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DLC
Democratic Leadership Council

Fact Sheet
July 1997

Key Facts About U.S. and World Trade

- Between 1977 and 1996, U.S. exports as a percentage of U.S. gross domestic product (GDP) increased from 8.5 percent to 13 percent. In addition, global capital flows have exploded—between 1990 and 1995, total U.S. investment abroad has grown by 65 percent, while investment in developing countries has nearly doubled.

- Since 1992, the number of high-wage, export-related jobs in the U.S. economy has increased by 1.5 million. These jobs pay more—13 percent to 16 percent more on average—than the median wage job. Over 12 million U.S. jobs are supported by export-based industries, and by the year 2000 this number is expected to rise to 16 million.

- Exports have increased 42 percent since 1992, and today we export one-eighth of all the goods and services we produce.

- As a percentage of GDP, the United States imports far less than other advanced countries. The United States imports 12.6 percent of GDP, compared to 19.4 percent for China; 21.4 percent for France; 23.3 percent for Germany; and 30 percent for the United Kingdom.

- Running a trade surplus is very difficult when the economy is growing. Nonetheless, the overall U.S. trade deficit today is only 1.7 percent of GDP, down from 3.3 percent of GDP in 1986-87.

- Foreign direct investment (FDI) benefits the investor and the host country by creating new markets and customers, increasing access to new knowledge and technology, and reducing capital and information failures. In 1993, American companies' foreign operations sold 66 percent of all their goods and services in the host country's market and 89 percent of their goods and services outside the United States. Also, the United States is the world's largest recipient of FDI.

- Trade between firms and their foreign affiliates (intrafirm trade) is often an efficient form of international trade because it reduces problems of imperfect information. Over a third of U.S. exports and two-fifths of U.S. imports are estimated to be intrafirm. Worldwide, about one-third of trade is intrafirm.

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- The Asia-Pacific region is the United States' most viable market, purchasing 30 percent of U.S. goods and absorbing more than $40 billion of U.S. foreign direct investment between 1991 and 1995. Latin America is the second fastest growing region for U.S. goods and services.

- Overall, trade with Mexico has grown nearly 60 percent in the last three years. Despite Mexico's economic problems and a temporary drop in U.S. exports, the United States still exported $46.3 billion worth of goods to Mexico in 1995. This is 11 percent more than the pre-NAFTA level of $41.5 billion in 1993. U.S. investment in Mexico averages only half of one percent of domestic investment in plant and equipment. By the end of 1997, Mexico will be our second largest trading partner. For every dollar Mexico spends on imports, 75 cents goes to the United States.

For additional information , please visit our Web site: http://www.dlcppi.org/trade.htm.

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Fact Sheet
July 1997

Key Facts About NAFTA

North American Trade

- In 1996, nearly 40 percent of U.S. trade in goods with the world was with the Western Hemisphere ($242 billion). Trade with our North American Free Trade Agreement (NAFTA) partners has increased 44 percent since NAFTA was signed, compared with 33 percent for the rest of the world. Mexico and Canada accounted for 53 percent of the growth in total U.S. exports in the first four months of 1997.

- Between 1993 and 1996, U.S. exports to Mexico grew by 36.5 percent to a record high of $15.2 billion, despite a 3.3 percent reduction in overall Mexican demand over this same period.

NAFTA's Impact on Trade Barriers and the U.S. Economy

- Since NAFTA, Mexican tariffs on U.S. goods have been reduced by an average of 7.1 percent. U.S. tariffs on Mexican imports have been reduced by 1.4 percent; however, some of these reductions would have taken place under the Uruguay Round, regardless of NAFTA.

- Overall, U.S. trade with Mexico has grown nearly 60 percent in the last three years. Despite Mexico's economic problems and a temporary drop in U.S. exports, the United States still exported $46.3 billion in 1993. U.S. investment in Mexico averages only half of one percent of domestic investment in plant and equipment. By the end of 1997, Mexico will be our second largest trading partner. For every dollar Mexico spends on foreign imports, 75 cents goes to the United States.

- The U.S. economy creates in one month the number of jobs displaced by NAFTA in three years.

- It is difficult, methodologically, to isolate NAFTA's effect on the U.S. economy because NAFTA is only three years old, the Mexican peso has fallen, and U.S. tariff reductions under the Uruguay Round have taken place during the same period. However, after controlling for other variables, several studies have shown that NAFTA had a modest positive impact on U.S. net exports, income, investment, and jobs supported by exports.

- A recent study by DRI estimates that NAFTA increased real exports to Mexico by $12 billion in 1996, compared to a smaller real increase in imports of $5 billion, controlling for the Mexican peso crisis. The larger impact on U.S. exports reflects the fact that under NAFTA, Mexico lowered its tariffs approximately five times more than the United States. DRI estimates that NAFTA contributed $13 billion to U.S. real income and $5 billion to business investment in 1996, controlling for the Mexican peso crisis.

NAFTA'S Impact on the Mexican Economy

- In 1996, Mexico recovered from its most severe recession since the 1930s. NAFTA played a small, yet positive, role in this recovery by imposing economic discipline on the Mexican economy. In contrast to Mexico's 1982 financial crisis, Mexican economic output dropped more quickly in 1995, but it also rebounded more quickly, reaching pre-crisis levels at the end of 1996. In 1982, it took Mexico 7 years to return to international capital markets, in 1995, it took only 7 months.

- In 1995, Mexico continued to implement NAFTA provisions even as it raised tariffs on imports from other countries. As a result, U.S. exports recovered in 18 months and were up nearly 37 percent by the end of 1996 relative to pre-NAFTA levels, even though overall Mexican consumption decreased by 3.3 percent.

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Fact Sheet
July 1997

Fast Track Negotiating Authority

What It Is & How It Works

What is Fast Track negotiating authority?

- Fast track negotiating authority was agreed to between the executive and legislative branches as part of the Trade Act of 1974 in order to negotiate and implement the Tokyo Round of the General Agreement on Tariffs and Trade (GATT). Reviewed and renewed over time, fast track authority has been used to implement each comprehensive trade agreement in which the United States has been a party since that time: Tokyo Round of the GATT (1979); U.S.-Israel free trade agreement (1985); U.S.-Canada FTA (1988); National Free Trade Agreement (NAFTA) (1993); and, the Uruguay Round of the GATT(1994).

Fast track authority is an agreement by the executive branch and Congress designed to ensure that:

- The executive branch's constitutional prerogative to conduct international commercial negotiations is balanced by the legislative branch's constitutional prerogative to review and approve these agreements. Fast track is the proven vehicle for achieving this balanced approach.

- There is extensive consultation between the President and Congress prior to and throughout the negotiation of trade agreements to ensure transparency, public debate, and fine-tuning of negotiating positions.

- U.S. trade negotiators and trade partners can negotiate with full confidence that the agreement they reach will not be changed once submitted to Congress, and will be honored and implemented in its entirety by the United States provided Congress approves the agreement.

How does Fast Track work?

- Fast track negotiating authority is granted by Congress, usually for a specified period and a specified set of negotiations.

- The President notifies Congress that he intends to negotiate a trade agreement with a given country or countries.

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- Congress approves or disapproves the President's request under a special timetable.

- If approved, the President enters into negotiations for the trade agreement, assured of an up or down vote by the Congress upon submission of legislation implementing the agreement under U.S. law.

- During the negotiation process, fast track requires the President to consult with Congress on the progress, substance, and issues in the negotiation. Congress typically holds hearings related to the negotiation but individual consultations with Members and committees are also held as needed.

- Once negotiations are completed, the President notifies Congress of his intent to sign the agreement. After a specified time period has elapsed, the President signs the agreement and submits legislation that will implement the agreement under U.S. law (including mandated reports by his advisory committees, etc.) for congressional approval.

- Under a specific timetable, Congress then votes on the implementing legislation for the trade agreement.

(Based on the Trade Act of 1974 as amended; 1988 Omnibus Trade Act as amended)

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Fact Sheet

July 1997

Fast Track
Myths & Realities

1. Myth **Fast track authority will only repeat the mistakes we made with the North American Free Trade Agreement (NAFTA).**

Reality Wrong. The fast track debate is about American leadership in world trade—about whether we will participate in a wide-ranging series of new negotiations that are about to start with or without us. It is about expanding opportunities in international markets for American-made goods and services and about sustaining our economic growth and prosperity. The trade agreements we forge today will determine the strength of our nation's global position tomorrow and define U.S. opportunities in the economy of the future—but we can't do it without fast track.

Second, NAFTA is on track. In 1996, nearly one-third of U.S. trade in goods was with Canada and Mexico ($421 million). Our NAFTA partners accounted for 53 percent of the growth in total U.S. exports in the first four months of 1997. Further, NAFTA has "locked in" not only a steadily decreasing tariff rate on almost all products, but also significant market reforms and dispute settlement procedures. It has increased certainty and stability in our commercial relations with our two largest trading partners in the world.

Third, NAFTA has also given us increased opportunities, new forums, and a process to engage our neighbors in addressing non-trade issues of mutual concern including immigration, drug trafficking, labor rights, and environmental protection.

2. Myth **Fast track authority means that our Congress has no voice in the negotiations.**

Reality Wrong. Fast track authority is an agreement between the executive branch and the Congress to ensure that:

- The executive branch's constitutional prerogative to conduct international commercial negotiations is balanced by the legislative

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branch's constitutional prerogative to review and approve these agreements. *Fast track is the proven vehicle for achieving this balanced approach,* having been used for every international trade negotiation since 1974.

- There is extensive consultation between the President and the Congress prior to and throughout the negotiation of trade agreements to ensure transparency, public debate, and fine-tuning of negotiating positions.

- U.S. trade negotiators and trade partners can negotiate with full confidence of knowing that the agreement they reach *will not be changed once submitted* to Congress, and will be honored and implemented in its entirety by the United States provided Congress approves the agreement. Without it, we cannot expect our partners to negotiate seriously.

- Fast track is a process designed to serve the overall national interest in trade, not any single special interest. If the President can negotiate a good trade deal, he should have the authority to submit it to Congress for approval. Without fast track, he cannot.

3. **Myth** **Fast track is only about expanding NAFTA to include Chile.**

Reality Wrong. The fast track stakes for the United States are much larger and more complex. Negotiations are scheduled to begin soon with or without U.S. participation. Fast track authority will enable the United States to advance our global economic interests in four key trade arenas of trade:

- *Multilateral arena*: The World Trade Organization, the institution under which the General Agreement on Tariffs and Trade operates, has an ongoing agenda that includes:

  — Agricultural negotiations to further reduce barriers—such as export subsidies and domestic support programs—in the $526 billion global agricultural trade market.

  — Services negotiations addressing a wide range of services in which the United States is highly competitive—such as health care, education, entertainment, tourism, business consulting, and advertising—to further open this $1.2 trillion global market.

— Government procurement—the provision of goods and services to public-sector entities and public works projects. U.S. providers in sectors such as construction, high-tech electronics, telephone, and office product sectors need to participate in the creation of these new rules to ensure a level playing field with foreign competitors for these multi-billion dollar contracts.

- *Sectoral trade agreements*: With fast track negotiating authority, the United States can pursue its national interest and break down trade barriers in key sectoral negotiations where we are world leaders—including areas such as computer software, information technology, medical equipment, and environmental technology.

- *Regional trade agreements*: Through negotiations toward a "Free Trade Area of the Americas" (FTAA), targeted for completion in 2005, the United States could reduce trade barriers in our fastest growing market. In Asia, the Asia-Pacific Economic Cooperation (APEC) forum contains the fastest growing economies in the world today (a market of $2.8 trillion in gross domestic product); the United States is committed to achieving free and open trade with its fellow APEC members by 2010.

- *Bilateral trade agreements*: The United States has committed to negotiating comprehensive bilateral agreements with Chile and New Zealand, among others. In addition, a number of countries have requested negotiations for bilateral intellectual property rights agreements and bilateral investment treaties.

4. Myth **Fast track leads to more trade agreements that will increase the U.S. trade deficit.**

Reality Wrong again. Fast track ensures that the Congress will have the opportunity to review each new trade agreement, both during the negotiations and as a package once submitted for approval.

There is no direct relationship between annual trade deficits and the signing of new trade agreements. More importantly, current account trade deficits are not necessarily harmful to the overall economy if the deficit is at a manageable percentage of gross domestic product (GDP) and the capital we are borrowing is invested in activities that contribute to economic growth. Currently, our annual trade deficit is only 1.7 percent of GDP which is much lower than other advanced countries.

5. **Myth** **We should fine tune existing trade agreements before we negotiate any more.**

Reality Wrong approach. The United States should have the ability to engage in trade negotiations that are in our national interest while we work with our trade partners to improve existing agreements.

If all we do is fine tune existing agreements, our competitors will take advantage of further delays by reaching agreements without U.S. participation, which is likely to be detrimental to the interests of U.S. workers and businesses. Over twenty-two such agreements have already been signed without any U.S. participation.

6. **Myth** **America can grow without trade.**

Reality Dead wrong. The United States is the world's largest trading nation and the world's most competitive trader. To sustain our own economic growth, we need increased access to the 95 percent of the world's consumers living outside our borders—85 percent of whom live in developing countries, the largest growth regions both now and in the future.

U.S. exports account for 12 percent of all world goods exports and 16 percent of all world services exports. Expanded trade has been a huge contributor to our national economic success. Exports have increased by one-third in the last three years alone. Between 1986 and 1994, jobs supported by exports rose 63 percent—more than four times faster than overall private industry growth. By 1997, 12 million U.S. jobs depended on exports, a number that is expected to rise to 16 million by the year 2000. Over the last four years, U.S. job growth has been greater than the combined job creation of all the other industrialized nations.

7. **Myth** **Fast track is detrimental to American workers. Fast track negotiated trade agreements are responsible for falling wages, increased job insecurity, declining incomes, and a decline in manufacturing jobs in America.**

Reality Just plain wrong. By allowing the President to negotiate free and fair trade agreements, fast track allows us to protect the interests of American workers by opening new markets for American-made exported goods and services. It also allows us to set new rules in areas like intellectual property rights that ensure that American investment in innovation is not stolen. Exports support higher paying jobs and are key to sustaining economic growth. Fast track is about maintaining and expanding the U.S. export base—U.S. manufacturing exports are increasing, not decreasing.

Export-related jobs pay an average 13-16 percent higher than the national average. In addition, competitive pressures associated with trade play a key role in holding down consumer prices. Export-related jobs contribute to a rising standard of living.

We are enjoying the most stable U.S. economy in thirty years. Unemployment has fallen from 7.5 percent in 1992 to 4.9 percent in April of 1997 while inflation remained steady at approximately 3.5 percent. Core inflation (excluding volatile energy and food prices) was at 2.6 percent in 1996. The combination of low unemployment and low inflation means the lowest "misery index" since the 1960s.

8. **Myth** **We always give up more than we gain in trade negotiations. Fast track just makes our losses happen more quickly.**

Reality Untrue. Because our market is already one of the world's most open, we give up very little in trade negotiations. Our trading partners, whose markets are still far more restrictive, give up substantially more. Nevertheless, our trade partners leap at any opportunity to enhance access to the world's richest market. We need fast track authority in order to break down foreign barriers to trade, open new markets for U.S. goods and services, and ensure that they remain open.

9. **Myth** **Fast track won't take care of issues like immigration, drug trafficking and environmental problems like those that have resulted from NAFTA.**

Reality True: Fast track has nothing to do with these issues. However, having the authority to engage our partners in trade negotiations gives us more clout to make progress on these issues. Conversely, without fast track, we weaken our ability and credibility to pursue other foreign and economic policy objectives.

Trade agreements give us enhanced and more frequent opportunities and forums to engage our trading partners on these important issues. For example, making environmental and trade policy mutually supportive enjoys growing support in our country and internationally. The Rio Summit on Sustainable Development (1992), the Summit of the Americas (1994), and ongoing work in the World Trade Organization all reflect an international commitment to find new methods of collaboration to resolve environmental issues.

10. **Myth** **We should just "wait and see" how other trade negotiations shape up and then decide whether or not to play a role.**

Reality No. That is not only a bad negotiating strategy, but unsound public policy. If we wait to see how global or regional agreements shape up, we will have no ability to influence the trade agenda, the rules of individual agreements, or the obligations of the members of the agreement. The United States would be left in a position of accepting or rejecting a trade package in which we did not participate but which may be detrimental to the interests of our workers and businesses.

11. **Myth** **The United States does not need fast track to negotiate trade agreements, and our partners need access to our market so badly that they will continue to negotiate with us anyway.**

Reality Yes, we do and no, they won't. Our trading partners are unwilling to engage in comprehensive negotiations without the assurance that the deal they strike will not be watered down by amendments and other changes. No country is going to reveal their best offer to a trading partner that can't make a deal and keep it. Our trading partners will not negotiate with us without fast track, as evidenced by Chile's current refusal to go forward with bilateral negotiations. Instead, Chile has negotiated an associate membership with the Mercosur, and a free trade agreement with Canada, both of which carry tangible disadvantages for the American economy.

It is clear that our trading partners would prefer the status quo with the United States to bad faith negotiations. Meanwhile, they are cutting deals with other markets to the detriment of U.S. interests.

12. **Myth** **Fast track and more trade agreements will just make hard times harder for those American workers who are not benefitting from our prosperity.**

Reality Trade, like technological change and every other development in the new world economy, produces dislocations and insecurity. But the way to deal with dislocations and insecurity is to confront them directly, not wish them away.

We must substantially improve our efforts to equip all Americans with the education and skills they need to be as competitive as individual cities as we are now as a nation. We must defend the rights of workers to organize and influence employer decisions that affect their jobs and income. We must encourage and reward good corporate citizenship towards both employees and the communities in which they live. And we must use trade negotiations not simply to knock down barriers, but also to lift incomes here and abroad, create new customers for our products and fair and worthy competitors at the same time.

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Talking Points

July 1997

America and the World Economy

What All Americans Need to Know

▸ Trade Contributes to American Prosperity

Trade expansion raises American living standards while simultaneously increasing economic prosperity in other countries. When unemployment is high, export growth increases demand for U.S. goods and services, increasing employment. Even today, in an economy at full employment, trade expansion benefits Americans by contributing to higher incomes and shifting the pattern of job creation in the direction of high-productivity, high-wage jobs. Since 1992, over 11 million new jobs have been created and, of these, 1.5 million have been high-wage, export-related jobs—which, on average, pay 13 to 16 percent more.

▸ We Need Fast Track Authority

The United States has been the world's most competitive, major economy for the last three years. To maintain this prosperity, Congress must give the President the ability to protect America's interests in the world trading system through renewed fast track trade negotiating authority. Key regional negotiations are about to begin as well as negotiations in agriculture, financial services, information technology, and other service industries—sectors where our country is a world leader. Unfortunately, the President has not had fast track trade authority for three years now—despite the fact that every President since Gerald Ford has had it. Without fast track, the United States cannot negotiate tough, new trade agreements and fair, reciprocal trading rules. Failure to renew negotiating authority will only encourage competitors to cut America out of new industry-wide and regional accords. Already 22 agreements have been signed without the United States.

▸ All Americans Gain from Global Leadership

The recent passage of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), the formation of the World Trading Organization (WTO), and free trade agreements with Canada and Mexico, as well as 200 other lesser-known trade agreements since 1992, have benefitted the United States by substantially reducing tariff barriers and by including provisions for the reduction of non-tariff barriers. Only three years after its passage, the North American Free Trade Agreement (NAFTA) is fulfilling its promise.

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Our trade relations with Canada and Mexico are better, prices on consumer goods are lower, and trade and investment throughout North America have increased. Today, the U.S. economy creates in one month the number of jobs displaced because of NAFTA in the last three years.

▸ We Need to Open New Markets

With 95 percent of the world's consumers living outside our borders, the United States depends on new markets to sell its goods and services. From Latin America to the booming Pacific Rim, to Russia and the former communist states of Europe, the failure of socialism and centrally-planned economies has sparked a resurgence of market economies and democratic governance. The United States has spurred this resurgence by helping emerging economies tap into global investment and by developing new multilateral, debt-reduction programs for heavily-indebted poor countries. Expanding trade and opening new markets are important components of an overall strategy to accelerate U.S. economic growth while promoting democracy and stability abroad.

▸ Investment at Home and Abroad Benefits Americans

U.S. investment abroad creates new markets and customers for U.S. companies. In 1993, American companies' foreign operations sold 66 percent of all their goods and services in the host country's market and 89 percent of their goods and services outside the United States. Foreign direct investment (FDI) in the United States creates jobs and fuels economic growth. In 1993, foreign companies operating in the United States employed 4.7 million people, or five percent of all Americans employed by private industry. Currently, the United States receives more FDI than any other country in the world.

▸ Imports Play a Vital Role in Our Economy

Imports play an important role in strengthening our overall economy by increasing competitive pressures on domestic producers to upgrade and innovate and by providing American consumers with the best and most competitively priced products in the world. The United States is the world's largest importer even though, proportionate to the size of its economy, the United States imports far less than countries such as China, France, Germany, and the United Kingdom. By contrast, U.S. imports are now equal to only 12 percent of gross domestic product (GDP).

▸ Trade Deficits Don't Tell the Whole Story

Despite the attention annual trade deficits receive in the media, running a current account deficit is not always bad. Current account deficits and surpluses are primarily determined by macroeconomic circumstances, particularly the balance between domestic saving and investment. A current account deficit simply means that the United States is, on balance, borrowing from the rest of the world; a current account surplus means that the U.S. is a net lender to the rest of the world. Whether this borrowing or lending is good or bad depends, as it would for any individual or business, on what the borrowing is used for or why the country is lending. Annual trade deficits are 1.7 percent of GDP. In the 1980s, U.S. trade deficits were problematic because large budget deficits were reducing national saving without increasing public investment. However, the recent increase in our trade deficit appears to be financing new U.S. investment, particularly in business equipment. Moreover, the U.S. economy is experiencing historic prosperity which provides the necessary resources to repay our loans from the rest of the world. It should be noted, however, that running large current account deficits over a long period of time may have a negative impact on the overall economy. The most efficient way to counter this potential negative impact is to increase national savings rates.

▸ The Cost of Inaction—We Have No Time to Wait

With the expansion of global markets linked by computers, satellite communications, and advanced transportation networks, international trade and investment play an ever-increasing role in American prosperity. The United States cannot afford to retreat from a proactive strategy of trade expansion that takes advantage of our position as the world's most prosperous and dynamic economy. The trade agreements we sign today will determine the strength of our nation's global position tomorrow and define U.S. opportunities in the rapidly globalizing economy. Increases in GDP, a 70 percent reduction in federal budget deficits over the last four years, and the prospect of a balanced budget lay the foundation for continued economic expansion. However, sustained prosperity is contingent on our willingness to use all the tools at our disposal to compete in and shape the global economy.

For additional information , please visit our Web site: http://www.dlcppi.org/trade.htm.

DLC
Democratic Leadership Council

Dear Member of Congress:

Now that the budget debate is over, we are about to begin an important public debate about the future of U.S. international leadership as Congress takes up President Clinton's request for renewed fast track negotiating authority this fall. As every Democratic President in this century has known, expanding trade is essential to creating economic opportunity for ordinary Americans.

As you head home for the August recess, we hope you will find these materials helpful in explaining these issues to your constituents. We have included:

- America and the World Economy: What Every American Needs to Know
- Fast Track: Myths and Realities Talking Points
- Fast Track Negotiating Authority: What It Is and How It Works
- Expanding the Winners Circle: A New Social Compact
- Key Facts About U.S. and World Trade
- Key Facts About NAFTA

Support for open markets and hostility to protectionism is the oldest principle of the Democratic Party. It is simply unfair to elevate the interests of industries or groups threatened by international competition above the interests of workers in exporting industries; of consumers; of communities that benefit from foreign investment; and of every American who benefits from steady growth, low unemployment, and low inflation. The trade agreements we forge today will determine the strength of our nation's global position tomorrow and define U.S. opportunities in the new global economy.

At the same time, we must substantially improve our efforts to equip all Americans with the education and skills they need to be as competitive as individual citizens as we now are as a nation. We must defend the rights of workers to organize and influence employer decisions that affect their jobs and income. We must encourage and reward good corporate citizenship towards both employees and their communities. And we must use trade negotiations not simply to knock down barriers but also to lift incomes here and abroad, create eager customers for our goods, and fair and worthy competitors at the same time.

The message about fast track is simple: If America can't negotiate, Americans lose. We will be supplying the best information we can find to help you sift through the facts. I can be reached at 202-546-0001, and look forward to assisting you and your staff in the weeks ahead.

Sincerely,

Edie Wilson

Edith R. Wilson
Trade Project Director

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IF THERE ARE ANY PROBLEMS WITH THIS TRANSMISSION, PLEASE CALL (202) 546-0007. THANK YOU.

July 28, 1997
Memorandum to the President
From: Al From
Subject: Fast Track Event

The purpose of this memorandum is to ask you to do a high profile event with the DLC in September in support of expanding trade and fast track.

Expanding trade and restoring American competitiveness is a defining issue for New Democrats and will be an essential part of your legacy. Yet the progress you've made would be undermined if you are not able to win fast track authority this fall. And the most substantial opposition to your winning is likely to come from within our own party.

As we did on the NAFTA fight in 1993, the DLC is devoting considerable resources to helping you in the fast track fight. I believe we can play a critically important role both in rallying Democratic support behind fast track and in demonstrating to the media that there are Democrats who oppose the protectionist line of many of our interest groups.

Our plan would be to bring in elected Democrats from around the country for a show of support on fast track and a forum on trade and its benefits to ordinary citizens. I would very much appreciate it if you could speak to that event.

It would give you a forum for making a pro-trade, pro-fast track speech to a Democratic audience – and it would give real credibility to our effort to help you pass fast track. That, in turn, would help us pull together the resources to give a higher profile to our pro-fast track campaign.

As we've discussed before we need to talk in great detail about a number of things we can do to secure your legacy and the changes you and the New Democrats have brought to our party and our country. But winning the fast-track fight is one of them – and I hope you will agree to a DLC event in September that can help that cause.

I'll follow up with Erskine and Mack, and I really hope you'll do this. It will be good for you and important to me. Thanks.

DLC
Democratic Leadership Council

July 21, 1997

To: Vicki Radd
Special Assistant to the President

Fr: Edie Wilson
Director, DLC Trade Project Edie

Re: **DLC Activities in Support of Fast Track**

Following is an outline of our activities. To date, the Administration staff with whom we have been talking or meeting include: Erskine Bowles (Al From), Mac McLarty, John Podesta, Dan Tarullo, Bob Kyle, Andrew Friendly and at USTR, Nancy LeaMond, Bob Novick, Liz Arky and Jay Ziegler.

This project was launched in April to advocate for expanding open trade and specifically to support renewal of fast track negotiating authority. Our unique role is to make the case why Democrats believe that open trade serves the national interest and benefits ordinary Americans, and to demonstrate that there are many Democrats around the country who are pro-trade. We seek to balance the political equation and counter the impression is that the protectionists are now the dominant force in the Democratic party. Al From has called the upcoming trade battle a defining moment in the Democratic party.

The DLC supported NAFTA in 1993, and during that time ran a grass roots effort in four key states to ensure passage. Trade is one of our top issues for this year, and we envision active Hill support, media materials, media, lobbying, and grass roots efforts. Examples of current activity include:

- We have a DLC Trade Working Group in Washington of approx. 50 members who meet every two weeks.

- We work closely with the New Democrats in Congress, particularly the offices of Rep. Matsui and Rep. Dooley. We will be supplying pro-trade materials starting now through the votes in House and Senate.

- We are circulating an Appeal to Congress from Democrats for Economic Leadership now for signature by Democratic governors (sponsored by Gov. Chiles) and other state elected officials. As they sign on, we will do press about Democratic support for fast track.

- We produced a *Policy Backgrounder* on NAFTA on 7/9 and briefed wire service

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and newspaper reporters and our Trade Working Group. The *Policy Backgrounder* was sent to all Members of Congress with a cover letter. A *DLC Update* on NAFTA was distributed 7/14.

- We will be writing op-eds, doing talk radio and other radio interviews, and getting other pro-trade Democrats to speak up during August.

- We are meeting with Members directly to ask them to explain the importance of Fast Track and to ask them not to committ to vote against in August.

- There is some consideration being given to a pro trade TV ad that we have discussed with Mark Penn.

I have included some articles and other materials for you to review. I particularly recommend Phil Potter's legislative strategy, the most recent of which I sent to John Podesta today. I look forward to meeting with you to discuss the situation as we see it and to working with you in the months ahead.

Best wishes.

DLC

emocratic Leadership Council

DLC Trade Project

Statement of Purpose:

In the tradition of Presidents Wilson, Roosevelt, Truman, Kennedy, Carter and Clinton, the Democratic Leadership Council has always believed that expanding trade is essential to creating opportunity for ordinary Americans to get ahead. We are committed to fighting both for new trade agreements and to ensure that every American has the tools they need to take advantage of the opportunities that will come with our continued leadership in the global economy.

-- Al From

518 C Street, NE • Washington, DC 20002 • 202-546-0007 • Fax: 202-544-5002 • E-mail: [illegible]@dlcppi.org • WWW: http://www.dlcppi.org/

DLC Trade Project Activities

Washington D.C. Trade Working Group

In May, a group of over 50 members of the DLC formed a Trade Working Group. The DLC Trade Project will keep Working Group members informed as trade issues such as MFN for China and Fast Track proceed, and receive briefings from key Administration and Congressional leaders at regular meetings.

New Democratic State Trade Network

In June, the DLC will launch an effort to organize a coalition of state Democratic leaders in support of renewed trade negotiating authority for President Clinton. This group will participate in press conferences, letters to leaders in Congress and newspaper advertisements this summer.

The DLC also intends to work closely with the National Conference of State Legislators and National Governors Association and others to solidify Democratic support for free trade.

Advocacy to Congressional and State Elected Officials

The DLC Trade Project will work closely with pro-trade members in the U.S. House of Representatives and Senate, providing substantive materials, advocacy materials and Congressional staff briefings. We will also reach out to state legislators to educate them about trade issues, since they are the pipeline for future Congressional leadership on this issue.

The first in a series of **Congressional staff briefings** will commence in late June and focus on **"Fast Track 101"** -- what the trade negotiating authority is and why it works, the history of how it was created, why it is still needed and what's at stake for the United States in upcoming international trade negotiations. Other briefings will be offered during the summer and fall.

FOR RELEASE MONDAY, APRIL 28, 1997

CONTACT: John Deeken
PHONE: 202/546-0007

DLC ANNOUNCES NEW TRADE PROJECT, NAMES DIRECTOR

WASHINGTON, D.C. -- The Democratic Leadership Council will work aggressively in Washington and around the country to promote a new open trade policy, including giving President Clinton fast track negotiating authority, DLC President Al From announced today. From also named Edith R. Wilson as Director of the DLC trade project.

"In the tradition of Wilson, FDR, Truman, and Kennedy, the DLC has always believed that expanding trade is essential to creating opportunity for ordinary Americans to get ahead," said From. "We are committed to fighting both for new trade agreements and for ensuring that every American has the tools to take advantage of the opportunities that will come with our continued leadership in the global economy."

The DLC was a prominent advocate for passage of the North American Free Trade Agreement in 1993 and the Uruguay round of GATT in 1994.

Wilson, who has 25 years of experience in trade and international affairs in the public and private sectors, will also be a Senior Fellow in the DLC's think tank, the Progressive Policy Institute, and lead the PPI's Project for Trade in the New Economy. PPI's trade project envisions a "third way" alternative to both contemporary neo-protectionism and orthodox *laissez faire* by articulating a new agenda of the economic policies to promote open trade in the new global economy. That includes the need for public policy to ensure that all Americans have the tools they need to succeed in the increasingly competitive international economy.

Wilson served as Eastern Pennsylvania Director for Clinton/Gore '96 and Chief of Staff to U.S. Senator Carol Moseley-Braun during the 104th Congress. Previously, she was Senior Vice President for International Affairs at Burson Marsteller, where she worked since 1983. She founded the Food Action Center in 1975, a non-profit outreach and training center focusing on world hunger and development issues. She holds a Masters in Public Administration degree from Harvard's Kennedy School of Government and a bachelor's degree from Bryn Mawr College.

The DLC's renewed emphasis on trade is in keeping with the challenge issued by its former chairman, President Bill Clinton, at the DLC's 1996 policy forum last December. "Let me say the DLC can play an important role here," the President said. "Sometimes one of our most frustrating efforts as Democrats has been to convince our fellow Democrats that trade, if it's free and fair, is good for all the American people and it's essential for America's future.(...) There are no more simple dividing lines between foreign and domestic in the world we're living in. We need your help to continue to raise public awareness of these fundamental facts, so that when decisions have to be taken in the area of foreign affairs they will resonate at home in the way that so many of the DLC ideas have resonated with the American people in domestic policy. And I hope you will pay some attention to that in the next year."

'he D .C U ıda e

The Democratic Leadership Council——Wednesday, July 16, 1997

To order ***NAFTA: A Progressive Look at a Landmark Agreement After Three Years***, **call the publications desk at 1-800-546-0027. It is also available on our website, at http://www.dlcppl.org/texts/trade/bannist.htm.**

The Big, Bright Picture on NAFTA

Last week the Clinton Administration released a report on the North American Free Trade Agreement (NAFTA), assessing the first three years of this 15-year, market-opening effort as producing "modest but positive" results for the U.S. economy.

Right on cue, the AFL-CIO started running radio ads attacking NAFTA and future trade agreements, in a dress rehearsal for its reported multimillion dollar ad campaign during the August congressional recess opposing fast track trade negotiation authority for the President.

If NAFTA is the worst boogeyman that the anti-trade forces can conjure up to frighten the American people, then (to paraphrase FDR) we have nothing to fear but fear itself. As **Rebecca Reynolds Bannister** shows in a new PPI Backgrounder, ***NAFTA: A Progressive Look at a Landmark Agreement after Three Years***, NAFTA has passed its first test. Intended to produce a larger volume of trade among the United States, Canada, and Mexico, NAFTA has done just that: two-way trade with our NAFTA partners has risen 44 percent since 1994, and nearly one-third of our total two-way trade in 1996 was with Canada and Mexico, valued at $421 billion.

NAFTA opponents invariably take the narrowest possible view—trade balances—in assessing the agreement. Even then, they distort the balance sheet. NAFTA foes love to talk about the 132,000 U.S. workers who filed for federal assistance claiming job displacement since NAFTA took effect. What they don't tell you is that the U.S. economy is creating this many new jobs every two weeks, with 12 million net new jobs generated since 1994. The economic boom to which NAFTA has contributed is far outstripping any dislocations it might have produced.

The whole object of trade agreements is to produce a "win-win" situation: acheiving the best overall deal for the American people while helping our customers grow so they can buy more of what we produce. That's what we got with NAFTA. Sectors that have done especially well include autos, textiles, services, agriculture, computers, software, electronics, machinery, and procurement. Our current trade deficit with Mexico reflects their 1995 peso crisis and recession, which NAFTA ameliorated, and our own economy's upswing. The increase in imports from Mexico and Canada reflects surging U.S. buying power. Imports also supply our producers with essential inputs like energy, fill market niches abandoned by U.S. firms, spur innovation at home, and help keep consumer prices low.

Aside from the short-term NAFTA "balance sheet," Bannister points to NAFTA's pioneering structural benefits: "NAFTA was the first agreement with a less-developed country to comprehensively cover services trade, investment, procurement, transparency, dispute settlement and intellectual property protection, as well as merchandise trade." These features provide safeguards for U.S. technology, firms, and workers. The new trinational environmental, border, and labor mechanisms are up and running, another first in North American cooperation.

Finally, NAFTA advanced our overall relationship with our two closest neighbors. Without it, future progress on immigration and anti-drug measures would be virtually unthinkable. Had NAFTA been rejected, the peso crisis might well have led to an economic and political meltdown in Mexico, with dire consequences for the United States.

NAFTA is a key part of President Clinton's long-term economic strategy of opening new markets as we cut the budget deficit and invest in people at home. New Democrats know that it would be foolish to turn back on trade at a time when we are enjoying the best overall economy in decades and—for Democrats—an act of political suicide to undermine a Democratic president who is making an unassailable case for Democratic economic policies.

IMPORTANT EVENT: Health Care Briefing This Thursday (7/17) with Sen. Bob Kerrey

The Progressive Policy Institute (PPI) is hosting a briefing this **Thursday, 7/17**, featuring **Senator Bob Kerrey** on how to respond to the current backlash against managed care, and on the future of the health care system in our country. The event will be held from **10-11:00 am** in **Rm. 325, Senate Russell Bldg.**

Released at the event will be two new PPI reports on the future of the health care system. The first, authored by **Michael Millenson** and entitled *Beyond the Managed Care Backlash: Medicine in the Information Age*, debunks the myth that our health care system was better in the days of "Marcus Welby, M.D." It goes on to recommend guidelines to legislators wishing to regulate quality in today's health care system.

The second report, authored by PPI Sr. Analyst for Health Policy **Dave Kendall** and **Dr. S. Robert Levine**, chair of PPI's Health Priorities Project, and entitlec *Creating the Health Information Network. Stage Two of the Health Care Revolution*, charts how quality health care can emerge by applying the lessons of the informatior revolution to the health care system. Both reports advocate the use of information tc empower individuals, health professionals and health plans to make better, more informed health care choices. **For more info on the event, or to RSVP, call 202-547-0001.**

DLC

Democratic Leadership Council

An appeal to Congress:

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

America can compete and win

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

American trade is critical to state economic growth

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

No time for unilateral disarmament in trade

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

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

Democrats for Economic Leadership

Compete, don't retreat. Let America lead.

Sponsored by the Democratic Leadership Council

THE GOVERNOR OF THE STATE OF FLORIDA

July 9, 1997

LAWTON CHILES

Governor Howard Dean, M.D.
State of Vermont
Pavilion Office Building
109 State Street
Montpelier, Vermont 05609

Dear Howard:

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

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

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

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

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

With kind regards, I am

Sincerely,

Lawton

LAWTON CHILES

The DLC Update

The Democratic Leadership Council—Tuesday, June 3, 1997

MATTERS OF PRINCIPLE

There is an increasingly vigorous, and ultimately healthy, debate going on within the Democratic Party about how, in the words of House Minority Leader Dick Gephardt, to "translate our values and beliefs in today's circumstances."

But there is one recurring false note in this debate that is insinuating itself into speeches by traditional liberals and the op-ed columns of major newspapers: the assertion that Old Democrats are defending "principles," while President Clinton and New Democrats are motivated by purely political considerations.

Sure this New Democrat stuff works politically, goes the familiar rap. *Sure welfare reform, and fiscal discipline, and fighting crime, and cutting taxes are popular, but they represent a betrayal of Democratic principles.*

There's only one problem with this argument. It ain't true.

Consider three issues where the appeal to "principle" is most often made to criticize New Democrats:

/elfare Reform: Democrats are supposed to fight for upward mobility for low-income Americans. That's why New Democrats are fighting to replace the old welfare system with an employment system that lifts welfare recipients into the private-sector economy, by making work pay and by directly linking workers to job opportunities.

Some traditional liberals oppose this approach because they do not believe the jobs are there. New Democrats say we must find out by trying, instead of joining Republicans in giving up on welfare recipients. Ours is a principled position.

Entitlements: Democrats are supposed to be concerned about keeping the promise of a decent living in retirement for Americans. We're also supposed to worry about finding the fiscal means to make public investments that contribute to economic growth and give working Americans the tools they need to succeed in the economy of the future. That's why New Democrats think it's critical to modernize the Social Security and Medicare entitlements, because as currently constituted they will go bankrupt while squeezing public investments right out of the federal budget.

Some traditional liberals oppose this approach because .iey think we can find the money to keep the entitlements intact while making public investments, by slashing the defense budget, or soaking the rich with new taxes. New Democrats think that's wishful—and thus irresponsible—thinking, and plays into the Republican strategy of starving public investments to death. Ours is a principled position.

Trade: On this issue, the claim that New Democrats are not principled is simply laughable. Support for open markets and hostility to protectionism is the oldest principle of the Democratic Party, uniting Democrats from the Jackson Era to the late twentieth century, even when the party was deeply divided on other issues. Every twentieth-century Democratic President has promoted freer international trade, and even the labor movement was largely pro-trade until the late 1970s.

Open trade is a defining principle for Democrats for a very simple reason: protectionism always has and forever will represent action by government to give a small handful of industries fearing competition special privileges, at the direct expense of everyone else in the country. Protectionism also inherently fosters political corruption, by inviting industries to bid for intervention to boost their profits.

Today, Old Democrats argue that trade agreements undermine job stability and income levels for some workers. New Democrats respond from principle that it is unfair and un-Democratic to elevate the interests of industries threatened by international competition above the interests of workers in exporting industries, the interests of consumers, the interests of communities that benefit from foreign investment, and the interests of every American who benefits from the current conditions of steady growth.

Fighting for fast-track trade negotiating authority for the President, and opposing efforts to cut off trade with China, represent fidelity to a principle embraced by the very Democratic icons whose authority is so often cited by those opposing efforts to modernize the legacy of the New Deal and the Great Society.

On welfare, entitlements, trade, and a host of other issues, there remain sharp and defining differences between all Democrats and all Republicans, and legitimate differences among Democrats that we should continue to debate.

But New Democrats should never for a moment concede that the political viability of our ideas somehow reduces their intellectual integrity or their moral power.

The DLC Update

To Fax or to E-Mail, that is the question...If you are currently receiving this *DLC Update* via fax but would prefer to have it e-mailed to you, please notify us at: Email:webmaster@dlcppi.org

The Democratic Leadership—Tuesday, May 13, 1997

Two Steps Forward, No Turning Back

On the brink of its first legislative test in the U.S. Senate, the budget agreement struck by President Clinton with the congressional leadership on May 2 looks more and more like a defining moment for the Democratic Party. Despite mutinous rumblings on the left, it appears that public support for a balanced budget will keep traditional liberals from declaring war on the agreement. If so, many congressional Democrats could go into the 1998 elections virtually invulnerable to the "tax and spend" label that has served as the most powerful Republican weapon for a generation. As pollster Mark Penn has found, support for a balanced budget agreement has a huge impact on the willingness of voters to keep incumbent Democrats in office.

Fiscal discipline is a very important theme of the New Democrat economic message, but the performance of the economy under this New Democrat President is the heart of the story.

You do not have to believe the business cycle has been conquered to accept that the U.S. economy is now performing in a manner reminiscent of the 1960s, with low inflation, low unemployment, and low interest rates, along with steady if unspectacular growth. The "stagflation" of the 1970s, and the boom-and-bust swings of the 1980s, are rapidly receding into unhappy memory. Today's economy seems to have achieved a plateau that makes efforts to increase growth and raise incomes entirely feasible.

From a political point of view, identifying the Democratic Party with broad economic growth through the private sector has always been a key element of the New Democrat strategy, critical to our efforts to reach out to middle-class Americans leery of government income redistribution schemes.

That is why the Administration—which has done so much to change the economic message of the Democratic Party—should quickly follow up on its landmark budget agreement by advancing a broad agenda of growth and upward mobility. And while that agenda should include new investments in education, a strong commitment to worker training and retraining, a real employment system for former welfare recipients, and family tax relief, it must begin with a robust new commitment to American economic leadership through trade.

It was a nice coincidence that the President embarked on a trip to Mexico, Central America, and the Caribbean immediately after concluding the budget agreement. It helped underscore the point that balancing the federal budget is but one element in an overall economic policy aimed at success in a global Information Age. And although drug and immigration issues dominated the news from the President's trip, much of the private discussions revolved around Latin American demands that the United States resume its leadership in hemispheric commerce. To do that, the President's fast-track authority to conduct trade negotiations needs to be renewed.

Since the beginning of the 105th Congress, Administration officials have said that a drive to secure fast-track, which expired in 1994, was the President's second most important legislative priority after the budget agreement. But now that achievement of the first priority is in sight, some cautious souls in the Administration are reportedly arguing for continued delay in pushing fast-track, on grounds that fences must be mended with the Democratic left and organized labor before raising another issue on which they disagree with the President. One step forward, goes the argument, and then a half-step back.

We cordially disagree. The President has beaten Old Democrats into sullen passivity on the budget agreement, and he'll have to beat them again on fast-track. There is no power on earth that will make them happy about it, and therefore nothing to gain from holding back. More to the point, fast-track is central to the economic success story that increasingly makes the retrograde message of class warfare and government redistribution obsolete. Why placate paleoliberals who are not-so-secretly praying for a recession by adopting a tactic that could help make their dreams come true?

All New Democrats should let the President, and congressional Democrats as well, know that the defining moment of the budget agreement should lead to a defining moment on trade policy. While the President has the momentum, he should take two steps forward, and then, with an election year just ahead, all Democrats will understand there is no turning back.

A National Conversation

In our continued effort to expand our national network of New Democrat leaders, we will be hosting a special roundtable session in Washington, DC on July 17th and 18th. Featuring DLC/PPI principals as well as New Democrat rising stars from around the country—including business leaders, elected officials and policy experts—the event will kick off a more sustained, interactive dialogue with our growing network from around the country. Key issues such as education, entitlement reform, trade, and economic opportunity will be discussed. For more information about the event, please call the DLC Development Department at 202-546-0007.

This Fax is broadcast to thousands of public officials, citizen activists, and supporters in the DLC network nationwide.
c/o *The DLC Update*, Democratic Leadership Council, 518 C Street NE, Washington, DC 20002
P. 800/546-0027 (202/544-6172 in DC) F:202/546-0628 E-MAIL info@dlcppi.org WWW: http://www.dlcppi.org/

THE WALL STREET JOURNAL TUESDAY, JUNE 3, 1997

New vs. Old Democrats

By AL FROM

The next round in the fight for the soul of the Democratic Party won't have to wait for the next presidential campaign. It has begun already—and some of its most decisive battles will take place this year.

By opposing the bipartisan budget agreement and most-favored-nation trade status for China, House Minority Leader Richard Gephardt (D., Mo.) has directly challenged the direction in which President Clinton is leading his party. Conventional wisdom has it that Rep. Gephardt is laying the groundwork for a presidential primary race against Vice President Al Gore in 2000. We'll know whether that contest will materialize in due time. What we know right now is that Rep. Gephardt is attempting to reverse the transformation of the Democratic Party that President Clinton and his New Democrat allies have brought about in the 1990s.

Political memories tend to be very short. But when this decade began, Democrats had been routed in three straight presidential elections—and in five of the last six—and many observers doubted we would occupy the White House again in this century. The party had lost its sense of national purpose, seen its broad coalition disintegrate into narrow interest-group fiefdoms, and lost the confidence of hard-working Americans, who no longer believed it stood for their economic interests or their values. Mr. Clinton summed up the party's state in a May 1991 speech to the Democratic Leadership Council: "Too many Americans have lost faith in our party's willingness . . . to put their values into our social policy at home or to spend their tax dollars with discipline."

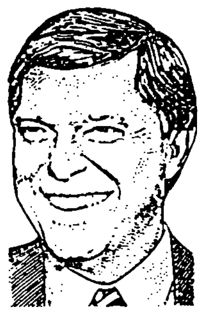
By moving his party to the "vital center," the president ended Democrats' long dry spell in presidential elections. His New Democrat policies have contributed to a sharp decline in crime in most American communities, the movement of millions of Americans from welfare to work and, most important, a vibrant economy that has re-established the Democrats as a party of economic growth and opportunity.

Al Gore

As a result, millions of Americans who lost faith in the Democrats in the 1970s and 1980s now see New Democrats as reflecting their values and economic interests again. That's the foundation for rebuilding a Democratic majority in national politics. But the president's New Democrat policies also challenged old Democratic orthodoxies and engendered the opposition of the leaders of many of the party's organized interests and their allies, particularly in the House of Representatives. Now the opponents of his policies are fighting back—and Rep. Gephardt is their leader. As such, he is challenging President Clinton's transformation of our party in two fundamental ways.

First, he is attacking the heart of the president's spectacularly successful economic policy. The cornerstones of that policy are fiscal discipline, expanded trade, and investment in education and training, including the call for high national standards in our schools.

The policy has yielded terrific results: more than 12 million net new jobs created in the past 4½ years; unemployment under 5% for the first time in a quarter century; inflation running under 3%; rapid economic growth; the restoration of American leadership in the global economy; and a firm foundation for prosperity well into the 21st century. And it has allowed the Democrats to shake the politically damaging tax-and-spend and protectionist labels that, for so long, prevented Democrats from even being heard on many other issues.



Dick Gephardt

Rep. Gephardt would turn the clock back, casting doubt on our party's ability to forge forward-looking fiscal and trade policies for the new global economy. More importantly, he would change the mix of policies that has brought about one of the longest periods of noninflationary economic growth in American history. That likely would reduce, not enhance, the opportunities to get ahead for the hard-working Americans to whom the Democratic Party must give voice.

Rep. Gephardt's second challenge to the transformation of the Democratic Party is his attempt to undermine the president's efforts to transcend interest-group politics. As a party with a strong base of powerful interest groups, Democrats have often found it difficult to assert the national interest over the narrow interests of our most loyal constituencies. We have paid a huge price for that. As long as we were seen as putting constituency concerns above national purpose—as we were throughout most of the 1980s—Democrats were seldom competitive in presidential elections.

President Clinton's New Democrat policies look out for the interests of ordinary citizens rather than the special interests—an essential element in the party's presidential resurgence. By responding to the demands of organized labor and other powerful Democratic constituencies to oppose the balanced budget agreement and to restrict trade, Rep. Gephardt would have us revert to the old interest-group politics.

So Democrats face a choice. Will we complete the transformation of our party in accordance with the New Democrat course President Clinton has laid out? Or will we reverse course and fall victim again to the old approaches that left us in the political wilderness for much of the past quarter century? The outcome of the battles this year over the budget and international trade will likely determine which course our party takes well into the next century. It is important that New Democrats win them if we expect the American people to continue to turn to our party for national leadership.

Mr. From is president of the Democratic Leadership Council.

THE WALL STREET JOURNAL

DLC news release
Democratic Leadership Council
518 C Street, NE ■ Washington, DC 20002 ■ 202-546-0007 ■ FAX: 202-546-0628

FOR IMMEDIATE RELEASE
Tuesday, May 27, 1997

STATEMENT OF AL FROM, DLC PRESIDENT ON RENEWING MFN TRADE STATUS TO CHINA

"President Clinton's economic policies have helped yield terrific results for our country and for hard working Americans. More than 12 million net new jobs have been created in the past four and one-half years, unemployment is under five percent for the first time in a quarter century, inflation is running under three percent, and economic growth is the highest in nine years. On top of all that, today there is news that consumer confidence is at a 28-year high. American leadership in the global economy has been restored, and we have a firm foundation for prosperity well into the 21st century.

"One of the cornerstones of President Clinton's spectacularly successful economic policy is expanding trade. However, some Democrats oppose our party's tradition of supporting free and fair trade, and are again calling for protectionist measures in the cases of renewing MFN and the President's fast-track authority.

"If the protectionist faction within the Democratic Party is successful, they could change the mix of policies that has brought about one of the longest, most sustained periods of non-inflationary economic growth in American history. And that likely would reduce, not enhance, the opportunities to get ahead for hard working Americans to whom the Democratic Party must give voice.

"So Democrats face a choice. Will we complete the transformation of our party in accordance with the New Democrat course President Clinton has laid out? Or will we reverse course and fall victim again to the old politics that left us in the political wilderness for much of the past quarter century? We don't have to wait until the year 2000. The outcomes of the battles this year over the budget and trade will likely determine the answers to those questions."

# # #

DLC
Democratic Leadership Council

July 11, 1997

Dear Member of Congress:

Today President Clinton is expected to send Congress an initial report on the results of NAFTA. The report marks the beginning of a new political battle over America's role in the world economy and our urgent need for renewed negotiating authority to participate in key upcoming global, sectoral and regional trade negotiations. The President will need congressional support from the "vital center" to counter the growing chorus of economic nationalist on both the left and the right.

Enclosed please find a Progressive Policy Institute (PPI) backgrounder, **NAFTA: A Progressive Look at a Landmark Agreement after Three Years**, based on a fuller, forthcoming report from PPI. Written by former Commerce Department official Rebecca Reynolds Bannister, the report maintains that by any objective standard, NAFTA is working well. Trade relations with our North American partners are better, consumer prices are lower, and our workers are more competitive. Moreover, the agreement is expanding North America's production base and shifting jobs from Asia to North America. Through NAFTA, the U.S. defined and advanced its relations with its top trading partners, increased market access for our products and services, and enhanced North America's competitive position with Europe and Asia.

In assessing NAFTA's impact after only three years, we have to remember that the prospect of free trade *without* the types of guidelines, safeguards and stability that NAFTA pioneered would certainly have negative consequences for American workers and firms. Today this is the situation the U.S. faces in other emerging markets, and why it is paramount for Congress to provide the President with fast track negotiating authority in order to enter into future trade negotiations. Failure to move on this initiative will deny access to American goods and services and damage the welfare of American workers and companies.

As you prepare for the this fall's debate, I hope you will find the enclosed backgrounder and forthcoming report informative and valuable. If you have any questions or would like to discuss these issues, please feel free to call me at (202) 546-0007.

Sincerely,

Edie Wilson

Edith R. Wilson
Trade Project Director

PROGRESSIVE POLICY INSTITUTE

Backgrounder
July 1997

NAFTA

A Progressive Look at a Landmark Agreement after Three Years

Rebecca Reynolds Bannister

- When the North American Free Trade Agreement (NAFTA) was negotiated, progressives endorsed NAFTA as one tool among many for taking control of our economic future. Three years later, NAFTA is fulfilling its promise. Our trade relations, the benefits to our consumers, the competitiveness of our workers, and the security of our investments are stronger for having completed NAFTA. The agreement was also a defining moment in U.S.-Mexico-Canada relations, securing and advancing many aspects of our relations with our neighbors in North America.

- NAFTA was pathbreaking. It raised the floor for trade rules far beyond any previous free trade agreements. NAFTA was the first agreement with a less-developed country to comprehensively cover services trade, investment, procurement, transparency issues, dispute settlement, and intellectual property protection as well as merchandise trade—not to mention unprecedented mechanisms for addressing labor and environmental concerns. These safeguards are vital to American firms and workers.

- NAFTA should be a model for future agreements in the Americas. Already, Mexico and Canada have patterned their free trade agreements with Chile and other countries on NAFTA's architecture, although other less open trade arrangements such as the Mercosur customs union now threaten this progress. Not only is NAFTA, which provides boundaries for behavior in the global market, a step forward, but the prospect of free trade *without* any such guidelines, safeguards, and predictability is much more alarming. This is the situation the United States faces in other emerging markets today.

It is clear to objective observers that NAFTA works:

— trade and investment throughout North America has increased;
— U.S. exports to Mexico and Canada reached record levels in 1996 ($57 billion to Mexico and $134 billion to Canada, and every state in the United States saw its exports to Mexico and Canada grow during the 1993-96 period);
— trade and investment disputes are handled with relative transparentcy and

* *Based on a forthcoming PPI Policy Report.*

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- Investment in North America has increased since NAFTA. Though NAFTA critics say otherwise, foreign investment does not imply foregone investment at home. Investment in Mexico has continued (though it slowed considerably because of the economic crisis), but total U.S. in Mexico averages half of one percent of plant and equipment investments here at home. Furthermore, by investing in Mexico or Canada, a U.S. company can produce products that enjoy special market access in Chile and other countries in Latin America due to Mexico and Canada's separate free trade agreements with those countries. And U.S. investment abroad has a high propensity to continue using U.S.-made inputs.

- The activity of the nascent labor, environment, and border institutions under NAFTA to date is uninspiring. Nonetheless, they are potentially important experiments in creating multilateral mechanisms to address these difficult areas. Now is the time to make adjustments to maximize their effectiveness and impact. Their "teeth" (linking enforcement to trade sanctions) are not useful and should be reconsidered in future agreements.

- Institutions, working groups, and mechanisms that NAFTA created have smoothed the path to allow North American businesses to trade, invest, and position themselves for better productivity and comparative advantage—thus making our economies stronger against shocks (like Mexico's crisis). These features of NAFTA don't just safeguard businesses, they protect the technology, processes, and markets that provide employment for workers.

- Proponents and opponents of NAFTA know that "success stories" or "disaster stories" play longer and better in the media and in the public's imagination. In an economy the size of the United States, with hundreds of thousands of businesses, anyone can find hundreds or even thousands of anecdotes to support his or her own position. The truth must ultimately be discovered in the drier realm of employment and trade statistics. These indicate that NAFTA has "locked in" the trade liberalization and market access begun by Mexico unilaterally in the 1980s, while not hurting the U.S. labor market.

- Trade advocates have done far too little to provide a steady diet of plausible and verifiable information about the positive role of trade in our society. Our leaders have also failed to address the very real fears of our citizenry about their ability to adapt to the increasingly dynamic conditions of our workforce with innovative methods to upgrade their skills and find the new jobs that are being created.

- The Progressive Policy Institute advocates increased public investment in human capital and has proposed innovative solutions to the education and training needs of American workers. These investments in America's workforce need to be offered

NAFTA Sectoral Highlights

Autos: In 1993, the American Association of Automobile Manufacturers (AAMA) predicted that NAFTA would increase vehicle exports to Mexico from less than $200 million to over $1 billion. By 1996, vehicle exports to Mexico were nearly $1.3 billion—87,000 vehicles in 1996 alone. Prior to NAFTA, the United States was able to export only 4,000 cars and 2,000 trucks per year, even though it was one of the fastest growing automotive markets in the world. Net automotive employment in the United States has risen by 100,000 jobs since NAFTA took effect.

Agriculture: U.S. agriculture exports to Mexico reached a record $5.4 billion last year, an increase of 46 percent since 1994. Long-standing agricultural disputes are finally being resolved cooperatively in the post-NAFTA climate between the two countries.

Computers, electronic machinery, and related software: Intellectual property protection secured under NAFTA and the dismantling of import-substituting requirements in Mexico has allowed the United States to build on its natural strengths in this sector and to integrate production in Mexico for better global competitiveness. Electronics exports account for one-quarter of U.S. exports to Mexico, followed by machinery (including computers). These same sectors accounted for the top five U.S. imports from Mexico. This evidence of complementarity of trade in computers and electronics indicates industry integration across the borders, once again for economies of scale, productivity increases, and enhanced competitiveness.

Textile and apparel: North American industry-wide specialization is also occurring in the textile and apparel sectors under NAFTA. The number of apparel manufacturers in Mexico has increased. New production in Mexico has boosted U.S. textile mill exports because the majority of Mexico's new apparel production capacity is due to shifted production from Asia where Asian fabric was typically employed. The prominent characteristic of U.S. apparel imports from Mexico is shared production where apparel is cut and sewn in Mexico from U.S. fabric and then returned to the United States.

Services: The service sector is misunderstood but vital component of U.S. GDP growth and the generator of a persistent trade surplus with the world. Far more than "hamburger flipping" employment, the services sector includes insurance, banking, professional services, environmental, communication, advertising, entertainment, and the travel business, among other things. The United States is the leading service exporter in the world, with a $73.8 billion surplus in 1996. In 1995, U.S. exports of insurance, business, professional, and technical services to NAFTA partners were approximately $8.6 billion, 15.8 percent more than in 1993 before NAFTA, and growing fast.

Procurement: NAFTA committed Mexico and Canada to a very high standard of procurement access and practices, such as transparent tendering and bid protest procedures. Some of these were not yet in place in the GATT Government Procurement Code. Thanks to NAFTA, U.S. companies have won major government contracts.

Disputes: NAFTA has provided clear and transparent procedures to expedite dispute resolution. There have been some thirty cases brought forth under the NAFTA mechanisms. Considering the scope of the agreement and vast amounts of trade and investment flows covered under NAFTA's legal boundaries, this number is surprisingly low. Such legal recourse was simply not available as recently as three years ago, before NAFTA.

Thursday July 10 7:20 AM EDT

Group Says NAFTA Good for the U.S. Economy

WASHINGTON (Reuter) - The North American Free Trade Agreement has given a boost to a number of U.S. business sectors including automobiles, agriculture, electronics and textiles, a Democratic think tank says.

"It's a very, very good story," said Rebecca Reynolds Bannister, who helped put together a report on NAFTA to be released by the Progressive Policy Institute (PPI), the think tank for the centrist Democratic Leadership Council.

She said many of the anecdotal stories about U.S. factories closing and moving to Mexico under NAFTA fail to take into account the full, positive impact the agreement has had for the U.S. economy. She said those factories would have left anyway to take advantage of cheaper labor markets.

The main benefit of NAFTA, she said, is that it opened the Mexican market to many U.S. products that previously had been shut out.

"NAFTA was meant to lock in market access for U.S. businesses and has done the job admirably," she said in a preview of the upcoming PPI report. Mexico was unable to impose import barriers on its NAFTA partners after the 1995 economic crisis as it did for other trading partners, she noted.

U.S. exports to Mexico and Canada reached record levels since NAFTA went into effect three years ago, the report said. But critics also note that U.S. trade deficits with Canada and Mexico have also grown. NAFTA supporters, however, said that reflects a strong U.S. economy at a time when both Canada and Mexico were experiencing slow growth.

Bannister, who is director of the Latin American Data Base at the University of New Mexico, said U.S. automobile sales to Mexico have been higher than the industry had expected, while U.S. agriculture exports to Mexico have reached record levels.

She said NAFTA has also shifted production to Mexico that might otherwise have gone to Asia. The result is more supplies and services ordered from U.S. companies, she said.

She said textile production has shifted from Asia, boosting U.S. mill exports to Mexico.

The White House is expected to make its owns assessment of the first three years of NAFTA in a report to be released in the next few days. The administration's report is likely to give a similar upbeat assessment of the trade pact.

It will help lay the groundwork for an administration push later this year for new trade legislation. Administration officials have said they plan to submit a proposal for so-called fast track trade negotiation authority in September.

Fast track would allow officials to negotiate an expansion of NAFTA to include Chile. It would also allow the administration to negotiate other trade agreements as well without fear they will later be changed by Congress.

Previous Story: Senate Votes Down Next Round of Base Closings
Next Story: Clinton Takes NATO Message Across Europe

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FAST TRACK IS ESSENTIAL

Historical Background

For the better part of this century, Congress and the Executive have recognized that the negotiation and implementation of trade agreements require special cooperation.

In the aftermath of the record-high rates of the Smoot Hawley Tariff Act of 1930 and the subsequent Depression, both Congress and the Executive recognized that only by working closely together could the two branches effectively bring down barriers to foreign trade and open international markets for U.S. products and services.

This new partnership was reflected in the Reciprocal Trade Agreements Act of 1934 which gave the President authority not only to conclude tariff-cutting agreements but also to implement them without the need for subsequent legislation.

As countries began to rely less on tariff protection and more on non-tariff trade barriers, the scope of trade negotiations broadened, and the "fast track" procedures were created by Congress as the necessary complement to this broader trade agenda.

Fast track procedures for approval of trade agreements were included by Congress in trade legislation in 1974, in 1979, and again in the 1988 Trade Act.

Fast Track Is Essential to Successful Trade Negotiations

While assuring Congress meaningful participation throughout the negotiation process, fast track provides two guarantees essential to the successful negotiation of trade agreements: (1) a vote on implementing legislation within a fixed period of time, and (2) no amendments to that legislation.

These negotiations are complex and involve balance. Special interest amendments introduced after negotiations have been finalized can unravel the most carefully crafted agreements. Whether the balance of benefits contained in any trade agreement is in the overall interest of the United States can only be determined by looking at the whole package.

Through the fast track, Congress gave the President the same bargaining power possessed by his counterparts: the ability to ensure that the agreement reached internationally would be the agreement voted on at home.

Without fast track, the President cannot assure our negotiating partners that the deal they strike is the deal that will be voted on by Congress. Without that assurance, foreign governments are reluctant to negotiate with the United States. No trading partner will give its bottom line knowing that the bargain could be re-opened.

Using fast track, the United States has negotiated and implemented three remarkable agreements which were each approved by an overwhelming majority in both houses of Congress. These agreements--the results of the Tokyo Round in 1979, the FTA with Israel in 1985, and the FTA with Canada in 1988--have reduced barriers to trade and contributed to growth in the United States and the global marketplace.

The United States has much to gain from trade agreements that open markets and provide rules for free and fair trade. Maintaining the fast track will preserve our ability to liberalize trade and open markets through the GATT, through other multilateral agreements, and through bilateral agreements.

Congress Is an Essential Part of the Fast Track Process

Fast track procedures preserve Congress' role during the negotiation, approval, and implementation of trade agreements.

To ensure congressional and private sector input, the fast track statute contains extensive notification and consultation requirements. At each step along the way, from initiation through implementation, Congress is an active partner.

To use the fast track for any agreement, bilateral or multilateral, the President must notify Congress 90 calendar days before signature. By the time the President gives his 90-day notification of the completed agreement, the many private sector advisory committees must report their views on the agreement both to Congress and the President.

For bilateral agreements, Congress must be given advance notice of the negotiations; during the following 60 legislative working days, either the Senate Finance or House Ways & Means Committee can vote to deny fast track treatment.

Once an agreement is reached, Congress and the Administration work in close consultation to formulate implementing legislation. The process has involved the full participation of all committees of jurisdiction, and not only those committees traditionally consulted in setting trade negotiating objectives.

There are no time deadlines for preparing the agreement's implementing legislation. If the agreement and its implementing legislation are still not acceptable to Congress, they can be rejected by majority vote of either house.
Today the United States is engaged in bilateral and multilateral trade initiatives that hold unprecedented promise for the advancement of the nation's economic objectives. It is clearly in the national interest to continue a partnership that has proved its worth for almost sixty years.

Use of Fast Track if Extended

By incorporating the fast track in the 1988 Trade Act, Congress expressly contemplated that an extension might be necessary and appropriate in order for the President to pursue effectively the trade policy goals set out in the law.

If extended, the fast track would be available until June 1, 1993, and would be used to implement trade initiatives such as completing the Uruguay Round, negotiating a North America FTA with Mexico and Canada, and pursuing the trade objectives of the Enterprise for the Americas initiative.

Supporting fast track will allow these important initiatives to go forward without in any way detracting from Congress' ability to assess each agreement on its merits when presented for approval.

A Vote Against Fast Track for Any Reason Denies the Fast Track for All Agreements

Current fast track authority would have expired on June 1 if the President had not requested an extension by March 1. The requested extension is granted automatically unless either house passes a statutorily-prescribed disapproval resolution before June 1.

The language of the disapproval resolution, which is set out in the statute, makes clear that disapproval eliminates all fast track authority, multilateral and bilateral.

If a disapproval resolution is passed by either house, the fast track is gone for all purposes and the President's ability to successfully negotiate any trade agreement requiring congressional approval, bilateral or multilateral, is severely crippled and perhaps eliminated.

Continuing Fast Track Is Essential to Securing Economic Gains

As the world's largest trader, the United States has an enormous stake in the future of the global trading system. Exports have become a vital source of strength to the U.S. economy. In 1990, the 8.3 percent growth in U.S. exports accounted for 88 percent of U.S. economic growth.

In order to sustain the expansion of exports and consequent growth, the United States must continue its efforts to open world markets. The United States must maintain its active leadership role.

Maintaining fast track procedures -- and the partnership between Congress and the Executive Branch which fast track represents -- will keep on course our joint efforts to liberalize trade and open markets through the GATT, through other multilateral agreements, and through bilateral agreements. No country stands more to gain from those efforts than the United States.

As the beginning of a new century approaches, we must not hesitate to pursue the opportunities for expanded economic growth and prosperity presented by successful trade negotiations.

In order to turn those opportunities into realities, Congress and the Executive must continue to work together in the manner envisioned by the fast track.

DLC
Democratic Leadership Council

July 21, 1997

To: John Podesta

Fr: Edie Wilson
Director, DLC Trade Project

Re: **Fast Track Strategy Before Recess**

Please have a look at this paper from Phil Potter, a moderate Republican trade and tax attorney with whom I worked throughout the 1991 Fast Track and NAFTA battles. Phil is a terrific trade strategist and accurately predicted the NAFTA vote about a year ahead of time. I think he is giving good advice here.

I look forward to working with Jay Berman and Vicki Radd as their efforts get pulled together, but thought you should see this yourself.

All the best.

Attachment

518 C Street, NE • Washington, DC [illegible] • [illegible] • Fax [illegible] • E-mail [illegible] • WWW: http: [illegible]

LAST CHANCE FOR FAST TRACK

by

Philip H. Potter

July 17, 1997

The President and the Congress have one last chance this year to agree on Fast Track, the process for the negotiation and approval of trade agreements. The critical time will occur at the end of this month right before the August recess. As soon as the White House and the Congressional leadership complete the budget and tax conference, and before they leave the room, they should agree in principle on the terms of Fast Track. The details can then be worked out in August during the recess.

The White House made the decision to defer seeking Fast Track authority until after the budget reconciliation deal was done and MFN for China was renewed. The reasons were largely political due to the deep schisms in the Democratic party. "Sequencing" also avoided the President having to fight with a majority of Congressional Democrats on three unpopular issues at the same time. The Democratic political schisms still exist, but the President and pro-trade Members of Congress succeeded on MFN for China and it appears that the President and the budget reconciliation conferees will succeed on that agreement to balance the budget and cut taxes. They are on a roll with a winning formula. If the budget deal is done, there will be a singular moment of cooperation and accomplishment that provides the best opportunity for an agreement in principle on Fast Track. An agreement in principle would also allow the Fast Track supporters to lobby Members at home in August to counter the negative advertising campaign the unions plan to launch.

Consider the following reasons for an agreement in principle now:

An agreement in principle appears to be working on the budget deal, in spite of all the screaming and yelling that one side or the other was violating the agreement. Both sides may yet demagogue the tax bill to death, but its chances look pretty good; an agreement in principle on Fast Track is not nearly so complicated.

Z.L
Passes House
what time?

The President is committed to move a Fast Track bill in early September anyway; any such bill must be a final negotiated product -- not a starting point for negotiations -- if it is to be passed in the House by early October and in the Senate before the 1997 session of Congress ends. The option of negotiating through this fall and passing it early in 1998 is not impossible, but the momentum will have been lost and the opponents will have beat up on it for months. The political formula for passing Fast Track deteriorates over time.

Since Congress will be gone all of August there will be no way to get the key Congressional leaders together. Starting from scratch and agreeing on language in the first week of September is not impossible, but that is really pushing the envelope.

Some key Republicans have been frustrated with the delays on Fast Track by the White House. They are also skittish on Fast Track. They know the conflicting forces that are pressuring the President and the Vice President on this issue, and the desire of some of the political staff in the White House to play to the labor wing in the Democratic Party, and leave the Republicans holding the bag. The Republicans will have to fight off the far right in their own party, that is at best ambivalent about expanded trade. Those hard-liners do not want to give this President anything, much less open-ended trade negotiating authority. Both sides have their internal problems. But, if the White House tries to play "political gotcha" on Fast Track, the pro-trade Republicans will simply walk away. An agreement in principle could allay the anxiety on both sides.

The Democratic opponents have already drawn their lines in the sand and are gearing up for the fight. Nothing can be gained for the White House by negotiating with them. The White House negotiating needs to be done with the Republican majority and the remaining pro-trade Democrats who will provide the majority of votes for passage of the Fast Track bill. They are the only ones prepared to make a deal.

About two-thirds of the Republicans in the House and at least one-third of the Democrats -- maybe as many as 90 members -- could be persuaded to vote for a balanced Fast Track bill. These were the ratios on NAFTA in 1993, they held up on the China vote and they have not changed much for Fast Track in 1997. The Democrats elected in 1994 and 1996 are much more pro-trade than the balance of the Democratic caucus. The President will have to give them some cover from the pressures of the AFL-CIO, which supported many of them in their elections. But labor doesn't have much credibility in threatening to try to defeat them in 1998 if they want to get control of the House back from the Republicans. The Republican class of 1996 is strongly pro-trade. The 1994 class is more revolutionary and ideological, but can still be slightly pro-trade with some work. They will average out about two-thirds for Fast Track, as will the more senior Republicans.

Cong today

agree

The probable Fast Track vote in the Senate is at least 40 Republicans and 20 Democrats. It is probably higher for both parties than that. But the minimum 60 votes to cut off a filibuster is there if the President gets the support of the Senate Democratic leadership and deals with the Republican leaders in a fair and straight-forward manner.

A pro-trade majority for Fast Track still exists in the Congress, but it is predominately Republican. The President cannot do much to placate the labor and environmental wing of the Democratic party in the Fast Track bill and still get it passed. The Republicans simply would not abide it and such a bill would never reach the floor of the House for a vote. Just as the Republicans did on the China vote, the President and the Vice-President can propose other ways to offset some of the negative effects of economic globalization that concern those opponents of trade expansion that are the core of the Democratic Party. If all sides who want to get a Fast Track bill will accept the reality of the vote count, and if the White House will stop trying to find a way to negotiate with the opponents, an agreement in principle could be reached quickly in July before the recess.