due to Chilean laws.

Caterpillar Inc. is thinking of shifting some of its heavy equipment manufacturing — and jobs — to Brazil in order to escape an 11% tariff and get inside the growing duty-free market that now covers more than half of South America.

When trade barriers among the U.S., Canada and Mexico were slashed in 1994, similar deals, first with Chile and then with others, were to follow. The benefits of a hemisphere-wide free trade area by 2005 were proclaimed. Central American and Caribbean nations are clamoring for a broader agreement. But nothing happened.

The authority required to effectively negotiate trade agreements expired and has not been renewed. That victory for industries and unions that fear foreign competition carries a steep price.

Chile, for example, has cut free-trade deals with nearly all its major trading partners except the United States. Jobs filling Chile's booming demand for imports are going to workers in other countries.

Leaders from Germany and Japan, France and Spain, even South Africa and Hungary have been hopscotching Latin capitals, building trade ties while the United States dawdles. The free-trade group of Brazil, Argentina, Paraguay, Uruguay and Chile now does more business with Europe than with the United States.

U.S. workers pay for the foot-dragging in opportunities lost. The 11.5 million existing export-related jobs pay 13% to 16% more than U.S. jobs overall. And exports accounted for one of every eight net jobs created between 1992 and 1996.

Yes, NAFTA has cost some jobs. Experts disagree on the number, but even the 250,000 claimed by its severest critics are scarcely more than one month's new jobs created by today's robust economy.

Clinton waited until his fifth year in office to finally visit any part of the natural U.S. market south of the border. Now that he's there, trade-expansion legislation appears glaringly overdue. Running scared is no way to run a trade policy.

4/27/97

The Washington Post

... Now on to Trade

NOW THAT Congress has ratified the treaty banning chemical weapons, it's time for President Clinton to move on to the next big foreign policy battle: trade. To maintain the momentum he established during his first term toward breaking down global trade barriers, he must seek congressional authorization for further trade talks, and soon. As in the chemical weapons fight, he will need bipartisan support. But the politics in this case are, if anything, more complex, because the Democrats are as divided as the Republicans on the issue.

Free trade is good for the U.S. economy. It helps create jobs that tend to be higher-paying than average. Exports have helped revive the U.S. manufacturing sector, which not so many years ago was widely portrayed as terminally rusting. New agreements, if achieved, will increasingly play to U.S. strengths in agriculture, high-technology products and services ranging from insurance to telecommunications. Pursuing such agreements particularly makes sense because the American economy already is so open; little is to be lost, and much is to be gained, from pressuring other countries to approach the U.S. level of openness.

That can't happen unless Congress gives Mr. Clinton what's known as "fast-track" negotiating authority. This would allow his representatives to negotiate treaties—with congressionally approved nations and on congressionally approved subjects—and then submit those agreements to Congress for a yes-or-no vote. Otherwise—if Congress could reject some provisions, accept others and seek to amend still more—no other country would ever make concessions in trade talks, because none could be sure the U.S. administration could deliver on its side of the bargain. Congress has given such authority to every president since Gerald Ford.

This Congress, though, is leery. Some of the more nationalist Republicans are suspicious of any international deal. But the greater problem may lie with Democrats, who want to mandate strict labor standards—with punitive sanctions for any breaches—as part of any trade agreement.

Jobs migrating overseas is a real issue. The U.S. economy as a whole gains from globalization, but many individual workers lose out. The main response to that problem has to be domestic: retraining to prepare workers for better-paying jobs, and improved education to create the kind of labor force that will attract long-term investment. At the same time, the United States should work to ensure that other countries fulfill their pledges to enforce decent working conditions, outlaw forced and child labor and permit unions and collective bargaining.

But the kind of labor-standard mandates some Democrats are seeking will simply kill any trade deal, because no developing country will accept them. Then everyone loses. American workers lose out on high-paying, export-related jobs. Companies likely to migrate overseas will probably go anyway, and any leverage the U.S. government might achieve through trade deals that include less stringent labor provisions would be lost.

To some extent, all of this may come down to whether Vice President Gore has the moxie to stand up for free trade against House Majority Leader Dick Gephardt in their presidential election battle already underway. It will be an interesting test of leadership.

FAST TRACK EDITORIAL COMMENTS

"New agreements, if achieved, will increasingly play to U.S. strengths in agriculture, high-technology products and services ranging from insurance to telecommunications. Pursuing such agreements particularly makes sense because the American economy already is so open; little is to be lost, and much is to be gained from pressuring other countries to approach the U.S. level of openness...This can't happen unless Congress gives Mr. Clinton what's known as "fast-track" negotiating authority."
(The Washington Post, "...Now on to Trade," April 27, 1997)

"Inaction on trade is causing U.S. business and workers to lose out...The free-trade group of Brazil, Argentina, Paraguay, Uruguay and Chile now does more business with Europe than with the United States...trade expansion legislation appears glaringly overdue."
(USA Today, "Foot-dragging on trade hurts U.S. workers," May 6, 1997)

"There will be doubtless grandstanding about trade with China in coming weeks, and bellyaching about Japan's recent trade gains...Fast-track authority transcends this political brouhaha, and it is vitally important to help break down global barriers."
(Business Week, "Put Fast-Track in the Fast Lane," May 19, 1997.

"Clinton needs so called fast-track authorization to move on this opportunity to expand hemispheric trade, a goal we support...The U.S. economic system is based on the principles of free trade, and in today's global economy the fewer the barriers the better the prospects."
(The Los Angeles Times, "Time is Right for the Chile Accord," February 28, 1997)

"The U.S. risks a loss of credibility and actual share to aggressive European Union and Asian competitors taking advantage of our indecision. But we can't even get into the game until the president demands and Congress gives fast-track negotiating authority."
(Chicago Tribune, "Time to Get on a Fast Track," June 2, 1997)

"Fast track authority is essential because otherwise special interests can obstruct deals by attaching killer amendments they know will be unacceptable to our trading partners."
(The Washington Times, "Fast Track to Nowhere," June 24, 1997)

"The United States could lose its edge and its leadership role in global trade if it were to withdraw from trade liberalization agreements."
(The Journal of Commerce, "Growth through Trade," March 3, 1997)

Testimony of Ambassador Charlene Barshefsky
before the House International Relations Committee
June 10, 1997

Thank you, Mr. Chairman and Members of the Committee. I am pleased to appear before you today.

I appreciate this opportunity to set forth the Administration's views on the direction of trade policy. When I entered the field of international trade twenty two years ago, trade was really the province of a relatively few academics, trade technicians, and a relative handful of interested members of Congress. Those days are long past. As trade has become more central to our economic health and security, it has understandably become a matter of great importance to virtually all members of Congress and to people in all walks of life across our country. This Administration, and any future Administration, bears the responsibility of explaining our trade policy clearly and building broad political support for it.

No discussion of our trade policy should begin without reaffirming our commitment to a bipartisan partnership with Congress. No trade policy can ultimately succeed without the support of the Members. Bipartisanship has been a cornerstone of our past success and will continue to be in the future. I will work closely with all members to advance the cause of opening foreign markets and thereby expanding exports and creating more and better jobs and opportunities for Americans in the workforce today, and their children who will be joining it in the coming years.

Trade and Domestic Prosperity

We should begin by recognizing that our economy is the strongest in the world; that expanded trade has played an important role in building that strength; and that no country in the world is better positioned to take advantage of the enormous opportunities presented by a growing global economy. In fact, we are at a unique moment and we need to seize it now.

Never before have the benefits of trade for Americans been so deep, so diverse, so widespread, and so sustainable. More than 11 million Americans now work in jobs supported by exports; these jobs pay 13%-16% above the national average wage. Those jobs represent the leading edge of the current economic expansion, now in its sixth year, and they cover the spectrum from agriculture to high tech, small businesses to multinationals, blue collar to white collar, and small-town Main Street to Wall Street. Exports have increased dramatically across the country, with 47 of 50 states registering significant export growth over the last 4 years. **[Exports from California are up 45%, Michigan 68%, Illinois 64%, Ohio, 42%, Texas 40%, Nebraska 54%, North Dakota 76%, Montana 52%. Exports from Florida, Rhode Island, Louisiana, and West Virginia have increased more than 30%. States from New York to Utah also have posted double digit increases.]**

Export-driven growth is one of the reasons that the American economy today is strong and sound. Over the past four years, we have created nearly 12 million new jobs. Unemployment is at its lowest level in 24 years standing at 4.9% in April. Inflation is down to a low of 2.5% for the period ended April 1997. At the same time, family incomes are up significantly; home ownership has hit a 15-year high; growth of our industrial capacity is at its highest level since 1970; business investment has been stronger than at any time since the 1960s. Our current economic expansion has been investment-led, which establishes a firm footing for an even greater climb.

The best way to continue this prosperity is to give our workers and businesses a full and fair chance to tap into the global economy. If the momentum of the American economy begins to stall, the world economy can help it recharge. America's growth in trade has been faster than its overall economic growth for years. Our exports to the rest of the world increased by more than $49 billion last year alone; an increase of more than 6 percent. Exports are at record levels across the board. Since 1992, manufactured exports increased 42%; high-tech exports were up 45%; agricultural exports were up 40%, and services exports increased by 26%.

Since the beginning of this Administration, exports have accounted for fully one-fourth of the increase in our GDP. Today, exports account for 30% of our GDP, compared to 13% in 1970. Increases in GDP combined with a 70% reduction in the federal budget deficit over the last four years, and the balanced budget agreement recently announced, lay the foundation for continued economic expansion, but only if we continue to use all the tools necessary to compete in and shape the global economy.

THE TRADE RECORD

Trade policy has contributed significantly to the economic strength of our country today. From the early weeks of the Administration, the President made it clear that we would compete, not retreat behind walls. We would not accept the status quo whereby too often our trading partners took advantage of our open market while maintaining closed markets at home. We have relentlessly pursued an agenda of opening foreign markets, and breaking down foreign market barriers.

We committed to work for a system where trade would be reciprocal; where all trade nations, developed and developing, would adhere to the same set of basic rules. W we have made important strides in that regard with the creation of the WTO and elsewhere. We have not yet fully leveled the playing field for U.S. companies, workers and farmers, but we have clearly made progress. The world is generally more open to U.S. exports than it was when the President took office, and far more open than when Congress, on a bipartisan basis, passed the landmark 1988 Trade Act which gave us and our predecessors the clear direction and the tools to open markets around the world.

This Administration has negotiated over 200 trade agreements, all designed to advance our economic and trade interests. In the past four and one-half years:

- We completed the Uruguay Round, the largest trade agreement in world history, which will add $100-200 billion to GDP annually when fully implemented.

- We completed the NAFTA, which increased our exports to Mexico, and kept Mexican markets open despite the worst economic crisis in Mexican modern history.

- We worked tirelessly to break down market access barriers in Japan, which have presented one of the central trade challenges for the past twenty years, reaching 24 agreements and increasing our exports 43% in four years (with exports covered by these agreements growing roughly twice as fast).

- We led the world in setting tougher standards for trade with China: battling to open a highly protected market, negotiating landmark agreements in intellectual property and textiles, and insisting that China's accession to the WTO occur only on commercially meaningful terms.

- We breathed new life into APEC, starting with the President's leadership in 1993, spelling out a long term vision for free and fair trade, making progress more concrete year by year, culminating with the key role played by APEC in completing the Information Technology Agreement (ITA), and anchoring our country more firmly in the fastest growing region of the world. As discussed below, APEC provides a platform for continued progress.

- We have led the multilateral effort in this hemisphere to build the Free Trade Area of the Americas (FTAA) by 2005, with concrete progress by 2000, deepening our commitment to our own hemisphere, recognizing the extraordinary progress of open markets and democracy throughout the region. At the recent ministerial meeting of the Free Trade Area of the Americas in Belo Horizonte, Brazil, the Trade Ministers of the participating nations agreed that FTAA negotiations should be launched at the Santiago Summit of the Americas in March 1998. To this end, the Trade Ministers established a formal Preparatory Committee which will take all the necessary steps to prepare for comprehensive negotiations early next year addressing a full range of issues from tariff reductions to agriculture to structural issues such as IPR and government procurement.

- We initiated the effort regarding the creation of the U.S.- EU Transatlantic Marketplace. We have been working closely with the private sector to improve market access.

- We took the lead in combating bribery and corruption in government procurement. **[Add info from DD.]**

- We took the lead insisting on the respect for core labor standards, and in pursuing the agenda to make trade and environmental policies mutually supportive.

- We have vigorously enforced our trade laws and agreements using every tool possible and making it clear that agreements, if not implemented by our trading partners, will be enforced. In the past four years we have brought **48** trade enforcement actions. We have filed **23** cases to enforce U.S. rights under the new dispute settlement procedures of the WTO, having filed **15** complaints last year alone. **[Update numbers: JB]**

- Over the past several months, we have completed the Information Technology Agreement (ITA) and the Agreement on Basic Telecommunications---two far-reaching multilateral agreements reducing trade barriers around the world for our high technology industries. The information technology market is a $500 billion market, in which the United States is the largest single exporter. The ITA covers more than 93% of global trade in information technology products and includes 42 countries. Under the agreement, global tariffs will be reduced to zero on all goods associated with the information superhighway -- such products as semiconductors, computers, telecommunications equipment and software. These industries support 1.5 million manufacturing jobs and 1.8 million related service jobs. This agreement amounts to a global tax cut of $5 billion annually.

- The telecommunications agreement ensures that U.S. companies can compete against and invest in all existing carriers. Before this agreement, only 17 percent of the top 20 telecom markets were open to U.S. companies; now they have access to nearly 100 percent of these markets. Our international long distance industry will gain access to serve markets accounting for over 95% of global revenue in Europe, Asia, Latin American and Africa, gaining the right to use their own facilities and to work directly with their customers everywhere their customers go. The agreement also offers important opportunities for American investors and entrepreneurs who will be able to acquire, establish or hold a significant stake in telecom companies around world. Telecommunications is a $600 billion industry; under the agreement revenues are expected to double or even triple over the next ten years. We expect the agreement will lead to the creation of approximately one million U.S. jobs in the next ten years -- not only in communications companies but also in high-tech equipment makers and in a range of industries such as software, information services, and electronic publishing that benefit from telecom development. This agreement will also save billions of dollars for American consumers. We estimate that the average cost of international phone calls will drop by 80% -- from $1 per minute on average to 20 cents per minute over the next several years.

None of this is to suggest that we don't face challenges and continuing problems. Many markets around the world remain closed to our exports and, to the extent our trade deficit is the result of these barriers, particularly on a bilateral basis, they must be reduced. Far too many Americans are left behind in the current economic expansion, without the skills or education to benefit from the increased opportunities. Neither government nor the private sector should rest while that is the case. And I recognize that for those Americans who have lost jobs because of trade or technological change or corporate downsizing, it is cold comfort that the overall picture is positive.

In considering the direction of future trade policy, however, we need to be mindful that our economy is stronger than it was four years ago, and far stronger than it was ten years ago. None of us should be complacent, but our country's economic success is no accident. We put our government's market opening efforts behind our companies, workers and farmers at precisely the time when they were at their most competitive. After years of doubt and soul-searching about our country's ability to compete, we have together succeeded in defining a distinctively American partnership to succeed in a tough global economy. As we consider what comes next, we can take pride, for a moment, in what we, together, have accomplished.

A Moment of Choice; The Dangers of Inaction

But only for a moment. This is not the time for resting on our laurels. As we contemplate the next three and one-half years in trade, we face a very clear choice.

We can recognize that the American economy is the model for the world, and continue to open foreign markets and seize the initiative when it comes to international competition. We can recognize the extraordinary opportunities presented by the growing global economy, in which developing nations, which want and need the full range of our manufactured goods, services and agricultural products, are poised to fuel continued global growth.

At the same time, we would face up to problems as we identify them together: working to put in place education, training and adjustment policies needed to help those who are not benefitting from the new economy; advancing core labor standards and protecting the environment. But we would be starting from the proposition that we have been basically on the right track, and we should stay fully engaged, using all our tools, taking advantage of opportunities that present themselves as we did when we saw the chance to reach an ITA.

Or, we can convince ourselves, against the evidence, that we are on the wrong track. We can choose our course guided by a picture of economic decline and disinvestment that bears no resemblance to what is happening in our country. Our competitors would like nothing better than for us to sideline ourselves, debating NAFTA and our relationship with Mexico for years to come while they move ahead. It would be a serious, self-inflicted wound.

America is poised to seize great opportunities. Our competitors cannot beat us; we can only lose by removing ourselves. We can, in short, lose our momentum, abdicate our position of strength, either permit markets to stay closed, or let others seize the initiative from us and gain preferential treatment. The choice is that clear.

The choice is also very real. With all we have accomplished in the past four years, the world has continued to change in ways that are critically important to understand. We must recognize the dangers of inaction. In every region of the world, but particularly Asia and Latin America, the two fastest growing regions of the world, governments are pursuing strategic trade policies and, in some cases, preferential trade arrangements, forming relations around us, rather than with us, and creating new exclusive trade alliances to the potential detriment of U.S. prosperity and leadership. •
Examples already abound:

In South Asia, the seven members of the South Asian Association for Regional Cooperation (SARC) -- India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, and the Maldives -- just announced that they were accelerating their target date for the creation of free trade area, setting a deadline of 2001.

SARC now represents only about 1 percent of world trade, but it encompasses roughly 20 percent of the world's population. Indifference to its development can only harm our economic security.

The nations of the Andean Community have started meeting with member nations of CARICOM and the Central American Common Market to discuss negotiation of free trade agreements.

Canada, as you know, has already negotiated a trade pact with Chile and has started discussions with MERCOSUR.

The Presidents of Argentina and Brazil have both expressed an interest in a MERCOSUR-ASEAN free trade agreement, a trade alliance that would incorporate more than 600 million people and two of the most important emerging markets in the world. We simply cannot underestimate the impact of these efforts on our global export competitiveness.

In addition:

- MERCOSUR (Argentina, Brazil, Paraguay, Uruguay) is a developing customs union with a GDP of over $1 trillion and ambitions to expand to all of South America. MERCOSUR is the largest economy in Latin America and has a population of 200 million. It has struck agreements with Chile and Bolivia, and is discussing agreements with a number of Andean countries (Colombia, Venezuela) as well as countries within the Caribbean Basin. The MERCOSUR ambition is in part driven by the decades old vision of a Latin American free trade area, but also by a clear strategic objective regarding commercial expansion and a stronger position in world affairs.

- The EU has begun a process aimed at reaching a free trade agreement with MERCOSUR. They have also concluded a framework agreement with Chile that is set up to lead to a free trade agreement.

- China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America. China wants to enhance commercial ties and ensure that key Latin countries are receptive to its broader global agenda as a rising power, both in the WTO and other fora. The Chinese leadership has undertaken an unprecedented number of trips to Latin America in the last two years, and Latin America is its second fastest growing export market.

- Japan has undertaken high level efforts throughout Asia and Latin America to enhance commercial ties through investment and financial initiatives. The Prime Minister of Japan recently visited Latin America seeking closer commercial ties and a greater Japanese commercial presence in all respects.

- ASEAN -- the Southeast Asian free trade area -- will include 400 million people and some of the fastest growing economies in the world. It is a region where China, Japan, Korea and the EU are focusing competitive energies. As noted earlier, Argentina's President Menem recently suggested a MERCOSUR -ASEAN free trade area -- an agreement that would encompass over 600 million people.

- Countries within this hemisphere are equally aggressive. Mexico wants to be the commercial hub between North and South America, and also serve as a venue in which to enter North, Central and South America from Asia and Europe. It is jointly pursuing a free trade area with Europe and is reaching out to Asia. President Zedillo and his Cabinet have undertaken numerous missions to Asia and have been well received. It has reached trade agreements with Colombia, Venezuela, and Costa Rica and is negotiating with Honduras, El Salvador and Nicaragua. It has initiated talks with MERCOSUR.

- Chile has a similar strategy. It has concluded agreements with MERCOSUR, Mexico, Colombia, Venezuela and Ecuador. It intends to start similar negotiations with Central America and has an eye toward agreements with Asia. Japan is its largest export market, but Chile sees itself as a bridge from MERCOSUR to Asia and back, and is positioning itself with its MERCOSUR neighbors for that purpose.

- In the Asia-Pacific region, competition comes from many sources, all of which have contributed to a declining share of U.S. exports to the region. Competition within Asia is the most intense. Japan has been ahead of the U.S. in East Asia in terms of corporate presence, and especially in the past decade, in terms of the amount of overseas development assistance (ODA) it is willing to spend to advance its commercial interests. In more recent years, Korean conglomerates have likewise pursued an aggressive strategy to both invest and attain market share in dynamic East Asian economies, ranging from textiles to steel to autos.

Ninety five percent of the world's consumers live outside our boundaries, and 85 percent of them reside in developing countries. These are the large growth regions. Last year, the developing world imported over $1 trillion in manufactured goods from the industrialized countries, and this is the tip of the iceberg. The infrastructure needs alone of the developing world are estimated to be enormous. For example, in just 8 of the large developing countries, traditional infrastructure needs (telecommunications, power, transportation and petroleum infrastructure) are estimated to be over $1.6 trillion.

Our ability to create jobs and sustain our living standard in the next century will depend, in no small part, on how successful we are, relative to our competitors, in embracing the trade opportunities offered by these emerging markets. We should not be indifferent to currents that can be identified simply by reading the newspapers. In my view, we have all the talents needed to compete successfully, but our competitors are determined, sophisticated, strategic and focussed. Many U.S. firms are already seeing evidence that their competitors are engaged in an intensive effort to rework the rules of these dynamic marketplaces to their advantage.

A recent example illustrates the dangers. In November 1996 Canada reached a comprehensive trade agreement with Chile that will eliminate Chile's 11% across-the-board tariff starting this year.

Northern Telecom recently won a nearly $200 million telecommunications equipment contract over U.S. companies in part because to buy from a U.S. producer meant an additional $20 million in costs (duties) relative to purchasing from Canada.

We have done much to level the playing field in the past four years, but in this case, we are sitting on the sidelines, spotting Canadian competitors an 11% price advantage every time we compete in the Chilean market. We will suffer that handicap again and again, in country after country, if we do not stay in the game of opening markets for our companies and workers. Looking at this sobering pattern, we need to reaffirm the commitment of the President in 1993, to "compete, not retreat."

Our Global Trading Agenda

Our trade policy must be driven by two factors: our emphasis on building prosperity at home through the expansion of our export and trade opportunities built on a strong foundation of reciprocity as we proceed; and ensuring we are strategically well positioned in the world to advance our economic, trade and broader interests, including regional stability, through a growing number of enduring trade arrangements, particularly where those arrangements put us at the center of activity. The principle underlying our trade policy must be to support U.S. prosperity, U.S. jobs and the health of U.S. companies. The outgrowth of that policy is continued U.S. leadership as the world's indispensable nation transmitting the values of democracy, market economics, human rights and the rule of law.

Given the evidence of concerted efforts by our competitors to improve their position around the world, and the potential erosion of U.S. leadership, we need to respond with our most effective and strategically powerful trade policy. We need to position ourselves as the most important player in the global constellation of trade activity now and into the future. We need to be positioned to play a catalytic role in all key regions of the world. We must utilize the full range of our tools of leverage on the trade front while at the same time continue to enforce our trade laws and agreements vigorously.

There are some who believe that simply opening markets on a global scale is the be-all-and-end-all, no matter how it is done or no matter who benefits. I subscribe to a different view. It is imperative that we open markets in a manner consistent with the rules of the WTO, but we must make sure Americans benefit directly from this process, and to do that Americans must drive the rules of the new global landscape and the opening of markets. There is simply no other way to protect our jobs, our vital trading interests or our global leadership on trade.

In the next three and one-half years, the Administration believes we should keep on opening foreign markets, and breaking down foreign trade barriers. We believe in this for our own export performance, for our own jobs and for own prosperity at home. The ITA and the telecommunications agreement provide vivid evidence of how our country can benefit from important sectoral agreements. We will continue to use the multilateral system, and have provided recent evidence of just how much can be accomplished multilaterally. At the same time, we cannot fully confront the competitive challenges we face or open the major emerging markets around the world without an aggressive, reciprocity-based push on all fronts.

Multilateral Efforts

Within the next three and one-half years, major WTO negotiations will occur in a number of areas where the United States is a top global competitor; of particular note, agriculture, services, and the rules for intellectual property rights. This year we have also resumed WTO negotiations on financial services, a sector where U.S. companies excel. These are the very goods and services that the fastest growing economies need most, and in which America does best. American workers, farmers, engineers and manufacturers will increasingly be just within reach of new markets that are measured in billions of dollars, but they will never get a secure hand on them if the United States cannot negotiate from a position of unequivocal strength, as it should.

Negotiations to further open the $526 billion global agriculture market are to be initiated in 1999. While the Uruguay Round reduced some of the most difficult barriers to agricultural trade, helping us to attain a record level of agricultural exports in 1996, our work is far from done. Removing agricultural barriers wherever they exist is one of our highest priorities of the next four years, so follow-on negotiations in the WTO are extremely important.

Services negotiations will expand this $1.2 trillion global market -- where U.S. firms exported more than $220 billion in 1996 with a surplus of $73 billion. The trade related intellectual property rights (TRIPs) agreement which protects, for example, the interests of fast-growing U.S. copyright industries exporting over $400 billion a year, is to be reviewed as well. We must do everything possible to expand opportunities for such vibrant industries.

In the financial services negotiations, we are committed to achieving a meaningful and comprehensive agreement by the end of the year. Earlier efforts to reach agreement were not successful due to inadequate offers by key countries. To successfully conclude these negotiations this year, our trading partners must significantly improve their commitments based on the GATS principles of market access, national treatment and MFN. With the precedent that has now been established in the telecommunications agreement, unless we see significantly improved offers in the financial services talks, we will continue our MFN exception.

The work this year to improve and expand the coverage of WTO rules on government procurement can facilitate U.S. efforts to improve our access to the lucrative infrastructure projects now planned or under way in the rapidly growing regions of the world. We estimate that Asia alone will provide opportunities for up to $1 trillion in business for such projects over the next decade.

The "built-in agenda" from the Uruguay Round provides further critical opportunities to open foreign markets. In a world trading environment increasingly less characterized by traditional tariff barriers, the built-in agenda is in many respects aimed at clearing away the impediments left by non-tariff barriers -- be they deliberate or the unintended consequence of bureaucracy and inefficiency.

The U.S. has pursued a consistent strategy to ensure that the WTO is a forum for continuous negotiation and liberalization. That strategy and U.S. leadership resulted in the commitment to review and opportunity to improve agreements covering such areas as the rules governing technical barriers to trade, sanitary and phytosanitary measures, customs valuation and pre-shipment inspection and import licensing procedures. Continued leadership is essential if we are to dismantle barriers in these and other areas as we confront them, rather than waiting for a "new Round" as some of our trading partners would prefer.

We also have a full agenda of accession negotiations regarding the WTO. As always, we are setting high standards for accession in terms of market access and adherence to the rule of law. Accessions offer an opportunity to help ground new economies in the rules-based trading system and promote sustainable development including environmental protection. The Administration believes that it is in our interest that China become a member of the WTO; however, we have been steadfast in leading the effort to insure that China's accession to the WTO will occur only on commercial, rather than political, grounds. The pace of China's accession negotiations depends very much on Beijing's willingness to improve its offers.

While China's accession has attracted far more attention, the United States takes every opportunity to pursue American interests with the 28 applicants that are now seeking WTO membership, and to give leadership to the process. Russia's WTO accession could play a crucial part in confirming and assuring Russia's transition to a market economy, governed by the rule of law. Discussions so far on Russia's accession, while still at an early stage, have been quite positive and we look for more progress. We also are interested in the prospects for the accession of many of the former Soviet Republics, the Baltic States, Taiwan, Saudi Arabia and others.

Within the Organization for Economic Cooperation and Development, we are in active negotiations over the Multilateral Agreement on Investment to ensure equitable and fair treatment for U.S. investors. In both this forum and the WTO, we are also actively engaged in efforts to address bribery and corruption, competition policy and transparency in government procurement.

[Anything about MRAs?]

Sectoral Efforts

Sectoral initiatives have succeeded to ensure that U.S. industries that are global competitive leaders will enjoy export success commensurate with their competitive position. Such initiatives are designed so that all those that compete in a particular sector compete on a reciprocal basis. They can revive and maintain the momentum of trade liberalization in cases where more comprehensive efforts might falter.

The recent ITA and telecom agreements discussed earlier demonstrate the opportunities such market access initiatives provide for American companies, workers and consumers. We should build on these recent successes, and the commitments we have now obtained from key trading partners to maintain the momentum.

Specifically, the Information Technology Agreement has set a new standard such that the 18 nations of the Asia-Pacific Economic Cooperation forum (APEC) agreed last month in Montreal to explore other sectors for similar market opening treatment. The APEC Ministers also agreed to follow up the ITA by pursuing an "ITA II" trade agreement, which would go beyond tariffs to encompass non-tariff trade barriers, increased product scope and broadened country participation. Our Quad partners have concurred in the goal of negotiating an ITA II.

With respect to the non-IT sectors, the APEC Ministers established an expedited process for launching new market-opening initiatives. Specifically, the APEC countries will each propose sectors for market access initiatives that will be developed by trade officials this summer and presented by the Trade Ministers for Leaders' consideration in November. These initiatives may encompass goods as well as services, and cover tariff and non-tariff measures.

As we move forward to identify specific initiatives, we are looking broadly at sectors where the U.S. can capitalize further on its global competitive advantage if market access barriers are reduced. We are working closely with U.S. industry to identify such sectors. Among those that may be included for such market access initiatives are environmental products and services, health care products and services and global electronic commerce.

Regional Efforts

Latin America and the Caribbean were the fastest growing markets for U.S. goods exports in 1996; our exports grew by more than 13 percent, reaching $109 billion. That growth rate is more than twice the rate of U.S. exports to the rest of the world. If these trends continue, Latin America will exceed the EU as a destination for U.S. exports by the middle of next year, and we have only begun to see the potential of this huge emerging economic region. Its potential as a source of growth for U.S. exports can be seen in the case of Chile: a country of less than 14 million people, but to which we exported more last year than we did to nations such as India, Indonesia, or Russia.

Latin America is the second fastest growing region in the world, having transformed itself over the last decade in a manner unnoticed by some, but with profound positive implications for the United States. It is already the developing region with the highest per capita consumption of U.S. imports of any region in the world, and it has only begun to generate its full capacity to absorb imports. The Administration recognizes the enormous opportunity to build on this historic transformation. Mexico, for example, is already on the verge of replacing Japan as our second largest export market; in fact, in October of last year, Mexico did exceed Japan in purchases of U.S. exports. This, in spite of the worst economic downturn in modern Mexican history during late 1994 and most of 1995.

As indicated, at the recent ministerial meeting of the Free Trade Area of the Americas in Belo Horizonte, Brazil, the Trade Ministers of the participating nations agreed that FTAA negotiations should be launched at the Santiago Summit of the Americas in March 1998. To this end, the Trade

Ministers established a formal Preparatory Committee which will take all the necessary steps to prepare for comprehensive negotiations early next year addressing a full range of issues from tariff reductions to agriculture to structural issues such as IPR and government procurement.

A comprehensive trade agreement with Chile is our first step in the FTAA process. It will be viewed as a bellwether for our plans in the region. Chile is symbolic of both the opportunities in the region and the region's rising strategic significance to our longer-term economic interests. U.S. exports to Chile are up 148 percent since 1990. Chile is a leading reformer in Latin America. Without fast track, the United States will not be positioned to conclude an agreement with Chile, and the longer our promise remains unfulfilled, the more likely that Chile, as many countries in our hemisphere will form alternative alliances in place of the U.S.

[At the same time, and with building the FTAA very much in mind, the Administration remains committed to Caribbean Basin Trade Enhancement and will be working with the Congress on legislation to accomplish this objective. We believe it is important to provide the countries of this vital region with the right kinds of incentives to be full participants in the FTAA effort while at the same time provide the most effective tools possible to assist them in this effort.] [Update ?]

The Asia Pacific region is enormous in its scope and has major implications for the future of the United States in many ways. It contains the fastest growing economies in the world, largely emerging economies with a total population nearing 3 billion people. Within the Asia Pacific Economic Cooperation (APEC) forum, reaching the goal of open markets would increase U.S. goods exports significantly. In addition, as a step towards the ultimate APEC goal, market-opening agreements with key economies (or key sectors) of the Asian Pacific rim would provide U.S. exporters with a strategic advantage over U.S. competitors in the region. It would also provide the United States with a strong economic anchor in Asia, a key step in this region bursting with vitality and opportunity.

[With Europe, our focus will be on non-tariff barriers which continue to impede transatlantic commerce, most particularly regulatory barriers and a variety of agricultural impediments. Approximately half of our $126 billion of merchandise exports to the EU require some form of EU certification in addition to U.S. requirements. Redundant testing and certification procedures increase the base cost of exports. Our business community strongly supports our current negotiations to complete Mutual Recognition Agreements (MRAs) to eliminate redundant testing between the United States and the EU. The areas under discussion include telecommunications, electronics, medical devices, pharmaceuticals and recreational craft. At the same time, we will be steadfast in our bilateral discussions and in the WTO to convince the EU to honor its commitments to U.S. agriculture. We recognize this is a major priority of the agricultural sector and it is a major priority of this Administration.] [Update para. Re MRA]

Africa is a region rich in resources and potential, which we should engage with determination to ensure its effective and sustainable development and democratic governance. We recently

completed preparation of a report to Congress on the Administration's trade and development policies for Sub-Saharan Africa. There is an urgent need to integrate Sub-Saharan Africa into the international trading system. We also believe the achievement of this goal lies in African countries reforming their own economies and in our encouraging this process. [Update ?]

Bilateral agreements

We recognize that certain problems can only be addressed effectively, and with a degree of specificity necessary, on a bilateral basis. Thus, we will continue to be engaged in bilateral market opening efforts with virtually every country in which we have a trading relationship: from Japan on telecommunications, photographic film, paper and other issues, to Canada on copyright protection, to Argentina on patents, to Korea on autos -- the list is lengthy and significant. There should be no misunderstanding. Now, as in the past, market access in many cases will only occur through intense bilateral efforts. This includes the intense scrutiny necessary under our enforcement capacity.

The Importance of Fast Track Authority

We can pursue portions of our agenda with our existing tools. But, to seize the opportunities in the global economy and to fully meet the competition, the President needs a new grant of trade agreement implementing authority, or fast track. Fast track is a key component of our trade arsenal. The President will seek a new grant of authority to implement global, sectoral and regional trade agreements -- fast track authority. In consultation with the Senate and House leadership, we have determined that proceeding with fast track legislation in September provides the best opportunity for proper consideration and passage of this legislation by year end. Between now and September, we will work with Congress towards developing legislation that will allow us to continue our important agenda.

Clearly, this should not be a matter of party or politics. Every President since President Ford has had fast track authority for key periods. For over 60 years, reacting to the lessons of the Smoot-Hawley tariff, America has led the effort to open foreign markets and increase U.S. and global prosperity. When the GATT was first formed in 1947, global tariffs averaged 40 percent among industrial nations. Today - after decades of bipartisan American leadership - global tariffs are closer to 5 percent and still declining with the Uruguay Round phase-in, and we have set the rules for bringing down many nontariff barriers. That persistent market opening has led to a period of increased global commerce unprecedented in world history. It has created enormous opportunities for our companies and workers, provided a seedbed for democracy abroad and helped further greater stability in a still uncertain world. We should not turn our back on that pattern of leadership, which continues as recently as the completion of the ITA and the telecommunications pact.

There is no substitute for our ability to implement comprehensive trade agreements. The absence of agreed procedural authority to do so is the single most important factor limiting our capacity at this time to open markets and expand American exports and trade opportunities in the new global economy. Such authority is a prerequisite to U.S. negotiating credibility and success on major trade fronts.

Fast Track and NAFTA in Context

Mr. Chairman, let me spend a moment discussing NAFTA because I think it is very important to put it in the right context as we move forward.

There is no question that many important issues characterize our relationship with Mexico: trade, drugs, immigration, worker welfare and the environment, to name a few. Those issues existed before we negotiated NAFTA and they will exist in the future. Mexico is a developing country with which we share a huge border. It is inescapable that issues of this type will be part of our bilateral agenda for some time. NAFTA is not - and cannot be - the full, long-term solution to problems we may encounter, but by keeping Mexico on the path to prosperity through market reforms, it can be a part of the solution.

Mr. Chairman, the fast track debate is and should be about our ability to conduct a global trade policy - and to advance our global trade interests. Many of the issues in the Mexico debate relate to our shared and unique border. They do not address the need to seize the trillions of dollars in global infrastructure opportunities in Asia to be created in the next decade. They do not give us the tools to continue cutting European agricultural subsidies. They do not help us respond to preferential trading relationships, or exclusionary practices that limit the United States. We must focus on the challenges of tomorrow.

Our competitors would like nothing better than for us to sideline ourselves, debating NAFTA and our relationship with Mexico for several more years while they move ahead. It would be a serious, self-inflicted wound. America is poised to seize great opportunities. Our competitors cannot beat us; we can only lose by removing ourselves.

Labor and Environment

Similarly, we can no longer allow our disagreements over the relationship between trade, labor standards and environmental protection to prevent us from granting the President fast track authority. We simply have to forge a consensus of this subject which eluded us in 1994 and 1995. I have been consulting broadly with members of Congress, business, labor and environmental groups, and will continue to do so. I do not intend to put forward a specific formulation today, but wanted to share several thoughts in this area.

It is important to recognize that a commitment to protection of core labor standards and their relationship to trade, is not new, nor is it unique to the United States. The international commitment to address this issue goes back as far as the Havana Charter, which was the effort to establish the International Trade Organization after World War II. We were gratified that at the WTO Ministerial in Singapore, the trading of the nations of the world acknowledged, for the first time in a Ministerial declaration, the importance of core labor standards to trade, although we fought for stronger steps. Advancing worker rights and labor standards is in our national interest and it is consistent with our deepest national values.

Making environmental and trade policy mutually supportive, although a somewhat newer public policy phenomenon on a global scale, similarly enjoys strong support in our country, and internationally. The 1992 Rio Sustainable Development Summit, the 1994 Summit of the Americas, and ongoing work in the WTO all reflect an international commitment to the importance of making these policy areas mutually supportive.

In my view, the challenge is how to maximize progress in three areas which are of major importance to us: expanded market access, advancing worker rights and core labor standards, and promoting environmental protection and sustainable development. We are committed to a strong strategy of pursuing our goals, and maintaining flexibility rather than pretending that one prescription would fit all countries or all cases. Based on my experience over these past four years, I think there is no substitute for building a consensus at home behind a strategy to advance our objectives on core labor standards and environmental protection. I am also certain that we will not convince other nations to improve their labor standards or environmental protection by denying the President the ability to negotiate trade agreements with them. We will, however, cripple our own export performance and lose jobs at home.

Conclusion

President Kennedy once described himself as "an idealist without illusions." I think that description captures well President Clinton's approach to trade. He, and those who work for him, genuinely believe that expanded trade can contribute to our prosperity, and to those around the world, particularly in the developing world where poverty is still widespread. But we have no illusions about the challenges ahead. Every trade barrier facing us is there for a reason: economic, political, bureaucratic, cultural. Some only want to export and not import. The competition around the world will continue to be intense. We have reasons to be confident, but only if we forge a domestic consensus that allows us to move ahead. We need to get down to business. The hard work of the past four years gives us only the opportunity to do the hard work of the next four.

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Trade and the Environment

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Trade and the Environment

Kenneth Berlin and
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PLANNING FOR THE post–cold war era may be less about marshaling armies under the United Nations (UN) banner than about enhancing coordination among diverse forms of market economies in an economy that is increasingly global. It will be essential to this effort to establish coherence in the present maze of policy issues, international agreements, and international institutions that affect the everyday interchanges between the world's nations and peoples. Nowhere is the need for coordinated effort clearer than in the clash between environmental protection measures and the international trading system.

Although environmental concerns have played an important role in setting domestic economic policy for many years in industrial nations, such concerns were, until recently, largely ignored in the formulation of international economic policy. Concern about the impact of environmental degradation on international economic growth and sustainable development has been increasing so rapidly, however, that in June 1992 it became the theme of the largest gathering of heads of state (110) in history—the 1992 Earth Summit in Rio de Janeiro, Brazil.

Environmental issues have burst upon trade and environmental communities ill-prepared to address the interrelationship between their divergent concerns. Most people with expertise in either trade or environmental matters have very different academic backgrounds and experience. In the United States, trade and environmental laws were written in different committees of Congress and responded to quite different constituencies. The two types of law, moreover, were administered, at least until recently, in different departments and agencies of U.S. and foreign governments, and these bodies rarely communicated with one another. The different perceptions of the two disciplines are summed up in their respective connotations of the word protection. It is a pejorative word in the trade community, an exemplary one in the environmental community.

In addition, because of their different experiences, people in the trade and environmental communities have very different expectations of what is attainable. Environmentalists expect a responsive system of laws that has programs and sanctions to enforce compliance. Because of the limitations national sovereignty places on international actions, trade policy special-

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The Washington Quarterly • 16:4 pp. 35–51