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PRESIDENT WILLIAM J. CLINTON

REMARKS ON "FAST TRACK"

THE EAST ROOM

SEPTEMBER 10, 1997

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

The stories we have just heard make it clearer than ever that as we approach the new century and the new millennium, we are living in an incredible time of profound change and unparalleled possibility. New technologies, new ways of working, and a dynamic and highly competitive global economy are opening new vistas of opportunity and posing new challenges. We Americans have faced such moments of change before -- we have always been a confident, energetic nation of pathfinders.

And as we have done throughout our history, we have taken our nation and led the world to the edge of a new era and a new economy. We are building on a comprehensive strategy of eliminating the deficit, investing in our people, and expanding exports.

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

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

And just as important, in this new era, a strong American economy demands that we master the forces of the global marketplace. More than ever before, we know that this is the way we will create more jobs, offer more opportunity, and help more of our people to prosper.

So today, I come before you and the American people, to say: we must move forward. I am asking the Congress to renew the President's traditional authority to negotiate the tough trade deals that will open more markets to American goods and services -- and to restore the partnership between Congress and the President that will keep America growing strong.

Expanding exports and mastering the challenges of trade are more important than ever before. Consider: America has only 4% of the world's consumers, but we produce more than 20%of the world's wealth.

The only way an economy like ours can continue to grow -- and one of the best ways we can continue to create high wage jobs, jobs with a future -- is to export to the 96% of the world's consumers who live outside our borders. And that is what we are doing.

For four-and-a-half years, America has aggressively worked to open new markets -- negotiating and enforcing 220 trade agreements, including NAFTA, the GATT, and most recently the Information Technology Agreement. And every one of those agreements has helped to create more jobs and more prosperity, and helped our economy to grow.

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

Once again, we are the world's number one exporter, the world's largest producer of automobiles, the world's largest agricultural exporter, and the world's largest producer of semiconductors.

From the farms of our heartland to the high-tech firms of the future, American business is booming. From specialty steel to telecommunications, America leads the world.

But to keep America growing, to continue creating jobs and opportunities, we must continue to expand exports. We must use every tool we have to pry open foreign markets to American-made products. America must continue to fight for open, fair and reciprocal trade. We must continue to fight against unfair trade practices at home and abroad. We must act now, to continue our progress so our new economy works for all Americans. And so that can happen, Congress must renew the President's traditional authority to negotiate trade agreements.

Every President of either party since 1974 has had this authority -- and for good reason. First, this authority strengthens our ability to break down trade barriers and unfair trade restrictions in sectors where America already leads, and where our future lies, such as agriculture telecommunications, medical equipment, environmental technology, and the creative power of our movies and software. Every single trade agreement we will reach will tear down foreign barriers to our goods and services -- and that is good for America.

We know what a strong trade agreement in a key sector can do for our people and our businesses.

The Information Technology Agreement that we reached with 42 other nations last December will unshackle trade on $500 billion in computers, semiconductors, and telecommunications. This is the equivalent of a $5 billion tax cut in tariffs on American products exported to other nations -- and it can lead to thousands of high-wage jobs for Americans.

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

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

Fourth, by helping to spread prosperity open trade can also strengthen peace and democracy in countries where it is taking hold for the very first time.

For the first time in history, more than half the world's people live under leaders of their own choosing. But many of these new democracies are fragile; we need to prove to their people that democracy delivers by showing that it also means better jobs, greater opportunities, and fuller freedoms. That is profoundly in America's interests.

Those of us who support open trade have to acknowledge that the benefits and burdens of the global economy do not automatically fall equally on everyone. We must acknowledge the possible effects of global trade on our communities, our businesses, and our workers.

That is why my administration has been in engaged in a comprehensive effort to give more and more Americans the tools to benefit from change. From increasing the Earned Income Tax Credit ... to doubling funding for the dislocated workers program ... to expanding health care for people between jobs and up to 5 million children who lack insurance ... to increasing the minimum wage ... we have worked to make sure that all Americans can reap the rewards of economic growth.

And we are working to give our people the most important tool of all: the world's best education. That is why we fought for and won the biggest increase in Pell Grant scholarships for deserving students in more than two decades; . . .

. . .that is why we fought for and won the $1,500 HOPE Scholarship and a 20% tuition tax credit to help workers enhance their skills throughout their working lifetimes. We have an obligation to help all American working people, and we are meeting that obligation.

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

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

Our goal must be to persuade other countries to build on the prosperity that comes with trade to lift their standards up.

As we move forward, we must press countries to provide the labor standards to which all workers are entitled, and to see that economic development leads to both prosperity and a cleaner environment for all the world's citizens. Trade should not pull standards down -- it must lift them up. And with sustained and determined efforts, I know we can do that.

For more than 50 years, we have had a national, bipartisan consensus on the importance of trade. Now, it is more important than ever that we come to a new consensus on the new global economy of the 21st Century.

We must make sure that any agreement we come to addresses our concerns, reflects our values -- and helps us to achieve our greatest potential as a nation. I am committed to consulting with the Congress to make sure this legislation receives the full bipartisan support it deserves -- and that the American people expect.

If the historic budget agreement we reached this July has taught us anything, it is that we can -- we must -- and we will pull together for the good of the American people and for the future of America.

Our trade policy should not be about politics -- it should be about prosperity, and building a new economy for the new millennium. American workers are the most productive in the world; they can outcompete anyone in the world; and we must give them that opportunity.

Finally, let me say that this is very important to me because it is so very important to America -- and especially to the millions of working Americans who have created our prosperity and who are depending on our leadership.

I know there are some who have legitimate and heartfelt concerns that expanding jobs and exports and trade could wind up hurting some Americans who are especially vulnerable. That is why this administration is moving to shape the changes we face. Change is certain; progress is not. Walking away from this opportunity will not create a single job. Backing away from this responsibility will not clean up a single toxic waste site. Turning away from this effort will not expand our economy or enhance our competitiveness or empower our workers.

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

For half a century, Americans of both parties and all philosophies have known the answer. President John F. Kennedy told the American people more than 30 years ago that we must trade or we would fade. Now it is up to me, to Speaker Gingrich, to Sen. Lott, to Sen. Daschle and to the other leaders of Congress of both parties and all views, to continue the fight for American economic leadership that all our predecessors have waged.

The future will not wait for us -- but it is ours to shape. We cannot not sit on the sidelines while other nations move forward to forge the bonds of trade. We dare not turn inward while the world is turning outward. And we must not let this rare opportunity to be pathfinders in the new global economy pass us by.

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

Thank you.

TO THE CONGRESS OF THE UNITED STATES:

I am pleased to transmit a legislative proposal entitled the "Export Expansion and Reciprocal Trade Agreements Act of 1997." Also transmitted is a section-by-section analysis.

This proposal would renew over 60 years of cooperation between the Congress and the Executive Branch in the negotiation and implementation of market-opening trade agreements for the benefit of American workers and companies.

The sustained, robust performance of our economy over the past five years is powerful proof that Congressional-Executive cooperation works. We have made great strides together. We have invested in education and in health care for the American people. We have achieved an historic balanced budget agreement. At the same time, we have put in place trade agreements that have lowered barriers to American products and services around the world.

Our companies, farms, and working people have responded. Our economy has produced more jobs, more growth, and greater economic stability than at any time in decades. It has also generated more exports than ever before. Indeed, America's remarkable economic performance over the past five years has been fueled in significant part by the strength of our dynamic export sector. Fully 96 percent of the world's consumers live outside the United States. Many of our greatest sales opportunities today lie outside our borders. The future promises still greater opportunities.

Many foreign markets, especially in the developing world, are growing at tremendous rates. Latin American and Asian economies, for example, are expected to expand at three times the rate of the U.S. economy over the coming years. Consumers and industries in these countries prize American goods, farm products, and services, and the many expressions of American ingenuity and culture. While America is the world's greatest exporting nation, we need to do more if we want to continue to expand our own economy and produce good, high-wage jobs for our children.

We have made real progress in breaking down barriers to American products around the world, particularly in developed countries like those in Europe. But many of the nations with the highest growth rates are in the developing world, and they almost invariably impose far higher trade barriers than we do. We need to level the trade playing field with those countries. They are the nations whose markets hold the greatest potential for American workers and firms.

Today, the United States is the world's strongest competitor. The strength of the U.S. economy over the past several years is testimony to the creativity, productivity, and ingenuity of American firms and workers. We cannot afford to squander our great advantages by retreating to the sidelines and watching other countries conclude preferential trade deals that shut out our goods and services. Over twenty such agreements have been concluded in Latin America and Asia since 1992. The United States must continue to shape and direct world trade to our advantage, and to foster democracy and stability around the world.

I have pledged my Administration to this task, but I cannot fully succeed without the Congress at my side. We must work in partnership, together with the American people, in securing our country's future. The United States must be united when we sit down at the negotiating table. Our trading partners will only negotiate with one America -- not first with an American President and next with an American Congress.

The proposal I am sending you today ensures that the Congress will be a full partner in setting negotiating objectives, establishing trade priorities, and in gaining the greatest possible benefits through our trade agreements. The proposal goes well beyond any previous fast-track legislation in ensuring that the Congress is fully apprised and actively consulted throughout the negotiating process. I am convinced that this collaboration will strengthen both America's effectiveness and leverage at the bargaining table.

Widening the scope of consultations will also help ensure that we will take all of America's vital interests into account. That is particularly important because today our trade agreements address a wider range of activities than they one did. As we move forward with our trade agenda, we must continue to honor and reinforce the other values that make America an example for the world. I count chief among these values America's long-standing concern for the rights of workers and for the environment. The proposal I am transmitting to you recognizes the importance of those concerns. It makes clear that the trade agreements we conclude will complement and reinforce those values.

Ever since President Roosevelt proposed and the Congress enacted America's first reciprocal trade act in the heart of the Great Depression, the Congress and the President have been united, on a bipartisan basis, in supporting a fair and open trading system. Our predecessors learned from direct experience the path to America's prosperity. We owe much of our own prosperity to their wisdom. I urge the Congress to renew our long-standing partnership by approving the proposal I have transmitted today.

(4) consultations e.g. Ag. only what to speed plus to negotiate it agreements [illegible] interests

(3) tied to [illegible] Ministerial negotiations w/ 2003 WTO

Section-by-Section Analysis

Section 1. Short Title.

Section 2. Negotiating Objectives.

Section 2 of the proposal sets out the "overall" and "principal" objectives that will guide the President in negotiating future trade agreements covered by the proposal. This format parallels that of section 1101 of the Omnibus Trade and Competitiveness Act of 1988, which in turn was based on a similar structure in the Trade Act of 1974.

(5) duration 6/2001 ext w/ disapproval 2005

(2) Added Language

In order for a trade agreement to qualify for fast-track treatment, it must make progress ~~toward one~~ or more of the principal objectives set out in section 2(b). These objectives address, among other subjects, agricultural exports, intellectual property, the protection of worker rights and the environment under the World Trade Organization, trade in services, U.S. foreign investment, and specific barriers to trade, including foreign government policies and practices "directly related to trade."

(1) from NAFTA itself (1) sanitary & enviro barriers to US exports

Section 2(c) calls on U.S. negotiators to take important domestic policy objectives, such as the protection of human health and the environment and national security, into account when negotiating fast track trade agreements. Negotiators are also instructed to ensure that the United States will retain the ability to vigorously enforce U.S. trade laws and that official Congressional advisors are kept fully informed during the course of trade negotiations.

(2) not lowering standards to attract investment

(6) Chile named no need to authorize full consultation the bill itself reauthorize

Section 3. Proclamation Authority and Fast-Track Implementing Proposals.

Section 3(a) provides the President with authority to reduce U.S. tariff rates -- without seeking further approval from the Congress -- in return for concessions from U.S. trading partners. Much of the language on this subject is derived from earlier versions of tariff proclamation authority, with antecedents dating back to the mid-1930s. The proposal adds a provision that will allow the President to implement new sectoral tariff harmonization or elimination agreements under the World Trade Organization, subject to a Congressional notice and layover

(7) negotiating instructions US health & safety

(8) necessary or appropriate trade related

requirement. The proposal also permits the President to carry out tariff elimination and harmonization agreements, subject to notice and layover, concluded as an interim step towards a regional free-trade arrangement.

Section 3(b) provides that the President may negotiate and bring back to the Congress for approval and implementation under the fast track procedures set out in section 151 of the Trade Act of 1974 certain trade agreements addressing non-tariff barriers or both non-tariff and tariff barriers. Those procedures call for the Congress to vote on agreements and their implementing legislation without amendment and within a fixed period. Changes in U.S. law required to carry out a trade agreement may be included in fast track implementing legislation only if the changes are both necessary or appropriate to implement the agreement and are trade-related. For an implementing bill to be subject to fast-track Congressional review, the President must adhere to numerous notice and consultation requirements included in the proposal.

Under the proposal, the President's tariff proclamation authority, as well as fast track procedures for implementing legislation, will be in effect until October 1, 2001. On request from the President, proclamation authority and fast track procedures may be extended until October 1, 2005, subject to disapproval by either House of Congress.

Sections 4 and 5. Notice, Consultations, and Implementation.

Sections 4 and 5 contain a number of provisions requiring the President to notify and consult with the Congress before and during trade negotiations. These provisions ensure that the Congress is fully integrated into the formulation of U.S. goals, strategies, and decision-making for each trade negotiation. Section 5 establishes an expedited procedure for Congress to withdraw fast track if it finds that the Administration is not adequately consulting the Congress on trade negotiations.

A number of the notice and consultation requirements included in sections 4 and 5 are drawn from equivalent provisions in the Omnibus Trade and Competitiveness Act of 1988. For example, the President must provide advance notice to the Congress before initiating a negotiation and must consult with the Congress before an agreement is concluded. The President must also describe in detail at the time he submits implementing legislation to the Congress how he intends to use existing regulatory and administrative authority to carry out the agreement.

The proposal also provides for Congress and the President to receive advice from the relevant private sector advisory committees concerning any agreement that the President has negotiated -- before it is signed. The advisory committees cover a broad range of sectors and policy matters, including manufactured goods, agricultural commodities, services, intellectual property, labor, and the environment. Under existing law, the President must also consult with these committees regarding his objectives and bargaining positions in the negotiations. In addition, in advance of the negotiations, the President must solicit advice from the United States International Trade Commission, as well as views from the public, concerning any U.S. tariff reductions contemplated in the negotiations.

The proposal adds new consultation requirements to further enhance Congressional oversight of the negotiation process. For example, the President must spell out for the Congress before negotiations begin his principal negotiating objectives and is required to consult with the Congress over the course of the negotiations. In addition, the President must inform the Congress of any other agreements he intends to conclude and must state whether the trade agreement will require implementing legislation in addition to that subject to fast-track procedures.

Section 6. On-going Negotiations.

The proposal waives the requirement for the President to provide advance notification to the Congress of certain negotiations initiated prior to enactment of the proposal. These include negotiations commenced in 1995 with the Government of Chile on a comprehensive trade agreement and certain negotiations currently in progress under the auspices of the World Trade Organization.

Section 7. Conforming Amendments.

The proposal makes changes to other statutes necessary to ensure that provisions of law applicable to fast track trade agreements continue to apply. For example, these amendments ensure that the public and private sector views are solicited regarding any trade negotiations initiated under the proposal.

A BILL

To establish procedures for notice, consultations, and implementation with regard to certain trade agreements, and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled,

SEC. 1. SHORT TITLE.

ThisActmay be cited as the "Export Expansion and Reciprocal Trade Agreements Act of 1997".

SEC. 2. TRADE NEGOTIATING OBJECTIVES.

(a) OVERALL TRADE NEGOTIATING OBJECTIVES. - The overall trade negotiating objectives of the United States for agreements subject to the provisions of section 3 are -

(1) to obtain more open, equitable, and reciprocal market access;

(2) to obtain the reduction or elimination of barriers and distortions that are directly related to trade;

(3) to further strengthen the system of international

trading disciplines and procedures;

(4) to foster economic growth, raise living standards, and promote full employment in the United States and to enhance the global economy; and

(5) to address those aspects of foreign government policies and practices regarding labor, the environment, and other matters that are directly related to trade and decrease market opportunities for United States exports or distort United States trade.

(b) PRINCIPAL TRADE NEGOTIATING OBJECTIVES.-

(1) SPECIFIC BARRIERS. - The principal negotiating objectives of the United States regarding specific trade barrier and other trade distortions are to expand competitive market opportunities for United States exports and to obtain fairer and more open conditions of trade by reducing or eliminating tariff and nontariff barriers and policies and practices of foreign governments directly related to trade that decrease market opportunities for United States exports or distort United States trade.

(2) TRADE IN SERVICES. - The principal negotiating objective of the United States regarding trade in services

is to reduce or eliminate barriers to international trade in services, including regulatory and other barriers that deny national treatment and unreasonably restrict the establishment and operations of service suppliers.

(3) FOREIGN INVESTMENT. - The principal negotiating objective of the United States regarding foreign investment is to reduce or eliminate artificial or trade-distorting barriers to United States foreign investment by -

(A) reducing or eliminating exceptions to the principle of nondiscriminatory treatment;

(B) freeing the transfer of funds relating to investments;

(C) reducing or eliminating performance requirements and other unreasonable barriers to the establishment and operation of investments;

(D) establishing standards for expropriation and compensation for expropriation consistent with United States legal principles and practice; and

(E) providing meaningful procedures for resolving investment disputes.

(4) INTELLECTUAL PROPERTY. - The principal

negotiating objectives of the United States regarding trade-related intellectual property are -

(A) to further promote adequate and effective protection of intellectual property rights, including through -

(i) ensuring full implementation of the Agreement on Trade-Related Aspects of Intellectual Property Rights referred to in section 101(d)(15) of the Uruguay Round Agreements Act (19 U.S.C. 3511(d)(15)), and achieving improvements in the standards of that Agreement;

(ii) providing strong protection for new and emerging technologies and new methods of transmitting and distributing products embodying intellectual property;

(iii) preventing or eliminating discrimination with respect to matters affecting the availability, acquisition, scope, maintenance, use, and enforcement of intellectual property rights; and

(iv) providing strong enforcement of intellectual property rights, including through accessible, expeditious, and effective civil, administrative, and criminal enforcement mechanisms; and

(B) to secure fair, equitable, and nondiscriminatory market access opportunities for United States persons that rely upon intellectual property protection.

(5) TRANSPARENCY. - The principal negotiating objective of the United States with respect to transparency is to obtain broader application of the principle of transparency through -

(A) increased and more timely public access to information regarding trade issues and the activities of international trade institutions; and

(B) increasing the openness of dispute settlement proceedings, including under the World Trade Organization.

(6) AGRICULTURE. - The principal negotiating objective of the United States with respect to agriculture

is to achieve fairer and more open conditions of trade in agricultural commodities by -

(A) reducing or eliminating tariffs or other charges that decrease market opportunities for United States exports;

(B) reducing or eliminating subsidies that decrease market opportunities for United States exports or distort agricultural markets to the detriment of the United States;

(C) developing, strengthening, and clarifying rules that address practices that unfairly decrease United States market access opportunities or distort agricultural markets to the detriment of the United States, including -

(i) unfair or trade-distorting activities of state trading enterprises and other administrative mechanisms;

(ii) unjustified restrictions or commercial requirements affecting new technologies, including genetically modified organisms;

(iii) unjustified sanitary or phytosanitary restrictions;

(iv) other unjustified technical barriers to trade; and

(v) restrictive rules in the administration of tariff rate quotas.

(7) WORKER RIGHTS AND ENVIRONMENTAL PROTECTION. - The principal negotiating objectives of the United States regarding worker rights and protection of the environment are, through the World Trade Organization, -

(A) to promote respect for internationally recognized worker rights, including with regard to child labor;

(B) to secure a review of the relationship of worker rights to the provisions, objectives, and instruments of the World Trade Organization with a view to ensuring that the benefits of the trading system are available to all workers;

(C) to adopt, as a principle of the World Trade Organization, that the denial of internationally recognized worker rights should not be a means for a country or its industries to gain competitive advantage in international trade;

(D) to promote sustainable development; and

(E) to seek to ensure that trade and environmental protection are mutually supportive, including through further clarification of the relationship between them.

The United States will also seek to establish in the International Labor Organization a mechanism for the systematic examination of, and reporting on, the extent to which member governments protect internationally recognized worker rights and enforce core labor standards.

(c) GUIDANCE FOR NEGOTIATORS. -

(1) In pursuing the negotiating objectives described in subsection (b), United States negotiators shall take into account United States domestic objectives including, but not limited to, the protection of health or safety, essential security, environmental, consumer or employment opportunity interests and the law and regulations related

thereto.

(2) In the course of negotiations conducted under this act, the United States Trade Representative shall -

(A) consult closely and on a timely basis with, and make every effort to keep fully apprised of the negotiations, the congressional advisers on trade policy and negotiations appointed under section 161 of the Trade Act of 1974; and

(B) take into account the need for the United States to retain the ability to enforce rigorously its trade laws in order to ensure that United States workers, farmers, and firms can compete on fair terms and enjoy the benefits of reciprocal trade concessions.

(d) ADHERENCE TO OBLIGATIONS UNDER URUGUAY ROUND AGREEMENTS. - In determining whether to enter into negotiations with a particular country, the President shall take into account the extent to which that country has implemented, or has accelerated the implementation of, its obligations under the Uruguay Round Agreements (as defined in section 2 of the Uruguay Round Agreements Act).

SEC. 3. TRADE AGREEMENTS PROCEDURES.

(a) AGREEMENTS REGARDING TARIFF BARRIERS. -

(1) IN GENERAL. - Whenever the President determines that one or more existing duties or other import restrictions of any foreign country or the United States are unduly burdening and restricting the foreign trade of the United States and that the purposes and policies of this Actwill be promoted thereby, the President -

(A) before October 1, 2001 (or October 1, 2005, if fast track procedures are extended under subsection (c)), may enter into trade agreements with foreign countries; and

(B) may, subject to paragraphs (2) and (3), proclaim -

(i) such modification or continuance of any existing duty,

(ii) such continuance of existing duty-free or excise treatment, or

(iii) such additional duties,

as the President determines to be required or appropriate to carry out any such trade agreement.

(2) LIMITATIONS. - No proclamation may be made under paragraph (1) that -

(A) reduces any rate of duty (other than a rate of duty that does not exceed 5 percent ad valorem on the date of the enactment of this Act) to a rate of duty which is less than 50 percent of the rate of such duty that applies on such date of enactment;

(B) provides for a reduction in duty on an article to take effect on a date that is more than 10 years after the first reduction that is proclaimed to carry out a trade agreement with respect to such article; or

(C) increases any rate of duty above the rate that applied on January 1, 1995.

(3) AGGREGATE REDUCTION; EXEMPTION FROM STAGING. -

(A) AGGREGATE REDUCTION. - Except as provided in subparagraph (B), the aggregate reduction in the rate of duty on any article which is in effect on any day pursuant to a trade agreement entered into under paragraph (1) shall not exceed the aggregate reduction which would have been in effect on such day if -

(i) a reduction of 3 percent ad valorem or a reduction of one-tenth of the total reduction, whichever is greater, had taken effect on the effective date of the first reduction proclaimed under paragraph (1) to carry out such agreement with respect to such article, and

(ii) a reduction equal to the amount applicable under clause (i) had taken effect at 1-year intervals after the effective date of such first reduction.

(B) EXEMPTION FROM STAGING. - No staging is required under subparagraph (A) with respect to a duty reduction that is proclaimed under paragraph (1) for an article of a kind that is not produced in the United States. The United States International Trade Commission shall advise the President of the identity of articles that may be exempted from staging under this subparagraph.

(4) ROUNDING. - If the President determines that such action will simplify the computation of reductions under paragraph (3), the President may round an annual reduction by an amount equal to the lesser of -

(A) the difference between the reduction without regard to this paragraph and the next lower whole number; or

(B) one-half of 1 percent ad valorem.

(5) OTHER LIMITATIONS. - A rate of duty reduction or increase that may not be proclaimed by reason of paragraph (2) may take effect only if a provision authorizing such reduction or increase is included within an implementing bill provided for under section 5 and that bill is enacted into law.

(6) OTHER TARIFF MODIFICATIONS. -

(A) Subject to the consultation and layover requirements of section 115 of the Uruguay Round Agreements Act, the President may proclaim the modification of any duty or staged rate reduction of any duty set forth in Schedule XX, as defined in section 2(5) of that Act, if the United States agrees to such modification or staged rate reduction in a negotiation for the reciprocal elimination or harmonization of duties under the auspices of the World Trade Organization or as part of an interim agreement leading to the formation of a regional free-trade area.

(B) Paragraphs 1-5 of this subsection shall not limit the authority provided to the President in subparagraph (A) or in section 111(b) of the Uruguay Round Agreements Act.

(b) AGREEMENTS REGARDING TARIFF AND NON-TARIFF BARRIERS. -

(1) IN GENERAL. - Whenever the President determines that -

(A) one or more existing duties or other import restrictions of any foreign country or the United States, or any other barrier to, or other distortion of, international trade unduly burdens or restricts the foreign trade of the United States or adversely affects the United States economy; or

(B) the imposition of any such import restriction, barrier, or distortion is likely to result in such a burden, restriction, or effect;

and that the purposes and policies of this Act will be promoted thereby, the President may, before October 1, 2001 (or October 1, 2005, if fast track procedures are extended under subsection (c)), enter into trade agreements with foreign countries providing for -

(i) the reduction or elimination of such duty, restriction, barrier, or other distortion, or

(ii) the prohibition of, or limitation on the imposition of, such barrier or other distortion.

(2) CONDITIONS. - A trade agreement may be entered into under this subsection only if such agreement makes progress in meeting the applicable objectives described in section 2(b) .

(3) BILLS QUALIFYING FOR "FAST TRACK" PROCEDURES. -

(A) The provisions of section 151 of the Trade Act of 1974, as amended by subparagraph (B) of this paragraph, (in thisActreferred to as "fast track procedures") apply to implementing bills (as defined in subsection (b)(1) of such section) submitted with respect to trade agreements entered into under section (3)(b) of this act.

(B) Section 151(b)(1) of the Trade Act of 1974 is amended by striking subparagraph (C) and inserting -

"(C)(i) if changes in existing laws or new statutory authority is required to implement such trade agreement or agreements or such extension, provisions which are necessary or appropriate to implement such trade agreement or agreements or extension and which are trade-related, either repealing or amending existing laws or providing new statutory authority; and (ii) provisions necessary for purposes of complying with section 252 of the Balanced Budget and Emergency Deficit

Control Act of 1985 in implementing the applicable trade agreement."

(c) APPLICATION AND EXTENSION OF "FAST TRACK" PROCEDURES . -

(1) IN GENERAL. - Except as provided in section 5(b)-

(A) fast track procedures apply to implementing bills submitted with respect to trade agreements entered into under subsection (b) before October 1, 2001; and

(B) fast track procedures shall be extended to implementing bills submitted with respect to trade agreements entered into under subsection (b) after September 30, 2001, and before October 1, 2005, if (and only if)-

(i) the President requests such extension under paragraph (2); and

(ii) neither House of the Congress adopts an extension disapproval resolution under paragraph (5) before October 1, 2001.

(2) REPORT TO CONGRESS BY THE PRESIDENT. -

If the President is of the opinion that fast track procedures should be extended to implementing bills described in paragraph (1)(B), the President shall submit to the Congress, not later than July 1, 2001, a written report that contains a request for such extension, together with -

(A) a description of all trade agreements that have been negotiated under subsection (b) and the anticipated schedule for submitting such agreements to the Congress for approval;

(B) a description of the progress that has been made in negotiations to achieve the purposes and policies of this act, and a statement that such progress justifies the continuation of negotiations; and

(C) a statement of the reasons why the extension is needed to complete the negotiations.

(3) REPORT TO CONGRESS BY THE ADVISORY COMMITTEE. - The President shall promptly inform the Advisory Committee for Trade Policy and Negotiations established under section 135 of the Trade Act of 1974 (19 U.S.C. 2155) of the President's decision to submit a

report to the Congress under paragraph (2). The Advisory Committee shall submit to the Congress as soon as practicable, but not later than August 1, 2001, a written report that contains -

(A) its views regarding the progress that has been made in negotiations to achieve the purposes and policies of this act; and

(B) a statement of its views, and the reasons therefor, regarding whether the extension requested under paragraph (2) should be approved or disapproved.

(4) REPORTS MAY BE CLASSIFIED. - The reports submitted to the Congress under paragraphs (2) and (3), or any portion of the reports, may be classified to the extent the President determines appropriate.

(5) EXTENSION DISAPPROVAL RESOLUTIONS. -

(A) For purposes of this subsection, the term "extension disapproval resolution" means a resolution of either House of the Congress, the sole matter after the resolving clause of which is as follows: "That the ____ disapproves the request of the President for the extension, under section 3(c)(1)(B)(i) of the Export Expansion and Reciprocal Trade Agreements Act of 1997, of the provisions of section 151 of the Trade Act of 1974 to any implementing bill submitted with respect to any trade agreement entered into under section 3(b) of the Export Expansion and Reciprocal Trade Agreements Act of 1997 after September 30, 2001.", with the blank space being filled with the name of the resolving House of the Congress.

(B) Extension disapproval resolutions -

(i) may be introduced in either House of the Congress by any member of such House; and

(ii) shall be jointly referred, in the House of Representatives, to the Committee on Ways and Means and the Committee on Rules.

(C) The provisions of sections 152(d) and (e) of the Trade Act of 1974 (19 U.S.C. 2192(d) and (e)) (relating to the floor consideration of certain resolutions in the House and Senate) apply to extension disapproval resolutions.

(D) It is not in order for -

(i) the Senate to consider any extension disapproval resolution not reported by the Committee on Finance;

(ii) the House of Representatives to consider any extension disapproval resolution not reported by the Committee on Ways and Means and the Committee on Rules; or

(iii) either House of the Congress to consider an extension disapproval resolution after September 30, 2001.

SEC. 4. NOTICE AND CONSULTATIONS.

(a) NOTICE AND CONSULTATION BEFORE NEGOTIATION. - The President, at least 90 calendar days before initiating negotiations on any agreement that is subject to the provisions of section 3(b), shall -

(1) provide written notice to the Congress of the President's intent to enter into the negotiations and set forth therein the date the President intends to initiate such negotiations, the specific United States objectives for the

negotiations, and whether the President intends to seek an agreement or changes to an existing agreement; and

(2) before and after submission of the notice, consult regarding the negotiations with the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives and such other committees of the House and Senate as the President deems appropriate.

(b) CONSULTATION WITH CONGRESS BEFORE AGREEMENTS ENTERED INTO. -

(1) CONSULTATION. - Before entering into any trade agreement under section 3(b), the President shall consult with -

(A) the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate; and

(B) each other committee of the House and the Senate, and each joint committee of the Congress, which has jurisdiction over legislation involving subject matters which would be affected by the trade agreement.

(2) SCOPE. - The consultation described in paragraph (1) shall include consultation with respect to -

(A) the nature of the agreement;

(B) how and to what extent the agreement will achieve the applicable purposes and policies of this act; and

(C) plans regarding the implementation of the agreement under section 5, including whether the agreement includes subject matter for which supplemental implementing legislation may be required which is not subject to fast track procedures; and

(D) any other agreement or agrements the President has entered into or intends to enter into with the country or countries in question.

(c) ADVISORY COMMITTEE REPORTS. - The report required under section 135(e)(1) of the Trade Act of 1974 regarding any trade agreement entered into under section 3(b) of this Act shall be provided to the President, the Congress, and the United States Trade Representative not later than 30 calendar days after the date on which the President notifies the

Congress under section 5(a)(1)(A) of the President's intention to enter into the agreement.

SEC. 5. IMPLEMENTATION OF TRADE AGREEMENTS.

(a) IN GENERAL. -

(1) NOTIFICATION AND SUBMISSION. - Any agreement entered into under section 3(b) shall enter into force with respect to the United States if (and only if) -

(A) the President, at least 90 calendar days before the day on which the President enters into the trade agreement, notifies the House of Representatives and the Senate of the President's intention to enter into the agreement, and promptly thereafter publishes notice of such intention in the Federal Register;

(B) within 60 calendar days after entering into the agreement, the President submits to the Congress a description of those changes to existing laws that the President considers would be required in order to bring the United States into compliance with the agreement;

(C) after entering into the agreement, the

President submits a copy of the final legal text of the agreement, together with -

(i) a draft of an implementing bill;

(ii) a statement of any administrative action proposed to implement the trade agreement; and

(iii) the supporting information described in paragraph (2); and

(D) the implementing bill is enacted into law.

(2) SUPPORTING INFORMATION. - The supporting information required under paragraph (1)(C)(iii) consists of -

(A) an explanation as to how the implementing bill and proposed administrative action will change or affect existing law; and

(B) a statement -

(i) asserting that the agreement makes progress in achieving the applicable purposes and policies of this act; and

(ii) setting forth the reasons of the President regarding -

(I) how and to what extent the agreement makes progress in achieving the applicable purposes and policies referred to in clause (i), and why and to what extent the agreement does not achieve other applicable purposes and policies;

(II) whether and how the agreement changes provisions of an agreement previously negotiated;

(III) how the agreement serves the interests of United States commerce; and

(IV) why the implementing bill and proposed administrative action are required or appropriate to carry out the agreement.

(3) RECIPROCAL BENEFITS. - To ensure that a foreign country which receives benefits under a trade agreement entered into under section 3(b) is subject to the obligations imposed by such agreement, the President

shall recommend to Congress in the implementing bill and statement of administrative action submitted with respect to such agreement that the benefits and obligations of such agreement apply solely to the parties to such agreement, if such application is consistent with the terms of such agreement. The President may also recommend with respect to any such agreement that the benefits and obligations of such agreement not apply uniformly to all parties to such agreement, if such application is consistent with the terms of such agreement.

(b) LIMITATIONS ON FAST TRACK PROCEDURES. -

(1) FOR LACK OF CONSULTATIONS. -

(A) Fast track procedures shall not apply to any implementing bill submitted with respect to a trade agreement entered into under section 3(b) if both Houses of Congress separately agree to a procedural disapproval resolution within any 60 calendar-day period.

(B) For purposes of this paragraph, the term "procedural disapproval resolution" means a resolution of either House of the Congress, the sole matter after the resolving clause of which is as follows: "That the President has failed or refused to consult with the Congress on trade negotiations and trade agreements in accordance with section 4(b) of the Export Expansion and Reciprocal Trade Agreements Act of 1997 and, therefore, the provisions of section 151 of the Trade Act of 1974 shall not apply to any implementing bill submitted with respect to any trade agreement entered into under section 3(b) of the Export Expansion and Reciprocal Trade Agreements Act 1997.".

(2) PROCEDURES FOR CONSIDERING RESOLUTIONS. -

(A) PROCEDURAL DISAPPROVAL RESOLUTIONS -

(i) in the House of Representatives -

(I) shall be introduced by the chairman or ranking minority member of the Committee on Ways and Means or the chairman or ranking minority member of the Committee on Rules;

(II) shall be jointly referred to the

Committee on Ways and Means and the Committee on Rules; and

(III) may not be amended by either Committee; and

(ii) in the Senate shall be original resolutions of the Committee on Finance.

(B) The provisions of section 152(d) and (e) of the Trade Act of 1974 (19 U.S.C. 2192(d) and (e)) (relating to the floor consideration of certain resolutions in the House and Senate) apply to procedural disapproval resolutions.

(C) It is not in order for the House of Representatives to consider any procedural disapproval resolution not reported by the Committee on Ways and Means and the Committee on Rules.

(c) RULES OF HOUSE REPRESENTATIVES AND SENATE. - Subsection (b) of this section and section 3(c) are enacted by the Congress -

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively,

and such are deemed a part of the rules of each House, respectively, and such procedures supersede other rules only to the extent that they are inconsistent with such other rules; and

(2) with the full recognition of the constitutional right of either House to change the rules (so far as relating to the procedures of that House) at any time, in the same manner, and to the same extent as any other rule of that House.

SEC. 6. TREATMENT OF CERTAIN TRADE AGREEMENTS.

(a) NEGOTIATIONS UNDER THE WORLD TRADE ORGANIZATION. - The provisions of section 4(a) shall not apply to [add ITA II] an agreement which results from a negotiation under the auspices of the World Organization initiated under a Uruguay Round Agreement, as defined in section 2 of the Uruguay Round Agreements Act, that were commenced before the date of the enactment of this Act, and the applicability of fast track procedures to such agreement shall be determined without regard to the requirements of section 4(a).

Financial Services

(b) AGREEMENT WITH CHILE. - If an agreement to which section 3(b) applies is entered into with Chile after the date of the enactment of this Act and results from negotiations that were commenced before such date of enactment the provisions of section 4(a) shall not apply to such agreement and the applicability of fast track procedures to such agreement shall be determined without regard to the requirements of section 4(a).

SEC. 7. DEFINITIONS AND CONFORMING AMENDMENTS.

(a) DEFINITIONS. - For purposes of this act:

(1) The term "core labor standards" means -

(A) the freedom to associate;

(B) the right to organize and bargain collectively;

(C) a prohibition on forced labor;

(D) a prohibition on exploitative child labor; and

(E) a prohibition on discrimination in employment.

(2) The term "distortion" includes, but is not limited to, a subsidy.

(3) The term "foreign country" includes any foreign

instrumentality. Any territory or possession of a foreign country that is administered separately for customs purposes, shall be treated as a separate foreign country.

(4) The term "internationally recognized worker rights" has the meaning ascribed to that term in section 507(4) of the Trade Act of 1974, as amended.

(5) The term "trade" includes, but is not limited to -

(A) trade in both goods and services, and

(B) foreign investment by United States persons, especially if such investment has implications for trade in goods and services.

(b) CONFORMING AMENDMENTS. - Title I of the Trade Act of 1974 (19 U.S.C. 2111 and following) is amended as follows -

(1) Section 151(b)(1) (19 U.S.C. 2191(b)(1)) is amended by striking "section 1103(a)(1) of the Omnibus Trade and Competitiveness Act of 1988" " and inserting " section 5(a)(1) of the Export Expansion and Reciprocal Trade Agreements Act of 1997".

(2) Section 131 (19 U.S.C. 2151) is amended -

(A) in subsection (a) -

(i) in paragraph (1), by striking "section 123 of this Act or section 1102 (a) or (c) of the Omnibus Trade and Competitiveness Act of 1988," and inserting "section 123 of this Act, section 1102 (a) or (c) of the Omnibus Trade and Competitiveness Act of 1988, or section 3(a) or (b) of the Export Expansion and Reciprocal Trade Agreements Act of 1997,"; and

(ii) in paragraph (2), by striking "section 1102(b) of the Omnibus Trade and Competitiveness Act of 1988" and inserting " section 3 (b) of the Export Expansion and Reciprocal Trade Agreements Act of 1997" after "under" ; and

(B) in subsection (b), by replacing "section 1102(a)(3)(A) of the Omnibus Trade and Competitiveness Act of 1988" with "section 3(a)(3)(A) of the Export Expansion and Reciprocal Trade Agreements Act of 1997"; and

(C) in subsection (c), by replacing "section

1102 of the Omnibus Trade and Competitiveness Act of 1988," with "section 3 of the Export Expansion and Reciprocal Trade Agreements Act of 1997,".

(3) Sections 132, 133(a), 134(a), and 162(a) (19 U.S.C. 2152, 2153(a), 2154(a), and 2212(a)) are each amended by striking "section 1102 of the Omnibus Trade and Competitiveness Act of 1988," each place it appears and inserting "section 3 of the Export Expansion and Reciprocal Trade Agreements Act of 1997,".

(4) Section 134(b) (19 U.S.C. 2154(b)) is amended by replacing "section 1102 of the Omnibus Trade and Competitiveness Act of 1988" with "section 3 of the Export Expansion and Reciprocal Trade Agreements Act of 1997".

(5) Section 135(a)(1)(A) (19 U.S.C. 2155(a)(1)(A)) is amended by replacing "section 1102 of the Omnibus Trade and Competitiveness Act of 1988" with"section 3 of the Export Expansion and Reciprocal Trade Agreements Act of 1997".

(6) Section 135(e) (19 U.S.C. 2155(e)) is

amended -

(A) in paragraph (1), by replacing "section 1102 of the Omnibus Trade and Competitiveness Act of 1988" with "section 3 of the Export Expansion and Reciprocal Trade Agreements Act of 1997" each time it appears, and by replacing "section 1103(a)(1)(A) of the Omnibus Trade and Competitiveness Act of 1988" with "section 5(a)(1)(A) of the Export Expansion and Reciprocal Trade Agreements Act of 1997"; and

(B) in paragraph (2), by replacing "section 1101 of the Omnibus Trade and Competitiveness Act of 1988" with "section 2 of the Export Expansion and Reciprocal Trade Agreements Act of 1997" after "1988".

(7) APPLICATION OF SECTIONS 125, 126, AND 127 OF THE TRADE Act OF 1974. - For purposes of applying sections 125, 126, and 127 of the Trade Act of 1974 (19 U.S.C. 2135, 2136(a), and 2137) -

(1) any trade agreement entered into under section 3 shall be treated as an agreement entered into under

section 101 or 102, as appropriate, of the Trade Act of 1974 (19 U.S.C. 2111 or 2112); and

(2) any proclamation or Executive order issued pursuant to a trade agreement entered into under section 3 shall be treated as a proclamation or Executive order issued pursuant to a trade agreement entered into under section 102 of the Trade Act of 1974.

FAST TRACK AND INFORMATION TECHNOLOGY INDUSTRIES

The information technology industries are vital to the U.S. economy

- U.S. information technology companies have operations in all 50 states and generate over 3.5 million domestic jobs directly and indirectly; this sector provides predominantly high-wage employment.

- Information technology industries have become the back-bone of the U.S. and global economy. Information technology has become integrated into all modern business transactions and is an engine of growth in global trade.

- In 1996, U.S. shipments for computer hardware, telecom equipment and electronic components was $166.4 billion.

U.S. manufacturers are global leaders

- Through diligent efforts to improve competitiveness, U.S. industry has taken back leadership in global market share, including: semiconductors, semiconductor manufacturing equipment, and printed circuit board production.

- Computer software alone, is the third largest manufacturing industry in the U.S. economy in terms of value-added and was estimated to be worth approximately $66.8 billion in 1996.

- In 1996, U.S. telecom equipment shipments were valued at $56 billion, accounting for one-third of world-wide shipments. One reason that U.S. telecommunications technology is so competitive is that the United States was the first country to open its market to competition in 1984.

Exports are an essential component of info-tech companies market strategy

- U.S. computer hardware, telecom equipment and electronic component companies exported an estimated $90.9 billion in 1996. Info-tech companies as a whole export over one third of their production.

- Due to dramatic growth in technology markets world-wide, U.S. IT companies are becoming export dependent; thus, exports are vital to U.S. competitiveness.

Access to developing countries is critical to this strategy

- Emerging markets are the engine for future growth. Asia and Latin America technology markets, in particular, will continue to experience double digit growth rates, at least double the rate of U.S. and European markets.

- The fastest growing markets for U.S. information technology products include China, ASEAN, India, Brazil, South Korea, and Mexico.

- Brazil has the largest telecom sector in Latin America with a market worth nearly $ 8 billion in 1996, however, tariff rates are up to 32 percent.

Tariffs and non-tariff measures block access to emerging markets

- Export growth would be greatly enhanced for all information technology products if tariff and non-tariff measures were reduced among U.S. trading partners through the broadening of agreements such as the recent Information Technology Agreement and/or regional agreements under APEC or the FTAA.

- Non-tariff measures (NTMs) are the most significant barriers to export growth of U.S. information technology products. The NTMs of principal concern to U.S. industry are:
    - Forced technology transfer requirements;
    - Intellectual property rights protection;
    - Local content requirements;
    - Import licensing quotas;
    - Value-added taxes;
    - Burdensome equipment certification requirements;
    - All discriminatory procurement practices by foreign governments, especially, practices by state-owned enterprises and/or formerly state-owned enterprises which remain subject to de facto state control

- Tariff levels globally for information technology products range from 4-10 percent–with the exception of tariffs of up to 50 percent on imports of satellites and large satellite components for assembly in Ukraine and Russia. Removal of tariffs represents significant savings to all info-tech producers, since margins between production costs and market prices are notoriously slim in most product segments.

Fast track will reduce trade barriers to expanding international markets which is key to maintaining U.S. competitiveness and innovation

- To combat these problems, U.S. government and industry are attempting to pursue these issues in existing multilateral and regional fora, including the WTO, APEC, ASEAN Dialogue, and by enforcing U.S. trade laws.

- U.S. info-tech companies place high priority on the implementation of tariff elimination under ITA-I. Additonally, they strongly support new and expanded coverage under ITA-II, such as expansion of product coverage and country signatories, and addressing the removal of NTMs.

Competition doesn't wait for U.S. leadership

- Since the Mercosur countries chose not to join the Information Technology Agreement, the FTAA is very important to U.S. IT companies. U.S. competitors are targeting Latin America as a market priority. Already, the European Union has signed a framework agreement with the Mercosur partners, which could give advantages to European products in the key emerging markets of Latin America.

- **U.S. firms are reporting difficulties in overcoming preferences granted in Central Europe to the European Union under its association agreements. These preferences arise in several countries and the situation could worsen once they are fully phased in. This can be particularly difficult in the technology sector, where for example, tariff preferences can be as high as 15 percent.**

"DIRECTLY RELATED TO TRADE"

Q: What does it mean to say that any labor/environment provisions brought back on fast track must be "directly related to trade"?

General Points (To Be Included in All Answers)

- The President is committed to pursuing three objectives: 1) to open foreign markets and create good U.S. jobs; 2) to promote labor rights; and 3) to promote responsible environmental development. Throughout this debate, our goal has been to ensure the President has the capacity to pursue all three objectives effectively.

- The Administration's bill gives the President ample latitude to accomplish his labor/environment objectives. He has many tools at his disposal:

  - Trade Agreements. The bill permits labor/environmental provisions "directly related to trade" to be brought back to Congress under fast track authority. This is only one tool he can use.

  - Side Agreements: The President has extensive executive authority to reach labor/environment agreements with countries. These agreements do not require Congressional approval. In the context of future free trade agreements, we have committed to conclude companion labor/environment agreements, when appropriate. Chile has already agreed to enter such agreements.

  - Other Agreements: This Administration has done more than any other to press countries to improve labor rights and environmental protection – and we will continue to do so, whether through the ILO, the WTO, the UN or international financial institutions. We should be concerned about improving the conditions in all countries, not just in free trade partners

- The important point is to secure fast track authority. If we pursue trade negotiations, we have a much better chance of engaging these countries on labor and environmental issues. Rejecting fast track will not advance our interests on labor/environment.

Q: But what does the term "directly related to trade" mean?

Option 1: Narrow Definition

- Our consultations to date suggest it would allow a discrete set of provisions, with the precise definition still to be addressed. However, there is also bipartisan agreement that the President has extensive executive authority to reach strong labor and environmental side agreements – and we have committed to reach these, when appropriate.

- [If pressed: Provisions could include those establishing the principle that countries should not lower their environmental standards to attract foreign investment or those relating to the ability of a country to use sanitary/phytosanitary measures as a disguised form of trade protection]

Option 2: Broad Definition

- The term means an agreement could address derogations from a country's labor or environmental laws with the intent of gaining a competitive advantage in trade. However, we will need to consult with Congress on the precise meaning in the days ahead.

- Regardless how these discussions proceed, we believe the combination of side agreements and other measures already give us much latitude to pursue our labor/environmental objectives effectively. Our test is whether the President can pursue these objectives, not which precise formulation emerges.

Option 3: To Be Negotiated

- We have already had some discussions with Congress about the term, and we will continue to discuss it in the days ahead.

- We think it is most productive not to conduct these negotiations in public.

- The combination of side agreements and other measures already give us much latitude to pursue our objectives. In the end, our test will be whether the President can pursue his labor/environmental objectives effectively.

Option 4: Need Not Decide Now

- At this point, the only free trade agreement we envision is with Chile – and it has agreed to enter labor/environment side agreements, which would not require fast track approval. So this issue is not implicated by any agreements we now envision.

- Should we seek to negotiate other free trade agreements, we would obviously need to consult with the Congress on all issues surrounding the negotiation, including which labor/environmental provisions might be deemed "directly related to trade"

CONTENT OF SIDE AGREEMENTS

Q: What provisions will be contained in any side agreements you reach?

A: That could vary among countries. Different countries would have different conditions and different needs. As a general matter, agreements could include provisions to:

- Promote better enforcement of a country's labor and environmental laws and regulations.
- Encourage greater transparency and public disclosure about a country's labor and environmental standards and performance.
- Provide greater technical assistance to countries to improve their labor rights and environmental protection.

We would consult extensively with Congress about our approach in any individual case.

LINKAGE BETWEEN TRADE AGREEMENT/SIDE AGREEMENTS

Q: Do you commit to reach side agreements with all future free trade agreement partners?

A. The only bilateral free trade agreement we currently envision negotiating is with Chile. We have already said we would negotiate labor and environmental side agreements in that context – and Chile has agreed to do it.

Beyond that, our approach would depend on the free trade partner. An agreement with England merits a different approach than one with a developing country. It makes no sense to adopt a cookie cutter approach. But we would move forward only after full consultation with Congress.

SANCTIONS AND SIDE AGREEMENTS

Q: Would you make any future labor/environmental side agreements enforceable through trade sanctions?

General Points (To Be Used in Any Answer)

- At this time, the only bilateral free trade agreement we envision negotiating is with Chile. Chile has agreed to enter labor/environment side agreements enforceable by monetary fines. We think that will provide sufficient enforcement.

- Therefore, the question of other bilateral free trade agreements – let alone how they would be enforced – at this point is pretty theoretical.

Q: But if there were future side agreements, would you consider using trade sanctions?

Option 1: No Sanctions

- We believe these side agreements can be enforced through monetary fines or other appropriate methods.

Options 2: Sanctions Possibly

- Our preference would be to enforce the side agreements through monetary fines or similar methods, if they can be effective. If they cannot, we would consider using trade sanctions to collect monetary fines, as we have done in past agreements. We would pursue this approach only after extensive consultation with Congress.

Option 3. Yes Sanctions

- If necessary to ensure the side agreements are enforceable, we would be prepared to negotiate agreements ultimately enforceable through trade sanctions.

Option 4: No Decision Needed Now

- Question is highly theoretical. Chile is the only bilateral free trade negotiation envisioned, and we do not feel trade sanctions will be necessary to enforce the side agreements.

- We would need to consult with Congress extensively before we pursue another bilateral free trade negotiation. If that situation arises, we will consult on this question as well.

Ranked by 1996 Exports

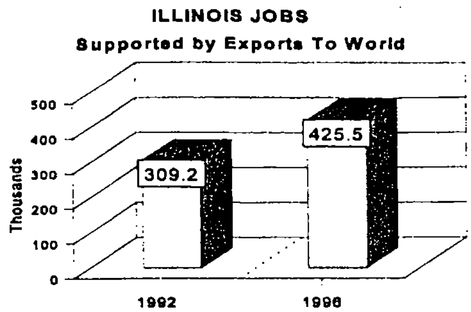
STATE EXPORTS TO WORLD, 1992 & 1996
(Ranked by State - MISER)

		1992(est)	1996	Difference 92-96	%92-96
1	California	73,047,768,347	105,645,740,533	32,597,972,186	44.6%
2	Texas	38,295,429,731	53,662,862,721	15,367,432,990	40.1%
3	New York	41,815,287,795	49,342,073,796	7,526,786,001	18.0%
4	Michigan	25,062,817,631	42,022,473,633	16,959,656,002	67.7%
5	Illinois	21,065,105,243	34,661,504,464	13,596,399,221	64.5%
6	Washington	30,785,457,918	27,095,372,139	(3,690,085,779)	-12.0%
7	Ohio	17,247,414,077	24,559,139,813	7,311,725,736	42.4%
8	Florida	16,629,601,156	21,775,917,925	5,146,316,769	30.9%
9	New Jersey	15,501,120,577	20,027,022,588	4,525,902,011	29.2%
10	Pennsylvania	14,793,520,720	18,919,581,043	4,126,060,323	27.9%
11	Massachussetts	12,787,180,996	16,477,639,791	3,690,458,795	28.9%
12	Minnesota	9,866,690,077	14,594,120,074	4,727,429,997	47.9%
13	Connecticut	11,520,277,147	14,182,756,305	2,662,479,158	23.1%
14	Indiana	8,387,173,192	13,000,510,739	4,613,337,547	55.0%
15	North Carolina	8,201,789,000	12,629,583,666	4,427,794,666	54.0%
16	Virginia	9,215,623,253	11,545,312,411	2,329,689,158	25.3%
17	Colorado	6,584,154,999	10,749,270,381	4,165,115,382	63.3%
18	Arizona	5,438,839,376	10,473,916,832	5,035,077,456	92.6%
19	Tennessee	6,330,684,184	10,118,622,591	3,787,938,407	59.8%
20	Georgia	6,663,800,026	9,345,413,261	2,681,613,235	40.2%
21	Wisconsin	6,499,874,302	9,155,149,963	2,655,275,661	40.9%
22	Oregon	6,232,176,585	9,052,808,111	2,820,631,526	45.3%
23	Missouri	4,790,993,189	7,490,656,688	2,699,663,499	56.3%
24	Kentucky	4,250,924,943	6,380,029,475	2,129,104,532	50.1%
25	Kansas	3,357,858,019	5,312,958,462	1,955,100,443	58.2%
26	South Carolina	3,026,449,368	5,298,086,209	2,271,636,841	75.1%
27	Louisiana	3,699,856,260	5,002,365,322	1,302,509,062	35.2%
28	Delaware	4,081,343,352	4,826,149,803	744,806,451	18.2%
29	Alabama	2,984,210,567	4,237,035,343	1,252,824,776	42.0%
30	Maryland	3,009,862,492	3,820,024,937	810,162,445	26.9%
31	Utah	2,456,370,817	3,067,994,762	611,623,945	24.9%
32	Iowa	1,722,564,563	2,979,577,950	1,257,013,387	73.0%
33	Oklahoma	2,903,021,750	2,752,420,057	(150,601,693)	-5.2%
34	Vermont	2,135,324,263	2,749,291,506	613,967,243	28.8%
35	Nebraska	1,672,270,486	2,572,531,825	900,261,339	53.8%
36	Arkansas	1,212,022,453	2,224,537,923	1,012,515,470	83.5%
37	New Hampshire	1,119,344,667	1,885,182,108	765,837,441	68.4%
38	Idaho	1,230,996,791	1,666,813,431	435,816,640	35.4%
39	Maine	1,059,994,330	1,354,571,827	294,577,497	27.8%
40	Mississippi	950,296,067	1,298,783,139	348,487,072	36.7%
41	West Virginia	960,593,857	1,296,421,018	335,827,161	35.0%
42	Rhode Island	779,995,607	1,042,104,749	262,109,142	33.6%
43	New Mexico	265,665,801	935,142,939	669,477,138	252.0%
44	Alaska	1,186,087,982	899,860,300	(286,227,682)	-24.1%
45	Nevada	456,397,988	762,421,785	306,023,797	67.1%
46	North Dakota	358,212,827	631,947,854	273,735,027	76.4%
47	South Dakota	190,134,893	422,421,341	232,286,448	122.2%
48	Montana	236,046,229	358,003,641	121,957,412	51.7%
49	Hawaii	141,782,843	313,016,616	171,233,773	120.8%
50	Wyoming	93,156,807	129,924,011	36,767,204	39.5%
		0			
	DC	428,736,425	6,410,194,937	5,981,458,512	1395.1%
	Puerto Rico	4,592,042,467	5,451,536,930	859,494,463	18.7%
	Virgin Islands	146,470,563	218,263,355	71,792,792	49.0%
		447,470,815,000	622,827,063,023	175,356,248,023	39.2%

Note: For 1992 distribution of total exports by state are based on USTR extrapolation of MISER and Department of Commerce data.

Source: Massachusetts Institute of Social and Economic Research (MISER)

ILLINOIS STATE EXPORTS



- Illinois recorded goods exports totaling $34.7 billion in 1996, up 65 percent ($13.6 billion) from 1992. During 1996, Illinois was the fifth largest state exporter of goods.

- Illinois' jobs supported by goods exports grew an estimated 38 percent (116,217 jobs) since 1992. Export-related jobs pay 13 to 16 percent higher than the national average.

- In 1991, the latest year available, Illinois exports accounted for 18.0 percent of its manufacturing output and represented 18.6 percent of its total manufacturing employment.

- Illinois' exports of manufactured products were up by 53 percent between 1993 and 1996 (from $20.3 billion in 1993 to $31.0 billion in 1996).

- The five largest manufacturing sectors in terms of Illinois' exports were: Industrial Machinery and Computers ($8.9 billion of exports in 1996), Electronic and Electric Equipment ($6.9 billion), Chemical Products ($4.5 billion), Transportation Equipment ($2.5 billion), and Food Products ($1.7 billion). These five sectors accounted for 70 percent of the state's total exports in 1996.

- Among Illinois' fastest growing manufactured exports (in billions) were:

Sector	1993	1996	Change %
Electronic and Electric Equipment	$4.0	$6.9	72%
Transportation Equipment	1.7	2.5	50
Industrial Machinery and Computers	6.0	8.9	49
Chemical Products	3.1	4.5	44

- Illinois is the country's third largest agricultural exporting state, shipping nearly $4 billion in agricultural exports abroad or 6.7% of the U.S. total in FY 1996. The largest export categories, feed grains and soybeans, accounted for over 75 percent of Illinois' agricultural exports in FY 1996.

- Total exports from Illinois to NAFTA countries increased by 36 percent between 1993 (pre-NAFTA) and 1996 (from $6.9 billion in 1993 to $9.4 billion in 1996). During 1996, Canada was Illinois' largest export market, while Mexico was Illinois' third largest export market. Exports to Canada were up by 37 percent ($2.0 billion) from $5.3 billion in 1993 to $7.3 billion in 1996. Illinois' exports to Mexico were up by 34 percent ($516 million), from $1.5 billion in 1993 to $2.0 billion in 1996.

- During 1996, Japan was Illinois' second largest export market. Total exports from Illinois to Japan were up 57 percent ($1.1 billion), from $2.0 billion in 1993 to $3.1 billion in 1996.

- Total exports from Illinois to the European Union were up 62 percent ($3.3 billion), from $5.3 billion in 1993 to $8.6 billion in 1996.

The Clinton Trade Agenda: What Fast Track Will Be Used For

The President has been very explicit in articulating what his trade agenda is over the next few years in the absence of a new round of global talks. On the one hand, the absence of large-scale negotiations like the Tokyo and Uruguay Rounds has led some to conclude that not having fast-track is not a problem for the United States. That is as myopic a view as the opposite extreme, which depicts this fast track debate as being only about extending NAFTA, first to Chile and then to all of Latin America.

The Clinton trade agenda in regard to fast track is centered on a three part strategy. First, there is the "built-in" agenda of the WTO. As the Uruguay Round drew to a close, it became clear to the U.S. negotiators that we needed to find a way to build in the momentum for liberalization on a continuing basis, particularly in certain areas where the need for trade liberalization had gone beyond traditional tariff reduction to the elimination of non-tariff barriers and to market access. Thus we have the "built-in" agenda, a four part process that calls for negotiations on government procurement in 1997; intellectual property in 1998; agriculture in 1999; and trade in services in 2000.

In all four of those areas--government procurement, intellectual property, agriculture, and services--the United States is in a position to benefit the most if we are at the table writing the rules. If foreign governments had to function with the same degree of transparency in their procurement practices as the United States, our companies would be winning a lot more infrastructure contracts. These, remember, tend to be "big ticket" items. In the other three areas, the United States is the world's leading exporter and it stands to reason that any lowering of trade barriers would only enhance our trade surpluses in each sector dramatically.

In agriculture, for example, Article 20 of the Agreement specifically provides that consultations must begin one year prior to the end of the implementation period on (1) the progress of the agreed upon reduction commitments; (2) the effectiveness of the reduction commitments; (3) non trade issues; (4) treatment of the LDCs and developing countries; and (5) further commitments necessary to achieve the long-term objectives established in the Uruguay Round itself. On our agenda is the reduction in export

subsidies, particularly by the European Union, and greater market access concessions. Without prodding from the United States--and fast track is the catalyst in that process--these negotiations are very likely to stall because of the French reluctance to further liberalize and because the EU itself is more complicated with the addition of new members.

In the area of intellectual property, Article III of the WTO Agreement calls for future negotiations, both on matters covered by existing TRIPS (TradeRelated Intellectual Property Rights) provisions as well as related matters. While the transition rules adopted in the TRIPS Agreement present developing countries and LDCs opportunities for compliance avoidance--and since many of the world's pirate havens are these same countries--there is likely to be a sizeable agenda in regard to both enhanced standards and effective enforcement. As the world's leading exporter of cultural products and protected intellectual property(computer software, patents), the United States has the most to gain from the continued development of higher standards of protection and effective enforcement.

In regard to trade in services, it is instructive to look back at the negotiations in the Round aimed at liberalizing trade in services through scheduled commitments to market access and national treatment. This was a very late developing process and it soon became clear that negotiations would have to be extended beyond the Round itself in a number of vital services sectors. While we have, through constant prodding, achieved a major victory in the recent telecommunications services agreement, the lack of meaningful offers from other WTO signatories in the financial services area led those negotiations to collapse. Another opportunity to achieve greater market access and national treatment in financial services may present itself in 1998, when there is another deadline for the revision of financial services offers.

The General Agreement on Trade in Services(GATS) specifically provides for new negotiations to begin no later than the year 2000. Preparations for that negotiation should begin sometime in 1998, with a view toward determining what new areas will be addressed in addition to greater sectoral coverage. Among the possibilities are professsional standards and qualifications, competition policy, and deregulation. Again, it is easy to see how advantageous it would be to the United States to keep this process alive--and that requires fast track.

The second prong of the President's trade agenda involves building on the success of the Information Technology Agreement(ITA)--or what amounted to a $5 billion tax cut in tariffs on a wide array of information technology products for which the United States is the world's leading exporter. This was achieved by virtue of the President having some residual tariff cutting authority from an earlier fast track grant. That, too, has now expired and negotiations on a follow-up agreement, ITA 2, scheduled for later this year may not get off the ground in the absence of fast track.

This part of the strategy centers on sectoral agreements. Already underway in APEC, the Asia Pacific Economic Cooperation Forum, is a process for indentifying a wide range of other sectors ripe for liberalization. The United States has identified the following eight sectors: chemicals; medical equipment and services; automotive; oilseeds; telecommunications and information technology; energy equipment and services; environmental technology and services; and wood and paper. Other APEC members have submitted their "wish" lists and it appears there may be sufficient overlapping support for many of the U.S. suggestions. Without fast track, the United States can not actively participate in this process and expect to reap any benefits.

The third and final part of the President's trade agenda involves moving forward in both APEC and on an FTAA in the hope of meeting the agreed upon deadlines for both. In the case of APEC it is 2010 and in the case of the FTAA it is 2005. In both of these regions, economic growth rates are among the highest in the world and barriers to U.S. exports are relatively high. As a result, any move toward liberalization will have a tremendous positive effect on our exports. Without the active participation of the United States, both of these processes are likely to slow considerably--and our active participation is conditioned on having fast track negotiating authority.

While it may appear that, in light of the far off deadlines, there is no real pressing need for fast track now that simply is not the way complicated multilateral trade negotiations work. It does, in fact, take years of negotiating to achieve the desired result and those negotiations need to begin now. In the case of the FTAA, for example, the really serious work of the already agreed upon working groups is scheduled for the spring of 1998. Hampered by the lack of fast track, the United States will have difficulty playing a meaningful role and it is to be expected that Brazil would then seek to shift the focus of the

hemispheric talks to expanding MERCOSUR--enhancing its role and excluding the United States.

The President has said that negotiating a trade agreement with Chile is also a critical step in continuing the move to trade liberalization. The Canadians have already concluded a bilateral with Chile and the result, for the United States, is that we face an across-the-board 11% tariff disadvantage.

It is important to remember that non-participation by the United States in global trade negotiations does not mean that our competitors are going to call a halt to their efforts to gain market access and tariff advantages. On the contrary, they are very active in advancing their own agendas. Since 1992, in Latin America and Asia alone, they have concluded 20 free trade agreements that exclude the United States.

Again, the main point is to emphasize the broader nature of the Clinton trade agenda, beyond just Chile--and why it is so advantageous to the United States to play a leading role in establishing both the focus of trade negotiations and the rules. We are not going to have much opportunity to do either if the President does not have fast track. It is in our interest to lead in formulating trade agendas but no one is likely to follow in the absence of fast track.

Draft Prepared by Jason Berman
August 20, 1997

The Clinton Trade Agenda: What Fast Track Will Be Used For

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KEEPING AMERICA AND ITS WORKERS THE MOST COMPETITIVE IN THE

America Needs Fast Track to Continue to Create Higher-Paying Jobs for More Americans. Without it, America's role as the largest exporter in the world will be put in jeopardy. And with new markets opening around the world, it is more important than ever to give the President traditional trade authority to break down trade barriers that put American products made by American workers at a disadvantage. We will continue to ensure that America's workers will benefit from expanded trade by fighting for increased training and education opportunities.

I. AMERICAN WORKERS STILL FACE A DISADVANTAGE BECAUSE TOO MA FOREIGN COUNTRIES PLACE RESTRICTIONS ON AMERICAN GOODS. W FAST TRACK TO LEVEL THE PLAYING FIELD FOR AMERICAN WORKER

What We Inherited. In 1993, President Clinton came into office at a time when the U.S. continued its commitment to free and fair trade, but other countries maintained high tariffs and other obstacles to fair trade to the disadvantage of America's workers.

President Clinton Moved to Address this Disadvantage by Completing the Uruguay Round Agreements, Negotiated Under Fast Track Authority. We have repeatedly leveled the playing field by negotiating tough, fair agreements -- securing more concessions from our trading partners than we had to give up. For example, Australia has cut its tariffs five times more than we have had to, Korea six times more than the U.S. and Peru has cut its tariffs ten times more than the U.S. since the Uruguay Round of GATT. Because of the ongoing benefits from the Uruguay Round, it is estimated that trade will continue to grow by an average of 9% per year until 2000.

American Workers Still Face a Disadvantage. Even with the recent progress in GATT, American exports still face higher tariff rates than our own. For instance, U.S. agricultural exports average 38%, while our own rates average 11%. U.S. electric machinery exports average 5%, while our rates average under 2%. Without Fast track authority, these conditions will only persist when more and more countries negotiate their own preferential trade deals to the detriment of America's workers. American workers deserve better.

Open and Fair Trade is in the Best Interest of American Workers and their Families. As the American people prepare for the challenges of the 21st century, we face a critical choice: We can meet the challenges of the future, write the trade rules and continue America's remarkable economic growth -- or we can turn our back on the world and fail to compete for new markets, new contracts, new business and new jobs. All over America, jobs have been created in small, medium and large companies that would not be here today if we did not have the ability to negotiate fair trade agreements.

- Over the last four years, American manufacturing exports rose 42%, high technology exports jumped 46%, service exports climbed 33% and farm exports rose 41%.
- From 1990-1996, U.S. auto exports to the biggest emerging markets (excluding Mexico) rose $500 million and are estimated to reach $6.1 billion by 2010. U.S. parts exports to these emerging markets are expected to more than triple from the current

$3 billion to $10 billion in 2010.

- The U.S. dominates 75% of the global software market. More than one-half million workers are employed in the industry -- double the level a decade ago. This industry is expected to grow 9% *per year* worldwide over the next decade.

- The U.S. once again dominates the world's semiconductor industry -- after trailing Japan for years. More than one-quarter million American are employed in the semiconductor industry -- up 13% over the last three years. The global semiconductor market nearly tripled in size between 1990 and 1995 -- and sales are expected to reach $200 billion by the year 2000 -- a fourfold increase over a decade.
- Exports of goods and services have risen from about 4% of GDP in the early 1960's to over 13% today. Over 15% of the total American workforce is employed in the manufacturing sector. U.S. exports have grown 3 times faster than Japan's, 5 times faster than Germany's since the mid 1980's.

II. TO ENSURE THAT ALL AMERICAN WORKERS BENEFIT FROM EXPANDE THE CLINTON ADMINISTRATION HAS FOUGHT FOR INCREASED TRAINI EDUCATION OPPORTUNITIES.

We need a growth strategy in which we take every action possible to ensure that all Americans can benefit from economic change. We need to break out of the old arguments that say you are either for blocking change or you are for the market, but everyone has to fend for themselves. Government needs to help workers, communities and those not in the job market realize the benefits of expanded trade.

- **The Administration is developing a comprehensive plan to help communities and workers who have been affected by trade.** President Clinton is building on his strong record of helping workers and families secure more opportunities to improve their educations and obtain higher paying jobs. The President will announce his plan early next week.

<u>**A Record of Strong Action to Help Families and Workers**</u>

- **Fought To Ensure Low-Income Families Benefitted from Child Tax Credit.** Because of the President's efforts, 13 million children from families with incomes below $30,000 will receive the tax credit -- up to 7.5 million more than under the House plans. Families making under $30,000 -- such as young teachers, police officers, farmers, nurses and others who work hard and play by the rules -- will now receive the child credit.
- **20% Tuition Tax Credit.** The balanced budget deals provides for a 20% tuition tax credit applied to the first $5,000 of qualified education expenses and to the first $10,000 thereafter for college juniors, seniors, graduate students, and working Americans pursuing lifelong learning.
- **$1,500 Hope Scholarship Tax Credit.** The balanced budget deal also includes a

$1,500 Hope Scholarship to make the first two years of college universally available. For a student attending the average four-year college, the Tuition Tax and HOPE Scholarship tax credits will provide tax savings of up to $5,000.

- **Doubled Dislocated Worker Funding.** The funding for dislocated workers has been doubled, from $651 million in FY93 to $1,286 million in FY97. This year, the dislocated worker program will assist 580,000 workers, up about 300,000 since President Clinton took office.
- **Largest Pell Grant Increase in Two Decades.** The Balanced Budget agreement boosts the maximum 1998 Pell grant from $2,700 to $3,000, and expands the program to more poor independent students -- that's the largest increase in two decades.

III. IF THE PRESIDENT DOES NOT HAVE THE SAME AUTHORITY THAT EVEI PRESIDENT HAS HAD SINCE 1974, OUR COMPETITORS, NOT AMERICAN ' WILL REALIZE THE BENEFITS OF THE NEW ECONOMY.

Today, we have the opportunity to permanently create the types of jobs that pay more and provide our workers with more security -- <u>if we continue to increase our exports and open more markets</u>. But if the President does not have the authority to negotiate tough and fair trade agreements with Congress' consent, our competitors will get the best jobs for their workers, while the U.S. will be relegated to the sidelines.

- **Without fast track, the U.S. will lack credibility to push for a fast start on global negotiations scheduled to start at the end of 1999. <u>The United States stands the most to gain in these negotiations because of its comparative advantage in agriculture, commercial services and government procurement.</u>**

  ☞ **Agriculture.** Agricultural exports support nearly a million U.S. jobs. Agriculture remains one of the most protected and subsidized sectors in the world economy. American exports still continue to face trade barriers through high tariffs and preferential trade deals that exclude the U.S.

  ☞ **Commercial Services.** Service exports of U.S. firms supported nearly 4 million jobs in 1996. Unless negotiated away, barriers will inhibit increased U.S. service exports. In Korea, a number of service sectors remain restrictive for foreign investment including telecommunications and insurance. Brazil has restrictive investment laws, lack of transparency in administrative procedures and limits on foreign capital participation. Distribution in the domestic market is restricted in Indonesia.

  ☞ **Government Procurement.** Some sectors relating to government procurement include civil aircraft, energy equipment, environmental technologies and services and medical equipment which employ over 2 million American workers. The vast majority of low and middle-income countries have not signed the WTO Government Procurement Code and the U.S. cannot negotiate government procurement obligations in plurilateral negotiations.

<u>Fast Track and Senate Prerogatives</u>

Q: How can you claim fast track is needed for trade agreements, when you have concluded over 200 such agreements without it?

- Fast track is needed only when we intend to make changes to U.S. law. Many agreements we negotiate with Japan and other countries include changes only by the foreign government, not us. But the largest and most important agreements -- like NAFTA and the Uruguay Round -- require that all countries involved make some changes to their laws. We need fast track for those agreements.

- If we don't have fast track, other countries simply will not negotiate with us. They won't enter into one negotiation with the President, then let Congress unilaterally change the terms of the deal reached -- in effect, a second negotiation. Either the foreign country won't give the Administration their bottom line, best offer (fearing they'll have to make additional concessions to Congress), or they will simply refuse to negotiate in the first place. That's Chile's position; they have refused to negotiate with us unless we have fast track.

- History bears this out. In the late 1960s, the Administration brought back a GATT trade agreement that Congress amended unilaterally. After that, other countries simply refused to negotiate with us for several years. That's precisely why fast track procedures were enacted by Congress in 1974 -- to get us back in the game and leading again on trade.

Q: Why aren't the trade agreements you expect to negotiate subject to Senate approval as <u>treaties</u> under Article II of the Constitution? Isn't the fast track process directly at odds with this constitutional requirement?

- No. This issue was thoroughly reviewed during consideration of the Uruguay Round agreements in 1994. The vast majority of constitutional scholars expressly rejected the argument that trade agreements must be submitted to the Senate as treaties. Pointing out that executive agreements are far more common than treaties, they found that the House and Senate can act under Article I of the Constitution and use fast track procedures to approve these agreements. And the Senate itself rejected the treaty argument and passed the Uruguay Round legislation overwhelmingly by a 76-to-24 vote.

TALKING POINTS FOR FAST TRACK MEETINGS WITH SENATORS

Introduction/General Economic Points

- I want to talk with you about fast track – and ask for your support in the coming weeks. I greatly welcomed the strong, bipartisan vote in the Senate Finance Committee on October 1, and hope that we will achieve the same result when the full Senate takes up the fast track legislation.

- I think you know the arguments for fast track authority. One-third of our growth since I became President has come from exports. About 96% of the world's consumers live outside our borders. If we are to continue to grow, we must export. It's that simple.

- We are in a perfect position to compete. Our economy is the envy of the world. We are once again the world's most competitive economy, the world's largest exporter, the leading producer of automobiles, semiconductors, and pharmaceuticals. It makes no sense to sideline ourselves now.

Fast Track and American Leadership

while more than [illegible]

- We also must understand that fast track is about ~~more than just trade~~: it is about American leadership in the world today. I can tell you that this debate is being viewed in Latin America and other world capitals as nothing less than a test of whether we intends to maintain our leadership role -- or to retreat and turn inward.

- Defaulting on our leadership role would be a terrible mistake. Under our lead, average tariffs have fallen from 40% at the end of World War II to about 5% today. This has led to a 90-fold increase in trade, which has benefited us enormously. One-third of our strong economic growth over the past five years has come from exports. We must not turn our back on those achievements.

- We cannot afford to take our leadership for granted. Throughout the world, especially in Latin America, others are moving to reach trade deals opening their markets. And they are not waiting for us -- with some 20 preferential trade deals already that exclude the United States. The EU is seeking such an agreement with MERCOSUR -- a market of over 200 million people with a GDP exceeding $1 trillion. And President Chirac has stated that "the future of the region rests with Europe, not the United States."

- Let's face it: American leadership is not divisible. If we do not lead on trade, our influence is bound to suffer in other areas as well. The patterns of trade affect our national security and strategic interests as well -- particularly in this hemisphere. Trade agreements can bind us together through shared interests and institutions. If by default in our leadership we permit Latin America to turn increasingly to Europe and Asia in its trade relations, it will weaken our relationship with them in other areas as well -- from drug

POSSIBLE QUESTIONS AND ANSWERS FOR MEETINGS WITH SENATORS

Labor and the Environment

Q: Why have you embraced fast track bills in both the Senate and House that treat labor and the environment as second-tier concerns, not fundamental parts of trade agreements?

- Your characterization of these bills is wrong. They contain principal negotiating objectives aimed specifically at worker rights and the environment. That's more than has ever been contained in fast track legislation before. Under the Senate bill, we will be able to use trade agreements to keep other governments from weakening their labor, environmental, or health and safety standards to attract investment or inhibit our exports.

- I also retain ample authority to address these issues in a variety of international fora, as my Administration has been doing for the past 4 ½ years. I want to work with other countries to help them protect the rights of their workers and improve their environments -- whether or not we are engaged in trade negotiations with them at any given point in time.

Effects of NAFTA

Q: Why should we support fast track when we see such negative effects from NAFTA on our workers and economy?

- First, I reject the critics' claims about NAFTA. The best available information shows that NAFTA has had a *positive* job impact -- creating 90,000 to 160,000 U.S. jobs, despite the 1995 peso crisis and its effect on Mexico's economy. And thanks to NAFTA, our exports to Mexico are already recovering from that temporary setback -- whereas we needed seven years for our exports to rebound after Mexico's last major financial crisis in the early 1980s. NAFTA has given us the chance to sell more to Mexico -- and to work more closely than ever before on other issues, including labor and the environment.

- But regardless what you think, this fast track debate is not about NAFTA. It is about our global trade agenda, our ability to negotiate new international agreements on agriculture and services and in those sectors in which we are the most competitive nation in the world. And it is about our ability to go after foreign trade barriers that remain much higher than our own -- to work to level the playing field for our workers and firms.

Helping Workers and Communities

Q: Why should I support fast track without guarantees that trade-impacted workers and communities will be helped adequately?

- I have done more than any other President to ensure that American workers benefit from expanded trade. And for those who may not share in the benefits of our strong economy, I have fought successfully for increased training and educational opportunities. I have doubled the wrong

interdiction to immigration to environmental protection to fighting corruption.

- Rejecting fast track would send a ~~terrible~~ signal to developing countries in particular. After decades of failed experiments and anti-Americanism, many today are embracing free markets, democracy, and other American values. But this progress is still fragile -- and it will continue only if we continue to press countries to embrace free trade policies, build stronger middle classes, and strengthen the building blocks of democracy. Having preached the benefits of open trade to these countries for so long, the United States must not turn in precisely the opposite direction at this critical time.

Efforts to Address Members' Concerns

- I believe that as we expand trade, we should ensure that everyone shares in the benefits. That not only is the right thing to do – it is also essential if we want to keep public support for a policy of expanded trade. That begins with extending the Trade Adjustment Assistance program -- as the Finance Committee has done with bipartisan support. The Administration has been working on a series of other initiatives to help both workers and communities, which we will be announcing in the next few days.

- Let me also tell you why our critics have it wrong on labor and the environment. I am convinced we can break down foreign trade barriers and advance worker rights and environmental protection at the same time. The Finance Committee bill strikes a sensible, balanced approach to allow us to do just that. And look at it this way: if we have fast track, Chile will conclude labor and environmental side agreements with us -- in fact, they already have agreed to do so. If we don't, they won't. Rejecting fast track is the best way to ensure that labor and environmental concerns simply are ignored in the years ahead.

Conclusion

- This is a very important vote. We face a critical choice. We can continue to make our
economy the model for the rest of the world, open foreign markets, and exert global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to take our place. The choice is that stark – and that important. That's why I feel so strongly about fast track, and why I ask for your support.

the funding for dislocated workers since 1993 to nearly $1.3 billion. I also have fought to ensure that 13 million children from low-income families benefit from the child tax credit, made college more affordable through the Hope Scholarship and tuition tax credit programs, and pushed successfully for a variety of other measures.

- And I am committed to doing even more to build on this strong record. We have been working on a set of additional initiatives to help both individuals and communities that may be affected by trade flows, and will be announcing the details of those plans in just a few more days.

The U.S. Trade Deficit

Q: Why should we move ahead with fast track and new trade agreements when our trade deficit continues to balloon?

- The trade deficit is the result of a range of complex economic factors, and is hardly the sign of a weak economy. It is hard to argue that the trade deficit is harming us when we have been growing at about 3% annually over the past five years, have the lowest unemployment in 23 years, rising income levels, a rapidly shrinking budget deficit, high consumer demand, and record exports.

- And we are seeing some very positive signs: our exports are up 10% this year, despite sluggish growth in many other countries and a strong U.S. dollar. And our trade balances with our NAFTA partners -- now our two largest export markets -- have improved greatly this year, as we have cut the deficit with Canada 24% and with Mexico 15%.

- In any event, the best way to attack the deficit is to increase our exports -- and the best way to do that is through fast track trade agreements that break down foreign barriers. If you are concerned about the trade deficit, you should support giving me the authority to attack the remaining trade barriers and negotiate tough new agreements to help our exporters.

Trade Agreements with Developing Countries where are our imports from?

Q: Why should we negotiate trade agreements with low-wage countries where workers earn a fraction of U.S. wages?

- The truth is we are competing quite successfully with low-wage countries. Over the past decade, our exports to those countries are up 240% -- nearly double the increase to richer countries and more than three times the gain in domestic sales. Today, they account for 42% of our total exports -- creating jobs that pay about 15% more than non-export related jobs.

- We remain the strongest economy in the world, with the most productive workers. And we will gain through trade agreements with developing countries, whose existing barriers are several times higher than our own.

TALKING POINTS FOR FAST TRACK MEETINGS WITH SENATORS

Introduction/General Economic Points

- I want to talk with you about fast track – and ask for your support in the coming weeks. I greatly welcomed the strong, bipartisan vote in the Senate Finance Committee on October 1, and hope that we will achieve the same result when the full Senate takes up the fast track legislation before — —

- I think you know the arguments for fast track authority. One-third of our growth since I became President has come from exports. About 96% of the world's consumers live outside our borders. If we are to continue to grow, we must export. It's that simple.

- We are in a perfect position to compete. Our economy is the envy of the world. We are once again the world's most competitive economy, the world's largest exporter, the leading producer of automobiles, semiconductors, and pharmaceuticals. It makes no sense to sideline ourselves now.

Fast Track and American Leadership

- We also must understand that fast track is about more than just trade: it is about American leadership in the world today. I can tell you that this debate is being viewed in Latin America and other world capitals as nothing less than a test of whether we intends to maintain our leadership role -- or to retreat and turn inward.

- Defaulting on our leadership role would be a terrible mistake. Under our lead, average tariffs have fallen from 40% at the end of World War II to about 5% today. This has led to a 90-fold increase in trade, which has benefited us enormously. One-third of our strong economic growth over the past five years has come from exports. We must not turn our back on those achievements.

- We cannot afford to take our leadership for granted. Throughout the world, and especially in Latin America, others are moving to reach trade deals opening their markets. And they are not waiting for us -- with some 20 preferential trade deals already that exclude the United States. The EU is seeking such an agreement with MERCOSUR -- a market of over 200 million people with a GDP exceeding $1 trillion. And President Chirac has stated that "the future of the region rests with Europe, not the United States."

- Let's face it: American leadership is not divisible. If we do not lead on trade, our influence is bound to suffer in other areas as well. The patterns of trade affect our national security and strategic interests as well -- particularly in this hemisphere.. Trade agreements can bind us together through shared interests and institutions. If we permit Latin America -- by default in our leadership -- to turn increasingly to Europe and Asia in its trade relations, it will weaken our relationship with them in other areas, from drug interdiction to immigration to environmental protection to fighting corruption.

- Rejecting fast track would send a terrible signal to developing countries in particular. After decades of failed experiments and anti-Americanism, many today are embracing free markets, democracy, and other American values. But this progress is still fragile -- and it will continue only if we continue to press countries to embrace free trade policies, build stronger middle classes, and strengthen the building blocks of democracy. Having preached the benefits of open trade to these countries for so long, the United States must not turn in precisely the opposite direction at this critical time.

Efforts to Address Members' Concerns

- I believe that as we expand trade, we must also pay attention to those workers and communities who are not sharing in the benefits. That not only is the right thing to do – it is also essential if we want to keep public support for a policy of expanded trade. That begins with extending the Trade Adjustment Assistance program -- as the Finance Committee has done with bipartisan support. My Administration has been working on other initiatives as well -- and we are prepared to discuss those with any of you who are interested. **[Add details here re 12-point program on TAA improvements, etc.?]**

- Let me also tell you why our critics have it wrong on labor and the environment. I am convinced we can break down foreign trade barriers and advance worker rights and environmental protection at the same time. The Finance Committee bill strikes a sensible, balanced approach to allow us to do just that. And look at it this way: if we have fast track, Chile will conclude labor and environmental side agreements with us -- in fact, they already have agreed to do so. If we don't, they won't. Rejecting fast track is the best way to ensure that labor and environmental concerns simply are ignored in the years ahead.

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- This is a very important vote. We face a critical choice. We can continue to make our economy the model for the rest of the world, open foreign markets, and exert global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to take our place. The choice is that stark – and that important. That's why I feel so strongly about fast track, and why I ask for your support.

POSSIBLE QUESTIONS AND ANSWERS FOR MEETINGS WITH SENATORS

Labor and the Environment

Q: Why have you embraced fast track bills in both the Senate and House that treat labor and the environment as second-tier concerns, not fundamental parts of trade agreements?

- Your characterization of these bills is wrong. They contain the most references to labor and the environment ever in fast track legislation. Promoting worker rights and environmental protection is expressly set out as a principal negotiating objective of the United States. We will be able to use trade agreements to keep other governments from weakening their labor or environmental laws to gain a competitive advantage in trade or investment.

- I also retain ample authority to address these issues in a variety of international fora, as my Administration has been doing for the past 4 ½ years. I want to work with other countries to help them protect the rights of their workers and improve their environments -- whether or not we are engaged in trade negotiations with them at any given point in time.

Effects of NAFTA

Q: Why should we support fast track when we see such negative effects from NAFTA on our workers and economy?

- First, I reject the critics' claims about NAFTA. The best available information shows that NAFTA has had a *positive* job impact -- creating 90,000 to 160,000 U.S. jobs, despite the 1995 peso crisis and its effect on Mexico's economy. And thanks to NAFTA, our exports to Mexico are already recovering from that temporary setback -- whereas we needed seven years for our exports to rebound after Mexico's last major financial crisis in the early 1980s.

- NAFTA has given us the chance to sell more to Mexico -- and to work more closely than ever before on other issues, including labor and the environment. But regardless of what you may think, this fast track debate is not about NAFTA. It is about our global trade agenda, our ability to negotiate new international agreements on agriculture and services and in those sectors in which we are the most competitive nation in the world. And it is about our ability to go after foreign trade barriers that remain much higher than our own -- to work to level the playing field for our workers and firms.

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Q: Why should I support fast track without guarantees that trade-impacted workers and communities will be helped adequately?

- I have done more than any other President to ensure that American workers benefit from expanded trade. And for those who may not share in the benefits of our strong economy, I have fought successfully for increased training and educational opportunities -- including a doubling in the funding for dislocated workers, the child tax credit for low-income families, the Hope Scholarship and tuition tax credit programs, and a variety of other measures.

- **[And I am committed to doing even more to build on this strong record. I have asked my senior economic advisers to develop a series of additional initiatives to help both individuals and communities. We would be pleased to provide you with the details of those plans, which we intend to announce very soon.]**

The U.S. Trade Deficit

Q: Why should we move ahead with fast track and new trade agreements when our trade deficit continues to balloon?

- The trade deficit is the result of a range of complex economic factors, and is hardly the sign of a weak economy. It is hard to argue that the trade deficit is harming us when we have been growing at about 3% annually over the past five years, have the lowest unemployment in 23 years, rising income levels, a rapidly shrinking budget deficit, high consumer demand, and record exports.

- In any event, the best way to attack the deficit is to increase our exports -- and the best way to do that is through fast track trade agreements that break down foreign barriers.

Trade Agreements with Developing Countries

Q: Isn't there a vast difference between trade agreements with Canada or Western Europe and with low-wage countries where workers earn a fraction of U.S. wages?

- The truth is that we are competing quite successfully with low-wage countries. Over the past decade, our exports to those countries are up 240% -- nearly double the increase to richer countries and more than three times the gain in domestic sales. Today, they account for 42% of our total exports -- creating jobs that pay about 15% more than non-export related jobs.

- We remain the strongest economy in the world, with the most productive workers. And we are bound to gain through trade agreements with developing countries, whose existing barriers are several times higher than our own.

Fast Track and Senate Prerogatives

Q: How can you claim that fast track is needed for trade agreements, when a range of other agreements are routinely submitted to the Congress without it?

- Fast track is essential where large trade agreements, like NAFTA and the Uruguay Round, involve changes to U.S. law. These types of agreements may involve changes to thousands of individual tariff lines, as well as a wide range of other U.S. laws and regulations. They also necessarily involve important "tradeoffs" among different U.S. interests. It wouldn't make sense for my trade officials to negotiate careful, balanced agreements and then submit them to the Congress with the chance to amend any single provision. And our trading partners have made clear that they would not begin negotiations if that opportunity existed.

- That's why fast track procedures were set up in the first place, and why they have been available to every President since Gerald Ford. Remember: the fast track process involves much more than an up-or-down vote at the end of the day. It guarantees Congress a broader role before, during, and after trade negotiations than typically occurs with respect to other kinds of agreements. And the Senate Finance Committee's bill provides for the most extensive notification and consultation procedures to date -- ensuring that Senators will be actively involved at all stages of the process.

- Let me also make clear that I am not asking for fast track for every single trade agreement we negotiate with other countries. Indeed, we concluded over 200 trade agreements during my first term, many of which were "one-way" agreements with Japan, China, and others in which they agreed to remove specific barriers under pressure from us. But I do need fast track for broad-based agreements like those in the World Trade Organization on agriculture and services, and for a free trade agreement with Chile.

Q: Why aren't the trade agreements you expect to negotiate subject to Senate approval as treaties under Article II of the Constitution? Isn't the fast track process directly at odds with this constitutional requirement?

- No. This issue was thoroughly reviewed during consideration of the Uruguay Round agreements in 1994. The vast majority of constitutional scholars expressly rejected the argument that trade agreements must be submitted to the Senate as treaties. They affirmed that the House and Senate have the authority under Article I of the Constitution to pass legislation under fast track procedures to approve these agreements.

The Outlook

The Big Trade Debate Is Heating Up Again

WASHINGTON

The trade debate is heating up again, much as it did over the North American Free Trade Agreement, and this time the bickering may be even more intense.

With the elections over, politicians of all stripes can safely emerge from cover over the volatile trade issue. The Clinton administration will soon seek "fast track" authority to expand freer trade to Chile, in a process that would gradually include all of Latin America. Opponents are already gearing up and will use the coming debate to attack Nafta and Mexico over the asserted losses of American jobs and to assail Mexican immigration and drug traffic. The debate will probably spread to other issues and other regions, focusing special attention on the large and fast-growing U.S. trade deficit with China.

Despite the contentious politics, the economic reality is fairly clear. Most economists agree that the move toward freer trade consists mostly of the U.S. trying to dismantle the trade barriers of its trading partners. That may be good for all nations, but it is especially good for U.S. business and U.S. exports.

The U.S. already has very low tariffs, on the order of 3%. Other countries are feeling the pressure to dismantle barriers, some of which—in telecommunications, for instance—are falling surprisingly fast.

Wall Street Journal 3/24/97

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"Today, around the world, countries with high tariffs are discovering that they are shooting themselves in the foot," says Jagdish Bhagwati, an economist at Columbia University. "Basically, the concessions on trade are being made by them and not by us." It was Mexico that made most of the Nafta concessions, for example.

Moreover, the move toward freer trade is occurring in industries where U.S. companies are strong, if not the strongest competitors on the world stage. U.S. industry led the 1996 push to abolish trade barriers in information technology. The historic breakthrough on telecommunications competition could similarly benefit the U.S. And next on the agenda of the World Trade Organization is trade in financial services.

Looking ahead, open competition in telecom and financial services could be a U.S. export bonanza. Already, the U.S. is by far the world's leading exporter of services. In 1996, they totaled $223.9 billion, compared with $150.4 billion in services imports. Any list of the world's largest service exporters includes such companies as Citicorp, American International Group Inc., Walt Disney Co. and Viacom Inc. Their gains contrast with the chronic U.S. trade deficit in goods.

Most economists agree that export-related jobs pay more than purely domestic ones. That may exaggerate income inequality, both here and abroad. But perhaps that argues for more attention to the losers in international trade.

2/4

Indeed, if there is a criticism to be made, it's that economists have been so mesmerized by the gains from freer trade that they

trivialize the very real social and economic pain of the losers. Jobs have been lost, both here and abroad. And most economists think that about 20% of the U.S. growth in wage inequality can be laid at the doorstep of stepped-up international trade.

The problems of greater trade and investment run beyond job losses, however. And the litany of difficulties created by the globalization of the economy is showing up in lectures and books by economists who consider themselves free traders.

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Among them is Dani Rodrik, a professor of international political economy at Harvard University who wrote a book, published this month, titled "Has Globalization Gone Too Far?" His overall answer is no. But he notes the very real dislocations—not just the job losses, but the way societies are using global competition as a justification for keeping worker demands in check and for allowing the social safety net to fray (e.g. welfare cuts in the U.S.).

Yet it's one thing to call attention to job losses, child-labor abuse or pollution, and another to say globalization is the problem and should be stopped or even reversed. Mexico's 1993 trade deficit with the U.S. has indeed swung to a $16 billion trade surplus. To protectionists in the U.S. Congress, that indicates that Nafta has destroyed a U.S. trade surplus and U.S. jobs.

However, most economists say the worst that Nafta did was to create overoptimism about Mexico's economy. The peso crisis, the resulting recession in Mexico and the rising value of Mexican oil exports are the real culprits in the deficit. Moreover, U.S. exports to Mexico have rebounded.

In fact, the question of whether globalization has gone too far may not even be the right question. Using some of the winnings from free trade to take better care of the losers would probably make sense. But the game itself is accelerating and may be unstoppable, regardless of what happens in the debate on Capitol Hill.

—BERNARD WYSOCKI JR.

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NCFC

NATIONAL COUNCIL OF FARMER COOPERATIVES

FAX COVER SHEET

TO: Jay Berman

FROM: Randy Jones

DATE: Oct 16, 97

Number of pages including this cover sheet: 5

MESSAGE:

50 F STREET, NW • SUITE 900 • WASHINGTON, DC • 20001 • 202-626-8700 • fax 202-626-8722

Serving America's Farmer-Owned Businesses

NCFC

NATIONAL COUNCIL OF FARMER COOPERATIVES

For Immediate Release
October 8, 1997

Contact: Lisa Keller
202-626-8700

NCFC Takes Action on Fast Track

Washington, DC—Based on the Administration's assurances and commitment to work to address the trade concerns of U.S. agriculture, including farmer cooperatives, and the inclusion of specific provisions on agriculture in fast tract legislation now pending before Congress, the National Council of Farmer Cooperatives today expressed its support for renewing the President's trade negotiating authority under fast track.

Maintaining and strengthening the ability of U.S. agriculture, including farmer cooperatives, to compete in the global marketplace is vital to continued growth in farm income and the nation's economic well being. Last year, U.S. agricultural exports reached a record $60 billion, resulted in a record trade surplus of nearly $30 billion, and provided jobs for more than one million Americans.

"While this record of success is impressive," said NCFC President David Graves, "it should be emphasized that the global marketplace continues to be characterized by subsidized foreign competition, excessive tariffs, and artificial trade barriers that adversely impact U.S. agriculture. In addition, there continue to be numerous examples where our trading partners have failed to fully meet their commitments under existing trade agreements or previous dispute settlements or accords," he added.

Renewal of fast track trade negotiating authority is needed to help address these issues, as well as a strong commitment on the part of the Administration and U.S. trade negotiators. "For these reasons," Graves said, "we are pleased by the Administration's pledge to work

-more-closely with NCFC and its members to achieve a level playing field for U.S. agriculture in the global trade environment, including making sure our trading partners meet their commitments under existing trade agreements."

The NCFC leader added, "We are also greatly encouraged that legislation now pending before Congress to renew the President's trade negotiating authority includes specific provisions on agriculture. We want to commend the leadership and farm state members of Congress for their efforts, and we will continue to work with them and the Administration so this needed legislation can be approved and signed into law."

NCFC is a nationwide association of cooperative businesses owned and controlled by farmers. Its membership includes more than 110 major farmer marketing, supply, and credit cooperatives, and state councils of cooperatives. The Council's members, in turn, represent nearly 4,000 local cooperatives with a combined membership that includes most of the nearly two million U.S. farmers.

Additional information on NCFC can be found on our web site at www.access.digex.net\~ncfc.

MEDIA NOTE: NCFC President David Graves is available for interviews. To set up an interview time, please call Lisa Keller, NCFC's vice president, communications and member relations, at 202-626-8700.

UPCOMING MEETINGS:
NCFC's 69th Annual Meeting
January 18-21, 1998, Orlando, FL

National Institute on Cooperative Education (NICE)
August 3-6, 1998, Anaheim, CA

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CLOSE HOLD

Document No.__________

WHITE HOUSE STAFFING MEMORANDUM

DATE: 9/16/97 ACTION/CONCURRENCE/COMMENT DUE BY: N/A

SUBJECT: Revised Fast Track Talking Points

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☑	McCURRY	☐	☑
BOWLES	☐	☑	McGINTY	☐	☐
McLARTY	☐	☑	NASH	☐	☐
PODESTA	☐	☑	RADD	☐	☑
MATHEWS	☐	☑	REED	☐	☑
RAINES	☐	☐	RUFF	☐	☐
BLUMENTHAL	☐	☑	SMITH	☐	☐
BERGER	☐	☑	SOSNIK	☐	☑
ECHAVESTE	☐	☐	SPERLING	☐	☑
EMANUEL	☐	☑	STREETT	☐	☐
GIBBONS	☐	☐	TARULLO	☐	☑
HILLEY	☐	☑	VERVEER	☐	☐
IBARRA	☐	☐	WALDMAN	☐	☐
KLAIN	☐	☐	YELLEN	☐	☐
LEWIS	☐	☑	BEGALA	☐	☑
LINDSEY	☐	☐	Jay Berman	☐	☑
MARSHALL	☐	☐	Susan Brophy	☐	☑
			Tony Blinken	☐	☑

REMARKS:

RESPONSE:

CLOSE HOLD

Staff Secretary
Ext. 6-2702

'97 SEP 16 AM8:31

President Submits Legislation to Restore Traditional Trading Authority
Tuesday, September 16, 1997

Sensible Bipartisan Legislation. Today, President Clinton will submit legislation to Congress that restores the President's traditional authority to negotiate trade agreements and break down barriers to American exports. This negotiating authority legislation will help keep our economy on the right track and create good American jobs, while honoring our commitment to our workers and environment. We expect this legislation will garner the bipartisan support it deserves.

Free Trade is Critical to America's Continued Prosperity. The American economy is on the move again. The President's three-part economic strategy -- cutting the deficit to spur private sector investment, investing in critical priorities like education and training, and opening markets abroad -- is a proven success. Since President Clinton took office, the American economy has generated nearly 13 million new jobs, unemployment is below 5%, wages are up, and the deficit has been cut by more than 85%. America is in the midst of a longer period of sustained growth than any other major economy in the world; one-third of our growth depends on overseas trade.

American Exports Create Millions of High-Paying Jobs. Our aggressive export strategy has paid off for American companies and workers. America is once again the world's largest exporter, the largest producer of semiconductors, and the largest producer of automobiles. Exports support over 11.5 million jobs in the United States, including one in five manufacturing jobs. Over the last four years alone, exports have created 1.7 million new jobs -- jobs that typically pay 15 percent more than non-export-related jobs.

We Need To Keep Breaking Down Foreign Trade Barriers. To keep our economy on the right track, we need to give the President the power that every President since Ford has had to break down unfair foreign barriers to American exports. This legislation restores the President's power to negotiate agreements that will help American businesses compete and win.

Legislation Honors Our Commitment to America's Workers and Our Environment. As we expand trade, the President is committed to pursuing three objectives: (1) to break down unfair foreign trade barriers and create good American jobs; (2) to promote and advance worker rights; and (3) to promote responsible environmental protections. As we renew fast track authority, our goal has been to give the President an array of negotiating tools to advance those objectives and level the playing field for American workers in the trade deals:

- <u>Trade Agreements</u>. This bill permits labor/environmental provisions "directly related to trade" to be brought back to Congress under fast track authority.

- <u>Side Agreements</u>. The President has extensive executive authority to reach labor/environmental agreements with countries. We have already committed to conclude companion labor/environment agreements in future trade agreements where appropriate, and Chile has already agreed to enter such agreements.

- Other Agreements. This Administration has done more than any other to press countries to improve labor and environmental protection -- and we will continue to do so, whether through the ILO, the WTO, the UN, or international financial institutions. We should be concerned about improving conditions in all countries, not just in free trade partners.

President is Committed to Ensuring that Everyone Benefits from the Global Economy. President Clinton has always recognized that we have a special obligation to help low wage and dislocated workers. That's why he fought to raise the minimum wage, provide a more generous Earned Income Tax Credit, increase investment in training, and win new pension and health benefits for workers. That effort has already brought real results for low wage workers:

- Since the President's 1993 Economic Plan passed, the real average income of the poorest 20 percent of families has increased nearly $1,000 -- or 9.7 percent.
- In 1995 -- the most recent year data are available -- America saw its largest decline in income inequality and the biggest drop in the number of people in poverty in 27 years.

As trade helps America continue to prosper, the President will continue his fight to expand opportunities for dislocated and low wage workers.

Specific Provisions of the Bill Include:

- Authority to Open Markets: The bill gives the President authority to negotiate global, regional, sectoral and/or bilateral trade agreements, which would be brought back for Congressional approval under "fast track" procedures (extensive consultations, limited debate, no amendments). This authority is critical to give our negotiators the credibility they need to secure good agreements.

- Reaffirms Commitment to Labor/Environment: The bill includes a specific negotiating to improve labor rights and environmental protection abroad (a first-ever reference to the environment in fast track legislation). Provisions in bilateral free trade agreements must be "directly related to trade," but the Administration may also seek side agreements, where appropriate.

- Pursues Trade Priorities: The bill contains negotiating objectives emphasizing key U.S. trading interests, such as agriculture, services, investment, intellectual property, and the need for the U.S. to preserve its health and safety laws and to vigorously enforce U.S. trade laws.

- Enhanced Congressional Consultations: We have added strong language to ensure Congress is a full partner in setting objectives and establishing trade priorities for American negotiators, including some provisions that have never before been included in fast track bills: (1) a requirement that the Administration inform Congress of its negotiating objectives for a specific agreement before negotiations begin; (2) a requirement that the Administration consult before signing a trade agreement about any parallel agreements, such as labor and environmental side agreements.

- Duration. Authority granted until 2001, with extension until 2005 only after a congressional vote.

REVISED

Traditional Trading Authority
Discussion Points for Calls to Republicans

Shared Objective. We both want to ensure that fast track authority is renewed. We believe in open trade, and we know that our future prosperity depends on it. We can get this done. Our team is fully committed to doing whatever it takes to get it done, and we hope we can work in the same spirit of trust and cooperation that allowed us to get the budget done.

Delayed Bill to Gain Bipartisan Support. We delayed introducing the bill for a couple of days to address the concerns of moderate Democrats whose votes are absolutely essential for passage. We listened to them and made some changes, but we fully expect criticism from the rest of the Democratic caucus and from labor. We believe we now have strong legislation that deserves support from both sides of the aisle.

Accepted Your Proposal on "Directly Related to Trade." Most importantly, we have accepted the Archer language on "directly related to trade." The President is firmly committed to ensuring that, in our push for free trade, we do not undermine labor and environmental standards. And we are prepared to pursue side agreements with Chile and other nations to promote stronger labor and environmental standards. Even so, we have adopted the Archer-Dreier language on "directly related," and we recognize its importance to the Republican caucus.

More Detailed Review of Provisions. Key provisions of the bill include:

- **Provision on Worker Rights and the Environment**. The principal negotiating objective on worker rights included in this legislation is symmetrical to that granted to President Bush, but does specifically mention the environment and child labor standards as well. It is limited to making progress in the World Trade Organization ("WTO") and the International Labor Organization ("ILO").

- **Necessary or Appropriate**. The bill would permit the Administration to include in future implementing bills those provisions that are "necessary or appropriate" to implement the relevant trade agreement, but only if those provisions are also "trade-related." As we have discussed, we need to strike a balance. We need flexibility to include provisions that, while not absolutely required to implement a particular trade agreement, nevertheless address trade policy issues raised by that agreement. But we also don't want to allow extraneous provisions in the fast track bill. We think this strikes the right balance.

- **Duration**. The duration of the trading authority extends to 2001, with extension until 2005 subject to a congressional vote.

- **Consultations with Congress.** We have added strong language to ensure Congress is a full partner in setting objectives and establishing trade priorities for American negotiators. Provisions never before included in fast track bills include: (1) a requirement that the Administration inform Congress of its negotiating objectives for a specific agreement before negotiations begin; (2) a requirement that the Administration consult before signing an agreement about parallel agreements, such as labor and environmental side agreements.

- **Negotiating Instructions.** We added a section on negotiating instructions that will ensure negotiators do nothing that would lower U.S. public health and safety standards, and insist upon strict enforcement of our trade laws.

- **Specific Agriculture Objective.** The legislation responds to congressional concerns by providing a series of measures designed to achieve fairer and more open conditions of agricultural trade, including: reducing or eliminating tariffs and subsidies that hurt U.S. agricultural exports and market opportunities; addressing other unjustified barriers to such exports; and strengthening the international rules covering unfair foreign practices that distort world agricultural markets. We think this principal negotiating objective will appeal to Members of both parties.

- **Chile.** We have specifically designated Chile as the next country with which we would negotiate a bilateral free trade agreement.

Would Like to Proceed in a Bipartisan Spirit. We have made a genuine attempt to write a bill Republicans can support, while attracting moderate Democrats as well. We think it is a good bipartisan bill, and we would like your support. At the very least, we would like generally positive statements (e.g. "Good start," "We can work with this"). We pledge to work closely with you as the bill is considered.

REVISED

Traditional Trading Authority
Discussion Points for Calls to Democrats

Held Bill Back to Listen to and Address Democratic Concerns. We held the bill back several days to hear the concerns of Democrats. We listened, and we believe we now have a bill that reflects the proper balance to address worker rights (including child labor standards) and environmental protection. Key provisions include:

- Worker Rights. Bill includes a negotiating objective on worker rights symmetrical to that granted President Bush by a Democratic Congress, with a specific reference to child labor. Also includes direction to seek stronger worker rights through the ILO, an idea proposed by Senator Moynihan and other Democrats.

- Environment. The negotiating objective also adds a specific provision on the environment, the first time ever this has been referenced in a fast track bill.

- Agriculture. Bill contains specific negotiating objective on agriculture, requested by Democrats.

- Better Consultations. Entirely new provisions requiring greater consultations, as to both the trade agreement and any labor/environmental side agreements.

- Duration. Authority granted until 2001, with extension until 2005 only after a congressional vote.

Bill Reflects Ongoing Commitment to Democratic Values. Overall, the President is committed to pursuing three objectives: (1) to break down unfair foreign trade barriers and create good American jobs; (2) to promote and advance worker rights; and (3) to promote responsible environmental protections. Throughout this process on fast track, our goal has been to ensure the President has the capacity to pursue all three objectives effectively.

- Trade Agreements. This bill permits labor/environmental provisions "directly related to trade" to be brought back to Congress under fast track authority. This is but one of many tools the President can use to advance his goals.

- Side Agreements. The President has extensive executive authority to reach labor/environmental agreements with countries. These agreements do not require congressional approval. We have already committed to conclude companion labor/environment agreements in future trade agreements where appropriate, and Chile has already agreed to enter such agreements.

- Other Agreements. The Clinton Administration has done more than any other to press countries to improve labor and environmental protection -- and we will continue to do so, whether through the ILO, the WTO, the UN, or international financial institutions. We should be concerned about improving conditions in all countries, not just in free trade partners.

More Detailed Review of Provisions. Key provisions include:

- **Necessary and Appropriate**. We have added language that will allow us to include in future implementing bills those provisions that are "necessary or appropriate" to implement the relevant trade agreement, but only if those provisions are also "trade-related." The Administration and the Congress need flexibility to include in such bills provisions that, while not absolutely required to implement a particular trade agreement, nevertheless address trade policy issues raised by that agreement. These might include, for example, the agreement's relationship to existing U.S. trade laws, authority to monitor the results of the agreement, or <u>extending Trade Adjustment Assistance to help those American workers who do not share the benefits from expanded trade</u>. Restricting future bills only to those provisions deemed "necessary" would prevent inclusion of these and other critically important provisions.

- **Duration**. The duration of the trading authority extends to 2001, with extension until 2005 only after a congressional vote.

- **Consultations with Congress**. We have added strong language to ensure Congress is a full partner in setting objectives and establishing trade priorities for American negotiators. Provisions never before included in fast track bills include: (1) a requirement that the Administration inform Congress of its negotiating objectives for a specific agreement before negotiations begin; (2) a requirement that the Administration consult before signing a trade agreement about any parallel agreements, such as labor and environmental side agreements.

- **Negotiating Instructions**. We added a section on negotiating instructions that will ensure negotiators do nothing that would lower U.S. public health and safety standards, and insist upon strict enforcement of our trade laws.

- **Specific Agriculture Objective**. The legislation responds to congressional concerns by providing a series of measures designed to achieve fairer and more open conditions of agricultural trade, including: reducing or eliminating tariffs and subsidies that hurt U.S. agricultural exports and market opportunities; addressing other unjustified barriers to such exports; and strengthening the international rules covering unfair foreign practices that distort world agricultural markets.

- **Chile**. We have specifically designated Chile as the next country with which we would negotiate a bilateral free trade agreement. Chile made a firm commitment to enter into side agreements on labor and the environment.