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WHITE HOUSE STAFFING MEMORANDUM

DATE: 9/16/97 ACTION/CONCURRENCE/COMMENT DUE BY: 9/16/97 10:00 AM

SUBJECT: FAST TRACK STATEMENT & 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			Susan Brophy	✓	
MARSHALL			Tony Blinken	✓	
			Jay Berman	✓	

REMARKS: Comments to Michael Waldman

RESPONSE:

Staff Secretary
Ext. 6-2702

Draft 10:30pm

PRESIDENT WILLIAM J. CLINTON '97 SEP 16 AM8:32
STATEMENT ON FAST TRACK
SOUTH LAWN
September 16, 1997

Today, I take the next step in our strategy to extend America's prosperity into the next century. I have submitted legislation to the Congress that will renew the traditional authority, granted to presidents of both parties since 1974, to negotiate new trade agreement~~s~~ that open foreign markets to goods and services made by American workers.

great — not true — economic strength internationally

We are at a moment of deep optimism and hope for our future, with 13 million new jobs and unemployment below 5%. The bipartisan balanced budget, with its unprecedented investment in education, sets the stage for further prosperity. But we must recognize that a critical element of America's success is our confident leadership of the global economy. Fully one quarter of our growth in the past four years has come from trade. Today, 12 million American jobs are supported by exports. By the Year 2000, that is expected to rise to 16 million.

There is no choice: the ~~only~~ way for America ~~can~~ to continue to grow and create jobs in the future is to expand exports. The legislation I submitted today will allow us to negotiate new agreements that tears down foreign barriers to our goods and services, everything from computer equipment to meat and produce. It will enable the United States to sell to the world's fastest growing markets, regions where our competitors will step in if we retreat. It will help create the high wage jobs that come from exports. And it will do this while allowing us to advance protections of workers rights and the environment – critical goals for my administration at home, and for America abroad.

I am going to Capitol Hill, to meet with Democratic members of the House of Representatives, to spell out why this legislation is in the national interest. This legislation reflects the values of both parties, and reflects the abiding partnership between the President and Congress. It is a partnership that has helped produce strong prosperity, and a partnership that must continue in the interests of the American people.

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Draft 11:45pm 9/15/97

PRESIDENT WILLIAM J. CLINTON
TALKING POINTS ON FAST TRACK '97 SEP 16 AM8:32
HOUSE DEMOCRATIC CAUCUS
September 16, 1997

I have taken the step of coming here to talk directly to you about why it is in the interests of our nation, our economy, and our party for Congress to pass the fast-track legislation I have submitted today. Let me say at the outset: this is urgent for our nation, if we are to capitalize on this moment of hope to create even wider opportunity. <u>And it is critical if the Democrats are to face the American people as a confident, hopeful party of the future.</u> economic & hopeful

Four and a half years ago, you and I set this country on a bold new economic course – an economic strategy that has produced strong prosperity. It was Democrats who cut the deficit by 80%. It was Democrats who invested in our people. And it was Democrats who worked with me to boost exports to record levels. <u>Now, our strategy has produced a moment of real optimism and hope for America.</u> Results: 13M new jobs … unemployment <5% … inflation low, poverty dropping … and wages, flat for <u>decades</u>, now are rising. Up $1600. And for poorest 20%, up xx%.

You know and I know that in this new economy, America has no choice but to expand trade. We have 4% of world's people; we must sell to the other 96%. 1/4 of our growth came due to trade. Today, 12 million jobs due to exports; up to 16 million by 2000. And these jobs are good jobs; they pay better than others. Today, America is #1 in autos again. And in the cutting edge industries – biotech, computers, aerospace – America leads the world.

This legislation will give me the traditional authority to make trade agreements – and it does it in a way that upholds the values of our party. It reflects your concerns and benefited from the extensive consultation we have done.

- Every single one of these agreements will tear down <u>foreign</u> barriers to <u>American-made</u> goods and services.

- It instructs negotiators to promote worker rights (in language identical to the language given to President Bush by a Democratic Congress), and makes a specific reference to child labor. It directs us to seek labor protections through the ILO – a change proposed to us by Democrats.

and not hamper our ability

- It will <u>allow us</u> to negotiate side agreements on labor and the environment. These ~~don't~~ require approval by Congress. The next country with whom we will negotiate a free trade agreement is Chile – and Chile has agreed to side agreements on labor & the environment.

- It will require extensive and unprecedented consultation with Congress at every step of the way.

- It would bar any negotiators from trading away US health & safety standards.

- We don't pretend that this legislation has everything we want. But it is the best chance to advance these priorities, and do so in a way that can pass a Republican Congress. This is the best way to advance our agenda given the reality of a divided government.

We know that the burdens and benefits of trade do not fall evenly on all Americans. We recognize our obligation to those who are left behind, to make sure that all Americans can make the most of this opportunity.

- We have a comprehensive program – EITC and Pell Grants, doubling trade adjustment assistance, $1500 tax cut for community college, minimum wage, Kennedy Kassebaum – to help working people in this time of change.

- This legislation would allow Congress to expand trade adjustment assistance as part of the implementation of any trade agreement.

- Let's remember – backing away from this won't create a single job or clean up a single toxic waste dump. There is no argument that jobs will cross the border, because we're not talking about agreements with our neighbors. The opportunities vastly outweigh the risks.

Above all, I come before you as a Democratic President who shares your values and needs your support. I will use this authority in a way consistent with the principles we stand for, consistent with the record of my administration. A Democratic Congress gave Gerald Ford this authority. A Democratic Congress gave Ronald Reagan this authority. And a Democratic Congress gave a Republican President this authority in 1991 – with the active support of many of you here. Now as a Democratic President, I ask the same authority that has been granted to every President of either party. And I pledge to you that I will use it in a way that reflects the values for which all of us fight every day. Democrats must be the party of opportunity, of hope, of the future. We cannot be that party if we are seen to be retreating from the opportunities of the global economy.

THE WHITE HOUSE

WASHINGTON

September 12, 1997

FAST TRACK MEETING WITH
SELECTED MEMBERS OF THE HOUSE

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

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

I. PURPOSE

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

II. BACKGROUND

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

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

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

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

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

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

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

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

Most of the members at today's meeting have very significant agricultural interests in their districts. I would emphasize that the WTO negotiations on further liberalization are a priority for the United States. Agriculture is a principal negotiating objective of our request for fast track.

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

III. PARTICIPANTS

See Tab C.

IV. PRESS PLAN

None

V. SEQUENCE

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

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

POINTS TO BE MADE FOR MEETING ON FAST TRACK

Introduction

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

Optimism/Future v. Pessimism/Past

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

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

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

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

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

Global Leadership

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

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

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

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

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

Significant Market Opportunities

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

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

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

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

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

Conclusion

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

QUESTIONS AND ANSWERS
FAST TRACK MEETING

LEGISLATIVE PROCESS

Q: When will you introduce a bill?

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

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

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

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

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

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

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

NAFTA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Trade Generally

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

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

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

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

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

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

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

Hill Participants

Representative Chris John

Representative Bob Wigin
Representative Brad Sherman
Representative Jim Turner
Representative Alan Boyd
Representative Carolyn McCarthy
Representative Robert Wexler
Representative Karen Thurman
Representative Earl Palmeroy
Representative Juanita Millender McDonald

Administration Participants

The President

Vice President
Secretary Rubin
Secretary Glickman
Secretary Daley
Ambassador Barshefsky
Erskine Bowles
Sandy Berger
Daniel K. Tarullo
Gene Sperling

John Hilley
Mack McLarty
Jay Berman
Vicki Radd
Susan Brophy
Bob Kyle
John Podesta/Sylvia Mathews

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515–6348

September 11, 1997

The Honorable Charlene Barshefsky
United States Trade Representative
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Dear Madam Ambassador:

As the President and his Administration make final decisions on a fast track proposal, I thought I should share with you my current thinking about this issue in light of recent intense public and Congressional debate. As you know, there are many Democratic Members who are extremely concerned about how the President's fast track proposal addresses labor and environmental issues. Indeed, the votes of many Democrats on fast track hinge in large part on how these issues are handled. In light of these Democratic concerns, I am now considering introducing a fast track proposal of my own that would address these concerns in a way that could garner broad Democratic support.

While labor and environmental issues are important, I believe, unfortunately, that in the debate on fast track inadequate attention has been given to how we as a nation can ensure that good, productive jobs are available for all Americans. While expanding international trade is one part of the solution to creating good jobs in this country, it is not enough since not all Americans will have the opportunity or the skills to benefit from the new jobs created by more trade. At the same time, other Americans will lose their jobs because of such trade.

In light of this, it is my personal view that we should do all we can to provide the President with the authority he needs to increase our trading opportunities, provided that this is accompanied by a domestic jobs initiative that reaches out to all Americans. Such a jobs initiative should be targeted initially on rebuilding our nation's infrastructure, particularly in urban areas. A sound infrastructure in our cities can provide an anchor for, and is indeed essential to, expanding international trade.

I previously have discussed these ideas with you, Jay Berman, and John Hilley, but wanted to draw them to your attention again because I feel so strongly about them. I believe that incorporating a vision on jobs for all Americans into fast track proposals moving through Congress is essential for building strong bipartisan support on fast track. Such support, particularly on the Democratic side, appears to be lacking at this time.

I intend to raise these matters in a Ways and Means Democratic caucus on Tuesday and will also be discussing them with the House Democratic leadership to seek their views and guidance before proceeding further. I would hope that the Administration could give additional attention to these ideas in the days ahead.

I would be pleased to discuss these matters with you at any time.

Sincerely,

Charlie

Charles B. Rangel
Ranking Democrat

CBR/bwc

cc: The Honorable William J. Clinton
The Honorable Robert E. Rubin
The Honorable William M. Daley
Mr. Erskine Bowles
✓Mr. Jay Berman

APEC Sectoral

MINISTRY OF FOREIGN AFFAIRS AND TRADE

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Chair, APEC CTI
Fax No: 64.4. 494-8518

FACSIMILE MESSAGE

DATE:	28 July 1997		
TO:	CTI CONTACTS CTI CONVENORS	**FAX NO:**	DISTRIBUTION
FROM:	Christopher Butler	**CHARGE CODE:**	ECO
MFAT:	ECO	**PAGE 1 OF:**	11
SUBJ:	**APEC: VOLUNTARY SECTORAL LIBERALISATION**		

Dear Colleague

Attached please find the latest version of the indicative summary table which I have been producing for you over the last 10 days or so. It incorporates preliminary and indicative nominations from Indonesia for Sports Footwear, Fish & Shrimps Frozen, and Pulp and Paper. You will note too that I have amended its format slightly to include a new column for "Supporters". I have done that to enable us to keep track of an evolving process in which it seems to me likely that endorsement of nominations will emerge in two forms: (a) Co-sponsorship, where two or more economies develop and sign-on to the same proposal as proponents; and (b) Support, where economies other than the proponent/s indicate support of the nomination in question.

These columns are going to be easier to fill-in as the process of consideration advances, and I would be grateful if you could keep me informed of any developments which I should include in the table. To assist others who may want to use the table as a basis for their own records, I am e-mailing it as an electronic file to the APEC Secretariat (Bridget Romanes and Tsunehiro Ogawa) from whom, if you wish, you could obtain a copy.

I want to take this opportunity also to share with you some thoughts as to how we can take the process of consideration forward, and to ask you for your views. As I have noted

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Stafford House, 40 The Terrace, Wellington, Private Bag 18 901, Wellington, New Zealand.
Phone 64-4 494 8500, Fax 64-4 472 9596

earlier, your response to the challenge laid down by Ministers seems to me to have been both interesting and creative. We will have a spectrum of possibilities to consider in St John's, and it may be useful to recall the yardsticks by which we can begin the process of consideration. They seem to me to provide a pretty consistent pattern of guidance, and include:

- Ministerial directions from Montreal for officials to examine the merits of pursuing comprehensive liberalisation in (such) sectors having regard to defining scope and coverage, including those that support enhanced infrastructure and sustainable development. Ministers instructed us also to have regard to (a) encompassing to the fullest extent possible tariff and non-tariff dimensions and elements of facilitation and support; (b) the fullest possible private sector input, consultation and support, including through ABAC; (c) critical mass, by developing initiatives supported by significant groups of APEC members; (d) the different levels of economic development and diverse circumstances of APEC member economies; and (e) where appropriate, providing a foundation for participation beyond our region and, where appropriate, for incorporation into the WTO.

- The Ministerial declaration from Montreal that Ministers would work to ensure mutually beneficial and balanced recommendations for early voluntary liberalisation.

- Parallel agreements from SOM I/97 that (a) voluntary sectoral liberalisation need not be limited to tariff and non-tariff measures, but could also include areas of facilitation and economic and technological cooperation; and (b) that the process would need to seek a balance in the broad interests of members, be subject to wide business/private sector support, and support the principle of comprehensiveness and mutual benefit.

- Overarching guidance from the Osaka Action Agenda, in particular the nine general principles of Part 1(A) and relevant aspects of Part 1(B). Among other things, the latter (a) acknowledges that APEC economies that are ready to initiate and implement cooperative initiatives may proceed to do so, while those that are not yet ready to participate may join at a later date; and (b) mandates APEC fora making proposals for the expansion and improvement of collective actions in accordance with developments in the APEC liberalisation and facilitation process, taking into account and where appropriate utilising developments in other international fora, particularly the WTO.

It seems clear to me from the Ministerial discussion in Montreal that Ministers wish to see the whole spectrum of APEC nominations of sectors for consideration as candidates for early voluntary liberalisation. I believe, however, that we have a duty to assist them by undertaking an effective preparatory process. Our two main tasks leading-up to St John's, and at the CTI meeting itself, might be to:

(i) refine proposals, in terms of (a) rationalising the pattern of nomination, co-sponsorship and support (eg by combining multiple nominations for the same sector into one, where appropriate); (b) adding detail which may still be required (eg information on markets/suppliers/trade flows, benefits, business support etc); and (c) enhancing nominations where necessary to make them as consistent as possible with the directions we have received from Ministers; and also to

(ii) identify the support from APEC members with respect to each nomination, to facilitate judgements by the SOM and Ministers as to whether "critical mass" has been achieved.

In light of the foregoing, I think a very useful outcome from the CTI meeting would be a list tabulating (a) the economies co-sponsoring or supporting each nomination; and (b) noting any conditions under which additional support for the nomination might be forthcoming from other APEC members. This could be referred to the SOM for further discussion and, subject to its endorsement, to Ministers.

Your comments on these thoughts would be very much appreciated, and I look forward to hearing from you.

I would like to conclude with a couple of reminders:

(a) Will all economies please bring with them to St John's their own collection of the nomination forms circulated by members. These papers will not be duplicated and re-distributed again in St John's.

(b) This underlines again the need for economies to send direct to other members (as well as to me and the APEC Secretariat) all new or amended nominations. This is now the fastest and most practical way of ensuring that authoritative documents are available to all for their prompt consideration.

With thanks and best wishes

Christopher Butler

Christopher Butler
Chair, APEC Committee on Trade and Investment

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APEC VOLUNTARY LIBERALISATION
SUMMARY OF NOMINATIONS BY ECONOMY

As at 28 July 1997

ECONOMY	SECTOR	MEASURES	TIMEFRAME	CO-SPONSORS	SUPPORTERS
Australia	(a) Energy (details to be defined, but comprehensive coverage intended. Tariff work to focus on HS 2612, HS 2701, HS 2709, HS 2711)	Tariffs NTMs Facilitation Standards	Prepare 1998/99, implement 2000/05** 1998 decision 1997-1999 1998-2000	(to be advised)	(to be advised)
	(b) Non-ferrous metals, coverage to include HS 26 (excluding 2601, 2602, 2618 and 2619), HS 74-76, HS 2818, HS 78-81, including primary and secondary production and semi-fabricated products. Details to be defined.	Tariffs NTMs, export restrictions	4-years** To be defined	(to be advised)	(to be advised)
	(c) Food (details to be advised)	(to be advised)	(to be advised)	(to be advised)	(to be advised)
Brunei	(a) Fish and fish products (HS 0301-0307, HS 1604-1605)	Tariffs and NTMs	1998-2003	(to be advised)	(to be advised)
	(b) (Additional sectors to be advised)	(to be advised)	(to be advised)	(to be advised)	(to be advised)
Canada	(a) Civil aircraft and associated products	Tariffs and charges	1999-2000	(to be advised)	(to be advised)
	(b) Beer and barley malt (HS 22.03, HS 11.07)	Tariffs (beer) Tariffs and NTMs (malt)	1998-2002	(to be advised)	(to be advised)
	(c) Brown distilled spirits (HS 2208.20, HS 2208.30, HS 2208.90)	Tariffs	1998-2000	(to be advised)	(to be advised)
	(d) Environmental goods and services (to be defined)	Definition, TILF, Ecotech	1997-1999	(to be advised)	(to be advised)
	(e) Fertiliser (HS 25.03 and HS 31)	Tariffs, standards, regulations	1999-2004	(to be advised)	(to be advised)

ECONOMY	SECTOR	MEASURES	TIMEFRAME	CO-SPONSORS	SUPPORTERS
	(f) Fish and fish products (HS 03.01-03.07, HS 15.04, HS 16.03-16.05, HS 2301.20)	Tariffs NTMs	1998-2003 1998-2005	(to be advised)	(to be advised)
	(g) Oilseeds and oilseeds products (HS 12.01, HS 12.03-1206, HS 1207.10, HS 1207.20, HS 1207.30, HS 1207.50, HS 1208.10, HS 1208.90, HS 1507.10, HS 1507.90, HS 1511.10, HS 1511.90, HS 1512.11, HS 1512.19, HS 1512.21, HS 1512.29, HS 1513.11, HS 1513.19, HS 1513.21, HS 1513.29, HS 1514.10, HS 1514.90, HS 1515.11, HS 1515.19, HS 1515.21, HS 1515.29, HS 1516.20, HS 1517.10, HS 1517.90, HS 1518, HS 23.04, HS 2306.10-HS 2306.60, HS 2306.90)	Tariffs and NTMs	1998-2004	(to be advised)	(to be advised)
	(h) Paper and paper products (HS Chapters 47, 48, 49)	Tariffs	1999-2004	(to be advised)	(to be advised)
	(i) Wood and wood products (HS Chapter 44)	Tariffs, standards	1999-2004	(to be advised)	(to be advised)
Chile	-	-	-	-	
China	(a) Toys (details to be advised)	Tariffs and NTMs	1998-2000/2005*	(to be advised)	(to be advised)
	(b) Bicycles (details to be advised)	Tariffs and NTMs	1998-2000/2005*	(to be advised)	(to be advised)
	(c) Accounting services (GATS CPC 862)	Transparency, market access	1998-2000/2003*	(to be advised)	(to be advised)

ECONOMY	SECTOR	MEASURES	TIMEFRAME	CO-SPONSORS	SUPPORTERS
Hong Kong, China	(a) Toys (HS 9501-9503, possibly others)	Tariffs	1998-2000**	(to be advised)	(to be advised)
	(b) All sectors	Nuisance tariffs (applied rate of less than 2%)	1998**	(to be advised)	(to be advised)
Indonesia	(a) Sports Footwear (details to be defined, but including parts of HS 6402-6404)	(to be advised)	(to be advised)	(to be advised)	(to be advised)
	(b) Fish and Shrimps Frozen (details to be defined, but including parts of HS 0303, HS 0304, HS 0306)	(to be advised)	(to be advised)	(to be advised)	(to be advised)
	(c) Pulp and Paper (details to be defined, but including parts of HS 4701-4707, HS 4802, HS 4804, HS 4810, HS 4822, HS 4823)	(to be advised)	(to be advised)	(to be advised)	(to be advised)
Japan	(a) Investment	Identify free and open investment, undertake transparency exchange	1997-98	(to be advised)	(to be advised)
	(b) Environmental equipment (to be defined)	Tariffs	1998-2000**	(to be advised)	(to be advised)
	(c) Film (HS 37)	Tariffs	1998-2000**	(to be advised)	(to be advised)
	(d) Rubber and articles thereof (HS 40)	Tariffs	1998-2000**	(to be advised)	(to be advised)
	(e) Transport equipment (HS 86, 87)	Tariffs	1998-2000**	(to be advised)	(to be advised)
	(f) Scientific equipment (HS 9010-9017, HS 9023-9033)	Tariffs	1998-2000**	(to be advised)	(to be advised)

ECONOMY	SECTOR	MEASURES	TIMEFRAME	CO-SPONSORS	SUPPORTERS
	(g) Fertiliser (HS 31)	Tariffs	1998-2000**	(to be advised)	(to be advised)
	(h) Musical instruments (HS 92)	Tariffs	1998-2000**	(to be advised)	(to be advised)
Korea	(a) Government procurement	Non-binding principles	1997-1999	(to be advised)	(to be advised)
	(b) Steel and steel products (HS 7204, HS 7206.10, HS 7207-7229, HS 7301, HS 7302 (excluding 7302.30), HS 7304-7306, HS 7307.22 (limited to stainless steel), HS 7307.92 (limited to steel), HS 7308.10, HS 7308.90, HS 7312-7314, HS 7317)	Tariffs, Ecotech	1998-2003/2008*	(to be advised)	(to be advised)
	(c) Petrochemicals (HS 2901-2903, HS 3901-3904, HS 2917)	Tariffs	1997-1999***	(to be advised)	(to be advised)
Malaysia	Oilseeds, vegetable fats and oils, oil cakes (HS Chapters 12, 15 and 23. Specific details to be defined)	Tariffs, NTMs, subsidies	To be defined, following ITA model****	(to be advised)	(to be advised)
Mexico	(a) Intellectual Property Rights	Enforcement of copyright etc Automation of procedures IPR protection for geographical indications for wines/spirits Well-known mark recognition	Two years Two years One year One year	(to be advised)	(to be advised)
	(b) Competition Policy	Technical assistance	(to be advised)	(to be advised)	(to be advised)
	(c) Government Procurement	Database establishment	Soon as possible	(to be advised)	(to be advised)

ECONOMY	SECTOR	MEASURES	TIMEFRAME	CO-SPONSORS	SUPPORTERS
	(d) (Additional sectors to be advised)	(to be advised)	(to be advised)	(to be advised)	(to be advised)
New Zealand	(a) Wood and wood products (HS 4401-4421, HS 4501-4504, HS 4701-4707, HS 4801-4823, HS 4901-4911, HS 9401, HS 9403, HS 9406)	Tariffs, NTMs, subsidies, standards, Ecotech, SPS	1998-2003	(to be advised)	(to be advised)
	(b) Fish and fish products (HS 0301-0307, HS 0508-0509, HS 0511, HS 1504, HS 1603-1605, HS 2301, HS 2309)	Tariffs, NTMs, services, subsidies, Ecotech SPS	1998-2003 1999-2004	(to be advised)	(to be advised)
Papua New Guinea	-	-	-	-	-
Philippines	-	-	-	-	-
Singapore	(a) Chemicals (HS 28-39 , except for 2905.43, HS 2905.44, HS 3301, HS 3501-3505, HS 3809.10, HS 3823.60)	Tariffs	1997-2004***	(to be advised)	(to be advised)
	(b) Consumer electronics (HS 8519, HS 8521, HS 8522, HS 8527, HS 8528, HS 8529, HS 8540)	Tariffs	1997-2000	(to be advised)	(to be advised)
	(c) Precision engineering and machinery (HS 8407-8421, HS 8456-8468, HS 9001-9015, HS 853590, HS 8477, HS 8480)	Tariffs	1997-2002	(to be advised)	(to be advised)
	(d) Medical diagnostic and scientific equipment (HS 284440, HS 3507, HS 3822, HS 392350, HS 392690, HS 401511, HS 621010, HS 630790, HS 650610, HS 841920, HS 850590, HS 854380, HS 8713, HS 871420, HS 9018, HS 9019, HS 9022-9028, HS 9030-9032, HS 9402)	Tariffs	1997-2000	(to be advised)	(to be advised)

ECONOMY	SECTOR	MEASURES	TIMEFRAME	CO-SPONSORS	SUPPORTERS
Chinese Taipei	Environmental technology and equipment (to be defined)	Tariffs	To be defined	(to be advised)	(to be advised)
Thailand	(a) Fish and fish products (HS 0302-0305, HS 03079-10011, HS 03079-90019, HS 1604, HS 1605)	NTMs, SPS, standards, Ecotech	(to be advised)	(to be advised)	(to be advised)
	(b) Canned and processed vegetables and fruit (HS 2001 (except 2001.900-106 and 2001.900-903), HS 2002-2005, HS 0812, HS 0813, HS 2006 (except 2006.000-148), HS 2007, HS 2008 (except 2008.110-004, 2008.190-014, 2008.910-004 and 2008.990-405), and HS 2009)	NTMs, SPS, standards	(to be advised)	(to be advised)	(to be advised)
	(c) Natural and synthetic rubber (HS 4001, HS 4002)	Ecotech	(to be advised)	(to be advised)	(to be advised)
	(d) Energy (HS 27)	Joint agreements, technology coordination	(to be advised)	(to be advised)	(to be advised)
	(e) Gems and jewellery (HS 7101-7116)	Tariffs, NTMs	(to be advised)	(to be advised)	(to be advised)
	(f) Rice and rice products (HS 1006, HS 1102.30, HS 1902.19, HS 1905.10, HS 1905.90)	NTMs	(to be advised)	(to be advised)	(to be advised)
	(g) Medical instruments and apparatus (HS 9018-9022)	R & D cooperation	(to be advised)	(to be advised)	(to be advised)

ECONOMY	SECTOR	MEASURES	TIMEFRAME	CO-SPONSORS	SUPPORTERS
United States	(a) Chemicals (HS Chapters 28-39)	Tariffs, NTMs, facilitation, standards, investment	1997-2004***	(to be advised)	(to be advised)
	(b) Medical equipment and services (UR-plus definition)	Tariffs, NTMs, market access, technical assistance	Short term****	(to be advised)	(to be advised)
	(c) Automotive (HS 3819, HS 3820, HS 4009-4013, HS 4016, HS 6813, HS 7007, HS 7009, HS 7318, HS 7320, HS 8301, HS 8302, HS 8407-8409, HS 8413-8415, HS 8421, HS 8425, HS 8431, HS 8482, HS 8483, HS 8501, HS 8507, HS 8511, HS 8512, HS 8519, HS 8525, HS 8707, HS 8708, HS 8716, HS 9029, HS 9104, HS 9401, HS 9403, HS 9802)	Standards, identification of TILF measures, Ecotech	1997 onwards	(to be advised)	(to be advised)
	(d) Oilseeds except peanuts, oilseed meals except peanut meals, vegetable fats and oils except peanut oil and olive oil, lecithin and other phosphoaminolipids, and protein isolates (HS 1201, HS 1203-1208, HS 1507, HS 1511-1515, HS 1516.20, HS 1517, HS 1518, HS 2302.50, HS 2306, HS 2923.20, HS 3504)	Tariffs, NTMs	Short term****	(to be advised)	(to be advised)
	(e) Telecommunications and information technology IT	MRA	1997	(to be advised)	(to be advised)

ECONOMY	SECTOR	MEASURES	TIMEFRAME	CO-SPONSORS	SUPPORTERS
✓	(f) Energy-related equipment and services (to be defined, but including equipment and services related to mining, oil and natural gas, electricity, and renewable resources)	Tariffs and market access	Short term****	(to be advised)	(to be advised)
✓	(g) Environmental technology and services (to be defined, but broadly including air pollution and treatment, water and wastewater, hazardous and solid waste, noise abatement, instrumentation and monitoring, and related services : product landscape available)	Tariffs, NTMs, market access	Short term****	(to be advised)	(to be advised)
✓	(h) Wood and paper (HS Chapters 44, 47, 48 and 49)	Tariffs	1999-2000****	(to be advised)	(to be advised)

Notes

1. Tariffs, NTMs generally denotes progressive reduction and elimination.
2. (*) denotes differential timeframe for developing and industrialised APEC members.
3. (**) denotes consideration may be given to differentiated timeframes.
4. (***) denotes progressive process of harmonisation, leading to reduction and elimination.
5. (****) denotes that requests for extended staging would follow the ITA approach.

TALKING POINTS IN RESPONSE TO CRITICISM OF FAST TRACK BILLS

Introduction

- I know you have heard from fast track opponents that the bills pending in the House and Senate would greatly restrict the President's ability to address other governments' labor and environmental practices. That is untrue. And it should not be allowed to shift the focus from the central issue: that fast track is essential to opening foreign markets to our exports, creating good high-wage jobs for American workers.

Labor and the Environment

- The opponents neglect to mention that the House and Senate fast track bills both set out specific negotiating objectives to address foreign governments' labor practices -- the most detailed provisions of this type ever included in fast track legislation.

- The opponents also ignore the fact that these fast track bills *for the first time* include trade-distorting environmental, health, and safety practices in the principal fast track negotiating objectives.

- These bills expressly permit the President to determine whether other governments are actually applying their labor laws -- or instead are manipulating them to gain an unfair trade advantage for their goods and companies. If we find that they are doing so, we can negotiate provisions to stop that practice.

- Claims that these bills represent a "step backward" from past fast track authority, including under the 1988 Trade Act, are fallacious. As noted, those were silent on environment, health, and safety. And the labor-related language was much vaguer. The 1988 Act committed the United States only to "promote respect" for worker rights and seek adoption of a GATT "principle" that foreign countries "should not" use the denial of such rights to gain competitive advantage in international trade.

- By contrast, these bills are far stronger -- turning the vague language of the past into clear authority for the President to negotiate with other countries to ensure they do not manipulate or ignore their labor and environmental laws to gain a competitive advantage for themselves.

- And the President also retains the full authority under these bills to utilize a variety of means to promote greater respect for environmental protection and worker rights -- including through a prohibition on exploitative child labor. The Administration is committed to addressing these issues vigorously in a variety of international fora and, where appropriate, with our trading partners.

- [If asked--for House bill only] The opponents also claim that language in the House bill providing that foreign governments should not be precluded from changing their laws for "sound macroeconomic reasons" creates a loophole here. That is untrue. We have long urged other governments to implement economic policies that make good development sense in the long term -- and that are consistent with labor, environmental, and health and safety concerns. *Sound* macroeconomic policies and strong labor and environmental protections are complementary goals.

Other Issues

- The opponents also are wrong when they claim that the bills will significantly restrict Congress' ability to include provisions of importance to American workers in future trade agreement implementing legislation.

- In fact, both bills ensure that future fast track legislation can include trade adjustment assistance for U.S. workers and firms, must protect our strong laws addressing unfair foreign trade practices, and can accommodate other relevant provisions of interest to Members of Congress and the Administration.

Conclusion

- The House and Senate bills both improve on past fast track legislation in enabling us to address the types of foreign government labor and environmental practices that have the greatest impact on American workers and American firms. These bills give us the chance to break down foreign trade barriers and advance worker rights and environmental protection at the same time.

- Opposing fast track, by contrast, would do nothing to advance our ability to address these concerns with other governments. It simply would ensure that our labor and environmental concerns are ignored in the years ahead-- even as we are denied the chance to pursue new export opportunities that translate directly into good jobs for American workers.

$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.

TALKING POINTS ON FAST TRACK AND FOREIGN POLICY

Fast Track and American Leadership -- Overview

- **The fast track debate is about much more than trade. It is about American leadership in the world.** Other governments, particularly those in Latin America, view fast track as a test of whether the United States intends to maintain our half century of leadership -- or retreat and turn inward.

- **A failure of U.S. leadership would be a huge mistake.** For over 50 years, we have led the world toward freer markets -- reducing average tariffs from 40% at the end of World War II to about 5% today. That has led to a 90-fold increase in trade, which has enormously benefitted the U.S. We must not turn our back on that progress.

- **American leadership is not divisible. If we fail to lead on trade, our influence will suffer in other areas.** The patterns of trade developed in the coming decades will create patterns affecting our national security, foreign relations and political interests. If Latin America is permitted -- by default in our leadership -- to turn increasingly to Europe and Asia in its trade relations, it will weaken our relationship with Latin America. Rejecting fast track would also send a terrible signal to emerging markets, undermining the developing world trend toward free market policies and democracy.

Exports and U.S. Growth

- **For the U.S., the case for fast track is clear: if we are to sustain our economic growth, we must export.** Since 1993, one-third of our growth has come from exports. Over the next decade, the economies of Latin America and Asia are expected to grow at three times the rate of the U.S. economy. In a world where 96% of the world's consumers live outside our borders, we must export to grow. 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 in key industries like automobiles, semiconductors and pharmaceuticals. It makes no sense to sideline ourselves now.

- **But we cannot afford to take our economic leadership for granted.** Throughout the world, other countries are moving to reach trade deals opening their markets. We can either lead this process -- or watch it proceed without us:
  - In Latin America and Asia alone, other countries have reached more than 20 preferential trade agreements without us. Today every major economy in the hemisphere has a preferential trade deal with Chile, except the U.S.
  - The EU is seeking a preferential trade agreement with MERCOSUR, a market of over 200 million people and a GDP exceeding $1 trillion. President Chirac has declared "the future of the region rests with Europe, not the United States."

Fast track and American Foreign Policy

- **Fast track is a test of our foreign policy.** As the sole remaining superpower, the United States has a fundamental interest in aiding both security and prosperity around the world -- particularly in our own hemisphere. Stable trading relationships are critical to that end. In the post Cold-War world, trade agreements serve some of the same purposes security pacts played during the Cold War: They bind nations together through a set of shared interests and common objectives.

- **If the U.S. fails to lead, we risk losing influence by default. The trade patterns set in coming decades will have enormous strategic importance too.** That is part of the strategy behind FTAA and APEC processes. They are not just economic: they are also intended to reinforce broader U.S. engagement in Latin America and Asia, two regions where U.S. foreign policy strategic and security interests are deeply implicated. Rejecting fast track would signal retreat from these initiatives.

- **That would clearly undermine broader U.S. interests.** Latin America sees trade as the linchpin of a stronger hemispheric relations -- our failure to engage would undermine cooperation on a range of issues including drug interdiction, immigration, environmental protection and corruption. In Asia, the industrialization of 3.5 billion people in the arc from Korea to Pakistan will be perhaps the greatest development of the 21st Century. It is critical to America's economic and security interests that we be deeply engaged in the transformation. Without fast track, we are crippled in that effort.

- **The cause of democracy and free markets would also suffer.** After decades of failed experiments and anti-Americanism, many of the world's emerging markets today are embracing free markets, democracy and other American values. Today -- for the first time in history -- one half of the world's population lives under elected rulers. But this fragile progress 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. Rejecting fast track would send a terrible signal that we are not serious about trade liberalization and reform.

<u>Conclusion</u>

- **The United States faces a critical choice.** We can continue to make our economy the model for the rest of the world, open foreign markets, and reaffirm our 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.

WHY AMERICA WON'T GET ITS FAIR SHARE OF JOBS WITHOUT FAST TRAC

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 more markets opening around the world, it is now more important than ever to give the President traditional trade authority to break down trade barriers for American goods and services.

The U.S. needs to maintain its leadership role in opening markets through tough, fair trade agreements.

- **Since 1992, 49 states have experienced an increase in overall goods exports and 45 states have experienced an increase in jobs supported by trade.**
- **46 states have higher exports to Mexico and 47 states have higher exports to Japan.**

In the upcoming WTO negotiations, President Clinton needs fast track to have the flexibility to negotiate agreements in **agriculture, commercial services and government procurement.** <u>In each of these areas, the U.S. is the most competitive nation in the world and stands to benefit the most from writing the rules of trade</u>.

AGRICULTURE

The U.S. is the world's largest agricultural exporting country -- shipping a record $60 billion in exports abroad. In 1996, total world agricultural exports totaled $600 billion. U.S. exports accounted for <u>only 10%</u> of that -- $60 billion.

- **U.S. agricultural exports support nearly a million jobs and this number is rising.** Since 1990, the value of U.S. agricultural exports has increased by $20 billion, or nearly 50%. Each week last year, on average, American producers and processors shipped out more than $1.1 billion in farm and food products to foreign markets.

- **Last year, our agricultural exports were twice the level of our agricultural imports -- a claim no other industry sector can make.** Dollar for dollar, we export more corn than coal, more wheat than steel, more meat than aluminum and more fruits and vegetables than CD's, records, and tapes. U.S. exports are growing more than three times as fast as domestic demand for foods.

- **U.S. agriculture will pay a price if fast track is not granted.**
  - ☞ More than 30 bilateral and regional trade agreements are already operating here in the Western Hemisphere, and the U.S. is party to only one -- NAFTA. While these preferential trade agreements multiply, the U.S. share of the region's total agricultural imports is declining.
  - ☞ Chile has already signed trade agreements with Bolivia, Colombia, Ecuador, Mexico, Venezuela, MERCOSUR and most recently Canada.

The U.S. has already lost an estimated $500 million in exports to other countries that have duty preferences already in place.

☞ Chilean fresh fruit pays a 2% duty when entering Venezuela (due to the Chile-Venezuela FTA) whereas American producers pay a 15% tariff. The U.S. Embassy estimates that the U.S. market share would grow from its current 39% to 67% if U.S. producers had equivalent access to the Venezuelan market.

Without fast track, the U.S. will lack credibility to push for a fast start on WTO agricultural negotiations scheduled to start at the end of 1999. 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. **Already, since 1992, in Latin America and Asia alone, our competitors have negotiated 20 trade agreements that do not include the United States.**

The best way we can continue to increase our agricultural exports and create more higher-paying jobs is through broad negotiations where the U.S. has the ability to seek additional commitments from other countries to reduce their barriers to American agriculture.

COMMERCIAL SERVICES

Exports of services by U.S. firms supported an estimated 3.9 million U.S. jobs in 1996. U.S. service exports have more than doubled over the last ten years, increasing $135 billion since 1987 and $84 billion since 1990 to $250 billion in 1996. In 1995, U.S. service exports accounted for 16% of global service exports; our closest competitors that year were France (8%) and Germany, Italy, Japan and the U.K. (between 5% and 6%).

- **U.S. exports to emerging markets have grown at impressive rates:** nearly 30% to China, Taiwan and Korea; and over 20% to Hong Kong and Argentina. The U.S. also exported over $1 billion in 1995 to the emerging markets of Argentina, Brazil, China, Hong Kong, the Philippines, India, Indonesia, Korea, Malaysia, Singapore and Thailand.

- **Service exports are estimated to reach $300 billion by 2005 and $350 billion by 2010.** With the expanding electronic commerce market, the growth trend in the service sector may easily surpass these estimates. For example, look at the health care services industry. In 1994, exports reached $812 million. The industry is estimated to grow to $1.03 billion by 1998 and continue its growth to $1.4 billion by 2002.

- **Unless negotiated away, barriers will inhibit increased U.S. service exports.** In Korea, a number of service sectors remain restrictive for foreign investment, including audio-visual services, insurance, telecommunications and advertising. 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.

- **Fast track will strengthen U.S. efforts to reduce trade barriers and expand these international markets which are key to maintaining U.S. competitiveness and innovation.**

GOVERNMENT PROCUREMENT

- **In 1996, government procurement totaled $200 billion in U.S. exports in 1996 in a total world market of $600 billion.** Sectors relating to government procurement include civil aircraft, which supports over 450,000 high-wage jobs, energy equipment supporting 350,000 workers, environmental technologies and services supporting 1.3 million workers and medical equipment employing over 260,000 workers.

Civil Aircraft

- **One out of every two civil aircraft manufactured in the U.S. is exported.** Asia has become the fastest growing foreign market for U.S. civil aircraft, accounting for about 45% of U.S. civil aircraft exports in 1996. Korea is in the midst of a major civil aviation expansion -- a ten year procurement program plans the purchase of some 230 aircraft worth about $20 billion. With ASEAN, there is a large and growing demand for airport and ground support equipment. The Philippines has initiated a $3 billion refleet and modernization program. Almost all of Thailand's demand must be met by imports.

  - **High tariffs and government subsidization are major barriers.** Low and middle income country tariffs range from 3 to 40% while the U.S. has no tariffs.

  - **Competition isn't waiting for U.S. leadership.** Canada is competitive in Latin America, especially in the business and regional jet aircraft sectors. Canada already has a Free Trade Agreement with Chile which will provide a three percentage point tariff advantage over U.S. suppliers by 1997. This tariff deferential, which will increase to 11 percentage points when the FTA is fully implemented, provides the Canadian industry a significant advantage in certain segments of the market.

Energy Equipment

- **Since 1990, U.S. exports of energy equipment have doubled reaching $15.5 billion in 1996 with a trade surplus of $6.5 billion.** U.S. exports to the big emerging markets, China and FTAA countries more than doubled since 1990. Exports account for an estimated 34% of the U.S. industry's product shipments.

By 2005, energy equipment exports are expected to exceed domestic shipments.

- **The demand for energy in low and middle income countries is expected to grow at more than twice the rate of industrialized countries.** Thailand is expected to invest $22 billion in new power plants; Indonesia is spending $40 billion developing a natural gas field; China and India represent even larger potential markets as each country attempts to meet increasing demand.

- **Competition doesn't wait for U.S. leadership.** MERCOSUR countries are in the process of privatizing the electricity sector and expect increased demand for generation and distribution equipment. Imports supply approximately one-fifth of the equipment demand, and the U.S. supplies one-third of that. Yet, with tariffs ranging up to 24%, U.S. companies will be at a significant disadvantage if other countries are given preferential access.

  With U.S., German and Japanese companies providing almost equal shares of energy equipment in world markets, any preferential access to low and middle income countries by our competitors will hurt U.S. workers and companies.

- **Fast track will strengthen U.S. efforts to reduce trade barriers and expand these international markets which are key to maintaining U.S. competitiveness and innovation.**

<u>Environmental Technologies and Services</u>

- **U.S. ET exports increased 26% from $11.5 billion in 1994 to $14.5 billion in 1995 -- making the U.S. the world's largest supplier.** Growth in exports was responsible for 40% of the $7.5 billion in 1995 environmental technology industry growth. The global market is projected to grow from about $440 billion in 1995 to approximately $600 billion by the year 2010. While the U.S. enjoys over $14 billion in environmental exports only 8% of the U.S. environmental industry's revenue comes from exports. Major competitors, such as Germany and Japan, export in excess of 20%.

- **Opportunities abound for U.S. environmental technology.** The market in Indonesia exceeds $1.3 billion of which $300 million is from the U.S.). Thailand's market exceeds $1 billion (U.S. exports account for two-fifths of that) and could double over the next five years. Malaysia's market is around $700 million and is expected to grow at 15-20% per year through 2000.

- **Competition doesn't wait for U.S. leadership.** $10 billion in new investment is expected through the year 2000 in Brazil. U.S. exports last year amounted to about $100 million. Tariffs range up to 18%, although MERCOSUR partners receive duty free treatment and other Latin American countries receive a 60% duty reduction.

Medical Equipment

- **Total medical device exports reached $11 billion in 1996 -- a 14% rise from 1995.** Exports as a share of industry shipments were 20% in 1990 and are expected to be 30% by 2005. Since 1990, U.S. medical devices exports to China, ASEAN and the other big emerging markets (excluding Mexico) doubled, reaching $2 billion in 1996. Thailand's medical device market exceeds $600 million, and Indonesia's market has been growing by over 10% annually. Malaysia has budgeted $1.4 billion this year to upgrade health care quality, and Singapore has over $500 million earmarked for redevelopment projects.

- **The industry faces tough barriers in low and middle income countries** which include approval procedures for imported devices; government health care reimbursement policies which discriminate against U.S. products; and non-transparent government procurement policies. MERCOSUR countries are developing import and standard regulations which will negatively impact U.S. medical device manufactures.

Fast track will strengthen U.S. efforts to reduce trade barriers and expand these international markets which are key to maintaining U.S. competitiveness and innovation.

- The vast majority of low and middle-income countries have not signed the WTO Government Procurement Code and the United States cannot negotiate government procurement obligations in plurilateral negotiations.

- Current WTO negotiations on establishing elements of a transparency agreement offer the opportunity to secure more transparency in foreign government bids, to the benefit of U.S. firms and workers.

Question

Since Congress can amend treaties, why would Chile negotiate with us on agreements like the Chemical Weapons Treaty but not on trade agreements?

Answer

- Essentially, it is a question of expectations and tradition.

- The determination of whether the United States effectuates an international accord through an agreement or a treaty largely turns on the subject matter involved and historical practice.

- Since 1934, the United States has primarily relied upon agreements, rather than treaties, in conducting our trade relations. And, since 1974, trade agreements have been eligible for an expedited, up-or-down vote under fast-track procedures.

- Chile, like the rest of our trading partners, has come to expect that we will negotiate trade agreements on this historical basis. These nations have become accustomed to procedures which guarantee that the long hours of negotiation and hard political choices that go into a trade agreement will receive at least one up-or-down vote.

- In addition, they know that many of our competitors have less cumbersome agreement-approval procedures in place and are ready to enter into agreements.

- In this light, renewal of fast-track would send a strong signal that the President and the Congress -- that is, both Houses of Congress -- are unified in seeking to lower tariff and non-tariff barriers and other distortions of trade. It would tell Chile and other nations that we are serious about reaching agreements to achieve these ends and that such agreements have a reasonable likelihood of being approved and implemented.

- Equally important, it also would let our negotiating partners know that, to the extent any legislation will be needed to implement an agreement, such legislation has a reasonable chance for passage since both Houses of Congress have been consulted and have been an integral part of the process. In fact, Congress has made clear its preference to control the implementation of trade agreements through legislation.

- Rejection of fast-track will be viewed by our trading partners as an indication that the United States is uncertain of where it wants to go with respect to trade. They are likely to feel that negotiations with the United States will not lead to tangible results. Indeed, they know that a treaty -- like a non-fast-track agreement -- may be amended, approved subject to deal-killing conditions, filibustered or otherwise delayed. Recognizing the sensitive nature of trade issues, they also may view obtaining the consent of two-thirds of any legislative body -- rightly or wrongly -- as a difficult hurdle to overcome.

- Therefore, while I cannot say that our trading partners will categorically refuse to negotiate trade agreements with us as treaties, I can assure you that it would send the wrong message to them at this critical time and it would signal a significant retreat from our position as a leader in the effort to increasingly liberalize trade.

You should avoid giving a legal opinion on what may be included in a treaty v. an agreement, or what must be put into implementing legislation.

TRADE AND INCOME DISPARITY

Question 3. **Hasn't Trade Liberalization caused growing income disparities in the United States? Does increasing trade with low wage countries drive down the wages and living standards of U.S. workers?**

Answer:

- Your question is a legitimate one. It has been addressed a number of times in highly technical economic analysis. The OECD has also recently studied extensively the linkages between trade, employment and real compensation. The results of these studies vary considerably in their conclusions. **Let me, however, tell you in a nutshell what I believe is the closest we have to a consensus view on this issue, based on such work.**

- **The literature tends to suggest that the principal source of increased disparity in labor compensation is technological change.** [The IMF World Economic Outlook, April 1997 finds that the relative decline of wages for low-skilled workers in the world is largely due largely to technological change which has raised the demand for higher-skilled workers.] New technologies in communications, information, manufacturing, transportation and number of other areas have increased the economy's needed for higher skilled workers while limiting the growth in demand for lower skilled workers. New technology, of course, creates new products, increases labor productivity and real income for the country as a whole, but possibly at some expense in demand for and remuneration of lower skilled workers.

- **Trade may act in a similar manner to technology, though its effects are usually considered to be considerably less.** The U.S. has on average the world's highest labor productivity and most creative and skilled labor force. Our exports embody, the work of skilled U.S. workers. Productivity is higher in exporting industries and the wages of export supported jobs are 13% to 16% higher than the U.S. national average. **Trade liberalization, by removing impediments to U.S. exports, therefore tends to shift job growth over time somewhat toward higher skilled jobs rather than lower skilled jobs and, at least theoretically, may contribute to changes in wage distribution.**

- **We are careful with regard to trade agreements about the interests of import impacted workers.**
  -- **First,** the reduction in any U.S. barriers is phased in gradually, with the longest phase in provided for the most sensitive industries to ease any burden of adjustment.
  -- **Second**, trade-related adjustment assistance such as for NAFTA provides more favorable support for trade impacted workers than for U.S. workers who face job displacement for purely domestic reasons.

-- **Third,** we always reserve our rights and have in fact used provisions for temporary safeguard import relief to assist worker adjustment.
-- **And, fourth,** of course, as the world's most open major market, our barriers are already very low, and U.S. workers do not face the type of substantial adjustments to trade agreements that elsewhere in smaller, currently more protected markets.

- **Whatever the impact of trade on wage disparity, import protection is a no more advisable policy to address it than a policy that would take punitive measures to persuade our scientists, researchers and high-tech companies to cease innovating**. Both would slow the rate of growth and real labor compensation. The economic costs of trade protections would certainly outweigh the benefits.

- **Ultimately, the best and most lasting solution to any increase in wage inequality growing out of properly functioning markets is better education and increased training**. The enhancement of job skills allow more lower wage workers to take greater of advantage of technological changes and more open markets to raise their productivity and incomes. The upgrading of the skill level of labor force should also contribute to bringing better balance between supply and demand for lower-skilled workers as well as between the supply and demand for higher skilled workers, thus helping to offset tendencies toward greater wage inequality.

[Americans as individuals and families have always valued the sense of having an opportunity to get ahead. Education and training, on the one hand, job-enhancing technology and market-opening agreements, on the other, are among our principal means for expanding economic opportunity for U.S. workers.]

9/25/97

Question: **If free trade is so great, why is our trade deficit so high with our NAFTA partners?**

NAFTA

- **NAFTA did not cause our trade deficit with Mexico.** Mexico suffered a balance of payments crisis and a debilitating recession in 1995 that affected Mexico's ability to purchase imports. The President's study indicates that the shift in the U.S.-Mexico trade balance from a small surplus in 1994 to a deficit in 1995 was driven by factors unrelated to the provisions of the NAFTA, specifically the strong U.S. economy and Mexico's severe recession in 1995. During the first three years of NAFTA (a 15-year agreement), the average Mexican applied tariff on U.S. imports dropped 7 percentage points, from 10 to 2.9 percent, as compared to a 1.5 percentage points U.S. tariff drop, from 2.07 to 0.65 percent. The low tariffs on goods entering from Mexico, and the even smaller U.S. tariff reductions on imports from Mexico could not have conceivably been a major cause of the growth in imports from Mexico during NAFTA's first three years.

- The President's study generally confirmed that the **NAFTA has worked to raise exports to Mexico more than imports from Mexico** (according to DRI, exports to Mexico are up $12 billion a year due to the NAFTA, imports up $5 billion). This is the only logical conclusion given the initial disparity in the market access barriers, including non-tariff measures, in Mexico and the U.S. Further, Mexico's trade surplus has declined each month in 1997 and U.S. export growth to Mexico is outpacing U.S. import growth from Mexico in 1997. If the current trend continues, Mexico will exceed Japan as the number two export market for U.S. exports this year.

- **NAFTA protected U.S. economic interests.** U.S. share of Mexican imports increased from 69.3% in 1993 to 75.5% in 1996. U.S. exports recovered in 18 months as opposed to 7 years from the early 1980's crisis. Currently, U.S. exports to Mexico in 1997 (annualized based on first 6 months) are running 69% higher than 1993, to a record $70 billion.

Overall Trade Deficit

- The overall trade deficit has increased since the recession of 1990/91, the increase during this business cycle being closely related to much faster job and output growth in the United States than in many of our major trade partners.

  -- The **U.S. economy** has grown at a rate of 2.8 % since 1992, roughly twice the rate of growth for our major trade partners in the G-7. **Industrial production** is up 20% in the U.S. since 1992, while up only 7% in Japan and down 2% in Germany. Similarly with **employment**: up nearly 13 million in the United States while up less than a half million in the other G-7 countries. **Faster growth in the U.S. means that U.S. imports have**

been stimulated more than U.S. exports (which nevertheless are up 50% between 1992 and the first 6 months of 1997). An estimated 2.2 million high wage, export supported U.S. jobs were added due to export expansion between 1992 and 1997. Exports have accounted for more than one-third of the increase in our GDP. The U.S. trade deficit --particularly with an unemployment rate under 5% -- is in some ways more a sign of strength than a source of weakness.

- The U.S. trade deficit is not skyrocketing. Relative to the size of the U.S. economy, the deficit is less than half as large as it was at its peak during the last decade (attained in 1987). **The goods and services trade deficit in 1996 was 1.4% of GDP, less than one-half the 1987 peak deficit of 3.3% of GDP.** The goods and services trade deficit has been stable as a share of U.S. GDP for 3 years and appears to be little changed so far in 1997. On a goods trade basis alone the figures are 2.5% in 1996 and 3.4% in 1987.

- **Trade policy is extremely important** for removing foreign barriers to America's most competitive industries, the high productivity and higher wage jobs they provide and thereby enhancing U.S. growth and living standards. Our trade policy helps make us work smarter, grow faster and enjoy higher standards of living. Good trade agreements to reduce or remove foreign trade barriers expands U.S. exports and, gradually over time, shifts the composition of U.S. job creation from lower to higher productivity sectors, from lower to higher paying jobs. **Trade policy plays only a secondary role** (relative to macro or saving policies) in bringing down the deficit. However, and this is important, the real economic benefits provided by market opening policies are worth pursuing whether the trade balance is in deficit, surplus or just even.

- **A healthy economy, strong growth and modest saving rates -- the U.S. situation -- result in the attraction of foreign capital to finance internal investment and the creation of corresponding trade deficits. Lifting saving rates helps self-finance strong U.S. investment more fully, reduces net capital inflows and reduces trade deficits.** Great progress has already been made on this score through Congressional and Presidential action on the budget deficit. The trade deficit has as a result shrunk considerably relative to the size of the U.S. economy, compared to the similar point of the previous business cycle.

- ***With the U.S. economy at or near full employment, its recent growth record unmatched by other major countries; with domestic investment and employment booming, the recent increases in trade deficit are more a sign of strength than a source of weakness.***

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

October 1, 1997

NOTE TO AMBASSADOR BARSHEFSKY

FROM: David Walters/Bill Shpiece

SUBJECT: Re: Sen. Dorgan's Comments from Senate Commerce Hearing

This is a quick follow up on two points made by Senator Dorgan during your Tuesday testimony.

Manufactures Trade Deficit

- **U.S. manufacturing deficit declined** by 5.2% ($7.5 billion) in 1996, and is projected to again decline in 1997 by 6% ($8.1 billion). (1997 annualized based on first 7 months).

	1992	1993	1994	1995	1996	1997 annualized
Manufacturing Deficit..... (billions of dollars)	**66.1**	**91.5**	**127.0**	**144.7**	**137.2**	**129.1**

- In citing the $170 billion plus manufactures trade deficit, the Senator was apparently confusing the "merchandise" trade deficit (all movable goods) with the "manufactures" (manufactures alone, excluding ag, petroleum, raw and crude materials and products at the earliest stages of economic transformation.)

- The manufactures trade balance numbers above are **completely consistent** with your point that petroleum has accounted for practically all the increase in the "goods" or "merchandise" trade deficit (interchangeable terms, meaning the same thing) in the last 2 years. **In fact, as you can see above, the manufactures trade deficit is currently running at a rate more than $15 billion below 1995. (Offsetting the $15 billion reduction in the manufactures trade deficit, within the overall non-petroleum goods area, is a roughly $8 billion reduction in the agricultural surplus -- effect of lower prices -- and an $8 billion swing on raw materials due undoubtedly to stronger U.S. growth -- from a surplus of $6 billion to a deficit of $2 billion.)**

Budget Deficit Versus the Trade Deficit

- **The Senator** made the point that in the late 1980s, the Congress had been told that as the budget deficit came down, so would the trade deficit. He argued that evidence had shown otherwise, supporting his view that the trade deficit is essentially the result of trade policy.

- **As you can see from the figures above, from 1987 to 1996 the U.S. trade deficit actually fell more than the budget the deficit.**

	Budget Deficit	Goods and Services Trade Deficit
	----- as % of GDP (and $ Billions) -----	
1987.......	2.7% ($129)	3.3% ($152)
1996......	1.4% ($111)	1.5% ($111)
Percentage Point ($) Decline	**-1.3% ($ -11)**	**-1.8% ($- 41)**

- **Caveats:**

-- It is true that **there is not a one-to-one relation between budget deficit and external deficit changes.** (Across business cycles, in fact, leaving aside the structural changes we are talking about here, trade and budget balances tend to move in opposite directions.) The current account deficit is instead correlated to the difference between total national saving (government balance, household saving and corporate reinvestment) and gross domestic investment.

-- If, however, the budget deficit were to decline substantially and the external deficit remain unchanged, that could well imply rising investment rate in the United States (a source of strength for the U.S. economy and workers. **Full year 1997 is likely to have some elements of such a scenario: with the budget deficit likely falling to 0.4% of GDP; the goods and services deficit is likely remaining at about 1.5% of GDP; and investment so far this year (first half), reaching nearly 15.4% of GDP or a more than 0.3 percentage point higher share of GDP than in 1996.**

cc: Ambassador Lang
Ambassador Hayes
Ambassador-designate Scher
Nancy LeaMond
Bob Novick
Sue Esserman
Liz Arky
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The Heritage Foundation Backgrounder

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TO: Jay
From: Deb

October 22, 1997

MYTHS AND REALITIES OF THE FAST-TRACK DEBATE

John Sweeney
Policy Analyst

INTRODUCTION

Few issues in recent years have been as contentious—or as widely misunderstood—as the issue of renewing presidential fast-track negotiating authority. Before the current session of Congress ends, Members must vote either to grant or deny President Bill Clinton the fast-track trade authority he has requested. President Clinton has sought this authority to negotiate agreements that would expand the U.S. economy further and maintain U.S. leadership around the world.

Despite ample evidence that free trade has contributed to the growth of the U.S. economy, however, as well as to the creation of millions of new jobs and an increase in the living standards of American families, protectionists hope to kill fast-track authority. Many opponents of fast track—including the Democratic leadership on Capitol Hill, organized labor, and isolationists—are trying to turn the congressional debate on fast track into a referendum on the North American Free Trade Agreement (NAFTA). They have gone so far as to revive previously discredited claims about trade deficits and job losses while cloaking their objectives in rhetoric over concern for labor standards and the environment.

Before Congress casts the deciding vote on this issue, it should examine fast track fairly and objectively. Members should study the facts to see how free trade has contributed to the U.S. economy and then debunk the common myths surrounding this important issue for their constituents. Without fast-track authority to expand free trade, Americans will suffer while other countries prosper.

DEBUNKING TEN COMMON MYTHS ABOUT FAST TRACK

MYTH #1: A vote against fast track is a vote against NAFTA. Opponents of fast track argue that voting against fast track would show congressional displeasure with NAFTA.

REALITY: Not true. A vote against fast track will be a vote against the millions of American families for whom free trade has meant more consumer choice, better job opportunities, and higher standards of living. Moreover, a vote against fast track will be a vote for tax hikes, higher inflation and interest rates, slower productivity and wage growth, less investment, and less job creation, as well as for labor unions that favor more government regulation of the economy at the expense of private investment. Worse yet, denying the President renewed fast-track authority will be the greatest economic and foreign policy setback since enactment of the Smoot–Hawley Tariff Act of 1930, which triggered the Great Depression and worldwide economic meltdown that helped lead to the outbreak of World War II. If Congress renounces the historic U.S. role as the world's leading advocate and practitioner of free trade by rejecting the President's request, U.S. economic and political preeminence will be weakened and the global trading system undermined.

The fast-track bills approved on October 1 and 8, 1997, respectively, by the Senate Finance Committee (S. 1269) and House Ways and Means Committee (H.R. 2621) are entirely consistent with conservative (indeed, classically liberal) economic principles regarding free trade, open markets, and deregulation. By renewing fast-track trade authority, Congress can give the President the single most powerful tool he needs to negotiate trade agreements that will benefit small and medium-size U.S. firms and investors. Moreover, because 75 percent of all U.S. exporters employ fewer than 50 workers each, Congress's vote on fast-track authority will affect the pocketbooks of all Americans. If the United States is not present during all future international trade negotiations to shape the rules so that they advance U.S. economic interests and national values, the ultimate losers will be the American people.

MYTH #2: Fast-track authority reduces the role of Congress in trade negotiations. Critics of fast track claim that Congress will give up too much oversight authority.

REALITY: Fast-track authority does not give the President a blank check to negotiate trade agreements, nor does it deprive Congress of its constitutional power to regulate commerce with foreign nations. Fast-track negotiating authority was created under the U.S. Trade Act of 1974 to speed legislation implementing trade agreements through Congress by barring amendments and requiring a prompt up-or-down vote. The three essential features of any fast-track authority are that (1) there must be extensive consultation and coordination with Congress throughout the process; (2) there must be a vote on implementing legislation within a fixed period of time; and (3) this vote must be up or down, with no amendments. Congress establishes the objectives and limits of the President's negotiating authority. Throughout any trade negotiations, the Administration must consult frequently with the House Ways and Means Committee, the Senate Finance Committee, and special advisers designated by Congress.

Fast-track authority has been used for every international trade negotiation undertaken by the United States since 1974. A Republican President and Democratic Congress produced the U.S. Trade Act of 1974 to negotiate and implement the Tokyo Round of the General Agreement on Tariffs and Trade (GATT), and the United States has reviewed

AMERICANS BENEFIT FROM FREE TRADE

- U.S. employment has averaged 356,800 new jobs per month so far in 1997, compared with 272,000 per month in 1996 and 45,400 per month in 1995.[†]
- U.S. industrial production increased 18 percent from 1992 to 1996.
- During the same period, U.S. manufactured exports increased 42 percent, high-technology exports rose 45 percent, services exports were up 26 percent, and agricultural exports grew by 40 percent.
- U.S. manufacturing employment grew from 16.9 million jobs in 1992 to 18.3 million in 1996, an increase of 1.4 million net new jobs—the first such increase in more than 15 years.
- Currently, over 12 million U.S. jobs—including one in five manufacturing jobs and one in three agricultural jobs—depend directly on exports.
- The U.S. economy has created over 2.5 million new jobs each year since NAFTA and the Uruguay Round Agreements creating the WTO went into effect on January 1, 1994, and January 1, 1995, respectively.
- The U.S. economy has created nearly 13 million new jobs overall since 1992 and currently is at full employment.

† "Open Trade: The 'Fast Track' to Higher Living Standards," *fact & fallacy*, Employment Policy Foundation, Washington, D.C., Vol. III, No. 10 (October 1997).

and renewed fast-track authority to implement all other comprehensive trade agreements it has negotiated since that time, including the U.S.–Israel Free Trade Agreement of 1985, the U.S.–Canada Free Trade Agreement of 1988, the NAFTA of 1993, and the Uruguay Round Agreements of 1994 creating the World Trade Organization (WTO). It is inconceivable that 12 Congresses over the past two decades would have allowed the executive branch to usurp, contort, or disregard the input of Congress in the trade negotiation process even once, let alone several times.

MYTH #3: Fast-track authority will replicate failed trade policies of the past. Opponents of fast track argue that free trade weakens the U.S. economy.

REALITY: The U.S. economy is in its sixth consecutive year of expansion, and both inflation and unemployment have fallen to their lowest levels in more than two decades. Today, the United States is the world's largest exporter of goods and services. It also is the world's largest producer of semiconductors, automobiles, software, and other sophisticated technologies. The U.S. economy reports the highest productivity and competitiveness of any economy in the world, creates more jobs than any other industrialized economy, and accounts for 25 percent of all global foreign investment each year. As a result, Americans enjoy the world's highest standard of living. Moreover, U.S. free-trade policies since the end of World War II have been responsible for the spread of capitalism and democracy throughout the world.

Over eight successive rounds of GATT negotiations between 1947 and 1994, U.S. trade negotiators wrote about 85 percent of the global trading rules to advance U.S. interests and values. The creation of the WTO was a vitally important achievement of U.S. foreign policy because it established the foundations of the global trading system for the 21st century—a system that has been shaped primarily by the economic achievements of Americans over the past 50 years. Clearly, these international agreements are the fruits of successful U.S. trade policies.

MYTH #4: New trade agreements under fast track will destroy U.S. jobs, depress U.S. wages, and weaken the U.S. manufacturing base. Opponents of fast track argue that trade agreements like NAFTA and the WTO have destroyed hundreds of thousands of U.S. jobs, depressed U.S. wages, and weakened the U.S. industrial base by encouraging American companies to relocate to Mexico, where wages and labor standards are lower.

REALITY: The evidence that free trade creates more job opportunities and higher living standards for Americans is irrefutable: U.S. employment, wages, and manufacturing output have grown significantly since 1992. Moreover, the growth in employment is accelerating—an average of 356,800 new jobs per month thus far in 1997, compared with 272,000 per month in 1996 and 45,400 per month in 1995.[1] Hundreds of thousands of U.S. jobs have *not* been destroyed, U.S. living standards have *not* declined, and the U.S. industrial base has *not* been weakened since NAFTA took effect in 1994.

In fact, the U.S. economy has been creating over 2.5 million new jobs each year since NAFTA and the Uruguay Round Agreements went into effect on January 1, 1994, and January 1, 1995, respectively. Moreover, the U.S. economy has created nearly 13 million new jobs overall since 1992 and currently is at full employment (meaning that the unemployment rate has dropped below the 6 percent level, which economists view as full employment). The unemployment rate thus far in 1997 is 4.9 percent, the lowest in 24 years. If the United States is at full employment, it should be clear that hundreds of thousands of jobs are *not* being destroyed as a result of expanding free trade. The U.S. Department of Labor determined that only 125,000 U.S. jobs actually were lost as a result of NAFTA during the agreement's first three years, and only 10,000 of those workers who were displaced actually took advantage of NAFTA's retraining benefits. To place these numbers in perspective, the number of U.S. jobs lost to NAFTA during its first 36 months is roughly equivalent to the total of net new U.S. jobs created in less than two weeks.

U.S. industrial production increased 18 percent from 1992 to 1996. Moreover, during this same four-year period, U.S. manufactured exports increased 42 percent, high-technology exports rose 45 percent, services exports were up 26 percent, and agricultural exports grew by 40 percent. Similarly, manufacturing employment grew from 16.9 million jobs in 1992 to 18.3 million in 1996—an increase of 1.4 million net new jobs and the first such increase in more than 15 years. Currently, over 12 million U.S. jobs, including one in five manufacturing jobs and one in three agricultural jobs, depend directly on exports.

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1 "Open Trade: The 'Fast Track' to Higher Living Standards," *fact & fallacy*, Employment Policy Foundation, Washington, D.C., Vol. III, No. 10 (October 1997).

Critics of fast track are wrong to argue that imports of manufactured goods from low-wage countries like Mexico depress U.S. wages by causing the loss of high-paying manufacturing jobs. To test this myth, the Washington-based Employment Policy Foundation calculated the effect on U.S. wages if the $6.5 billion 1995 manufacturing trade deficit with Mexico had been eliminated. It found that average U.S. wages would have risen by only $0.0007 per hour.

The most important source of real wage growth is productivity growth. Recent research shows that exports spur productivity growth, and therefore real wage growth. For example, Richard Nadler, a journalist who has covered NAFTA's progress, compared pre- and post-NAFTA growth rates in U.S. living standards and found a "clear... correlation between the increasing prosperity of American workers and international tax-cut treaties such as NAFTA."[2] His review measured the improvement in three ways:

- Gross domestic product (GDP) per capita, adjusted for inflation, grew by 1.79 percent annually in 1994 and 1995, compared with only 0.23 percent a year from 1990 to 1993.
- Disposable personal income growth, adjusted for inflation, averaged 1.89 percent annually in 1994 and 1995, compared with 0.25 percent annually from 1990 to 1993.
- Personal consumption expenditures, adjusted for inflation, grew by 1.76 percent annually in 1994 and 1995, compared with 0.56 percent a year from 1990 to 1993.

There is no question that economic and technological globalization and the rapid advance of free trade and investment policies around the world are replacing low-skill, low-wage jobs in the industrialized countries with better-paying, high-skill jobs. The alternative to this process is to erect trade barriers that preserve low-skill, low-wage jobs at the expense of higher-skill, better-paying jobs. Abdicating U.S. global leadership and imposing tax hikes on American consumers in the form of high protectionist tariffs on imports from other countries will not stop this transformation from low-wage jobs based on lower skills and lower technologies to high-wage jobs requiring advanced skills and technologies. The solution lies not in barriers to foreign trade, but in domestic market-driven policies to "trade up" the knowledge and skills of the U.S. labor force through better education and lower taxes.

MYTH #5: Fast-track authority will lead to trade agreements that expand the U.S. trade deficit. Opponents of fast track argue that more trade agreements will increase the U.S. trade deficit and destroy U.S. jobs.

REALITY: The weight of historical evidence clearly shows that unemployment *drops* as trade deficits rise. For example, while the trade deficit soared in 1983 and 1984 and peaked in 1987, the U.S. unemployment rate fell from 9.6 percent in 1983 to 5.5 percent in 1988; when it started to decline between 1989 and 1991, unemployment grew from 5.3 percent to 6.7 percent; and when it started to rise again from 1992 to 1994, unemployment fell from 7.4 percent to 6.1 percent. In 1997, the U.S. trade deficit (particularly with Asian trading partners) will grow even more, yet the unemployment rate is at its lowest level in more than 24 years.

2 See Richard Nadler, "Afta NAFTA," *National Review*, July 28, 1997, pp. 46–48.

Trade deficits and surpluses say nothing about the strength or weakness of an economy because exports are driven by foreign demand, while imports are driven by domestic demand. If anything, trade deficits historically have been a sign of a strong and growing economy. The United States has a trade deficit because it has the world's wealthiest and most dynamic economy, and because important trading partners like Canada, Mexico, Japan, and China have smaller or weaker economies. Americans buy more from other countries than other countries buy from United States because American consumers have more wealth per capita than consumers in other countries. The United States also is the world's largest exporter of goods and services because American-made products are in great demand overseas. As a way to measure the benefits of trade, subtracting imports from exports simply makes no sense.

MYTH #6: The United States could maintain its position as the world's leading economy without fast-track authority. Opponents of fast track argue that the U.S. economy would be stronger if the United States entered into fewer—and tougher—trade agreements with other countries.

REALITY: Without fast-track authority, U.S. exports will lose competitiveness in global markets and the U.S. economy will weaken. Exports are one of the main engines of U.S. economic growth.[3] From 1986 to 1992, according to the Department of Commerce, exports as a share of GDP grew by 39 percent, accounting for nearly 50 percent of total U.S. economic growth.[4] Total two-way U.S. trade in 1997 (trade in goods and services plus earnings on foreign investment) will be equivalent to 30 percent of GDP, or $2.3 trillion, compared with only 13 percent in 1970.[5] During the past 26 years, the rate of growth in the volume of U.S. trade has been twice the rate of growth for the U.S. economy.

From 1993 through 1996, U.S. exports of goods and services increased by 27 percent, from $602.5 billion in 1993 to $825.9 billion in 1996. NAFTA and the Uruguay Round Agreements were important factors in this growth. For example, total North American trade increased from $293 billion in 1993 to $420 billion in 1996, for a gain of $127 billion or 43 percent. In 1996, U.S. exports to Canada and Mexico, at $190 billion, surpassed U.S. exports to any other region, including the entire Pacific Rim or all of Europe.

The growing interaction between U.S. cities and the world economy is underscored by a recent Department of Commerce survey showing that 90 percent of the 253 metropolitan areas in the United States reported export sales growth from 1993 to 1996. Clearly, exports have become increasingly important to the economic well-being of U.S. cities. Moreover, trade between U.S. metropolitan areas and the global economy is growing phenomenally. The data show that merchandise exports from these 253 metropolitan areas totaled $494.5 billion in 1996, up nearly $27 billion from 1995 and accounting for 79 percent of U.S. merchandise exports in 1996.

3 John Sweeney, Bryan T. Johnson, and Robert P. O'Quinn, "Building Support for Free Trade and Investment," in Stuart M. Butler and Kim R. Holmes, eds., *Mandate for Leadership IV: Turning Ideas Into Actions* (Washington, D.C.: The Heritage Foundation, 1997), pp. 629–668.

4 Lester Davis, "U.S. Jobs Supported by Goods and Services Exports," Office of International Macroeconomic Analysis, U.S. Department of Commerce, Research Series OIMA-7-95, May 1995.

5 Testimony of U.S. Trade Representative Charlene Barshefsky before Committee on International Relations, U.S. House of Representatives, 105th Cong., 1st Sess., June 10, 1997.

FREE TRADE HAS EXPANDED THE U.S. ECONOMY

- Exports as a share of GDP grew by 39 percent and accounted for nearly 50 percent of total U.S. economic growth from 1986 to 1992.†
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†† Testimony of U.S. Trade Representative Charlene Barshefsky before Committee on International Relations, U.S. House of Representatives, 105th Cong., 1st Sess., June 10, 1997.

The GATT Secretariat estimated that the Uruguay Round Agreements would bring up to $510 billion a year to the world's GDP when implemented by 2005.[6] The consulting firm of DRI/McGraw-Hill has estimated that the Uruguay Round Agreements would increase the real GDP growth rate in the United States by 0.3 percent annually, causing real GDP to rise by 4.5 percent by 2005.[7] DRI/McGraw-Hill also examined the economic impact of the Uruguay Round Agreements on the U.S. economy and found that, by 2005, the U.S. economy should grow by 4.2 percent and labor productivity should rise by 2.7 percent annually, pushing up real hourly wages in the manufacturing sector by 2.6 percent and creating over 2,043,000 net new American jobs.[8]

If the President's fast-track negotiating authority is not renewed before Congress concludes its 1997 session, the issue is not likely to reemerge as part of the Administration or congressional agenda until after the presidential election in 2000. During this four-year period, however, the rest of the world will have moved ahead with new trading arrangements. The United States will be left behind as other countries reduce their tariff and nontariff barriers to trade. In fact, this has happened already: Canada and Mexico have signed free-trade agreements with Chile that will give their exporters an 11 percent tariff advantage over U.S. firms. Since 1994, U.S. firms have lost potential exports to Chile of nearly $500 million annually.[9]

Since 1992, U.S. competitors in Europe, Asia, and Latin America have negotiated 20 regional trade pacts in the Western Hemisphere and Asia without U.S. participation. Of

6 Undated memorandum from Office of the U.S. Trade Representative; Jeffrey J. Schott, "The Uruguay Round: An Assessment," Institute for International Economics, Washington, D.C., November 1994, pp. 16–19.

7 *Impact of Trade Liberalization Under the Uruguay Round: A Study Prepared for the Office of the United States Trade Representative*, DRI/McGraw-Hill, January 11, 1993.

8 *Ibid.*

9 Duncan H. Cameron, testimony of Chilean–American Chamber of Commerce and Industry, Washington, D.C., in support of fast-track negotiating authority before Subcommittee on International Economic Policy and Trade, Committee on International Relations, U.S. House of Representatives, 105th Cong., 1st Sess., September 16, 1997.

the more than 30 bilateral and regional trade agreements in effect today throughout Latin America and the Caribbean, the United States participates in only one—NAFTA. Mercosur is a regional customs union with ambitions to expand to all of South America; the European Union (EU) has made it a priority to negotiate a free-trade agreement with Mercosur by 1999, long before Mercosur negotiates a deal with the United States to establish a Free Trade Area of the Americas. Although the United States is still the largest foreign investor in Latin America and the region's largest trading partner overall, total Mercosur–EU trade in 1996 was greater than total U.S. trade with Mercosur. Chile and Bolivia already are associate members of Mercosur, and Venezuela and Colombia are negotiating their admission. China's "strategic priorities" include Mexico, Argentina, Brazil, Chile, Venezuela, Panama, and Central America. Japan and South Korea have undertaken high-level efforts in Asia and Latin America, and Australia and New Zealand are forging closer ties with South America's fast-growing economies as well.

Fast-track authority would give the United States clear authority to be present at every trade negotiating table and the President the ability to exert U.S. leadership in a decisive way. Without fast-track authority, and without a presence at those negotiating tables, the prospects for continued economic progress and success are questionable. Ultimately, fast track revolves around the issue of maintaining U.S. international leadership: Will the United States take the lead in expanding the world economy by participating in the series of regional and multilateral trade negotiations starting in April 1998 at the second Summit of the Americas in Santiago, Chile? Or will it remain on the sidelines as other countries write the new rules for the 21st century's global trading system, to the potential detriment of U.S. economic interests and American national values? How Congress votes will determine how those questions are answered.

MYTH #7: The United States does not need fast-track authority to negotiate free-trade agreements with other countries. Opponents of fast track claim that it is not a necessary tool for negotiating new trade agreements because other countries are eager to gain access to the U.S. market and therefore willing to deal at any cost.

REALITY: Although the U.S. market is undeniably attractive to foreign exporters and investors, no other country will undertake serious trade negotiations with the United States unless the President has fast-track authority in hand. Foreign governments will not negotiate substantive trade and investment agreements with the United States if they have to turn around and renegotiate implementing legislation with Congress after the original agreements have been signed. Special interests could tempt Congress to amend the agreements, accepting concessions that foreign governments make to the United States while rejecting U.S. concessions made to conclude successful trade agreements. Fast-track authority is a necessary pledge of good faith that assures trading partners that agreements negotiated over many months or years will not be changed restrictively by Congress.

MYTH #8: Fast-track authority is needed only to expand NAFTA to Chile. Some opponents of fast track argue that, because only Chile is in line for a free-trade agreement with the United States, fast-track authority should be limited exclusively to signing a trade deal with Chile.

REALITY: A free-trade agreement with Chile is only one item on a very broad and ambitious U.S. global trade agenda covering the next decade. The President needs fast-track authority to complete negotiations within both the WTO and the

Organization for Economic Cooperation and Development (OECD) to open international markets for agriculture, financial services, information technology, and government procurement, as well as to liberalize investment flows. The "built-in WTO agenda" created by the Uruguay Round Agreements also includes government procurement rules, technical barriers to trade, sanitary and phytosanitary measures, customs valuation, and preshipment inspection and import licensing procedures.[10] Fast track is necessary to complete negotiations within the OECD to liberalize investment flows and to launch formal negotiations in April 1998 to create a hemispheric Free Trade Area of the Americas; after Chile, it also is needed to negotiate trade agreements with other countries in Latin America and Asia. Fast-track authority will be essential to the success of all these negotiations.

Fast-track authority is absolutely essential if the United States is to lead the renegotiation of the GATT Uruguay Round Agreement for agriculture, scheduled to begin in 1999. Among the important issues in future negotiations will be increased market access, resolution of state trading issues, greater transparency between trading partners, greater adherence to sound science in resolving sanitary and phytosanitary measures, rules of origin, export subsidies, internal support schemes disguised as environmental payments, clearly defined trade in genetically modified organisms, and overall trade in products of biotechnology based on sound science. Negotiations to cut trade barriers in the $526 billion global agriculture market will define the structure of agriculture in the United States for the next decade.

The accession of Chile to NAFTA is the first step in fulfilling present and intended commitments to and from U.S. trading partners in Latin America and the Caribbean—commitments to open their markets to goods produced by American workers in American factories—while improving the prospects for managing such important non-trade issues as illegal immigration, drug trafficking, and policy toward Cuba.

No country in the hemisphere is more qualified or deserving of NAFTA membership than Chile, the standard for market reform in Latin America. Since 1987, Chile's economy has expanded at an average rate of 7.2 percent annually. Inflation currently is less than 8 percent, and unemployment is 5 percent. Chile has a savings and domestic investment rate equivalent to 27 percent of gross national product (GNP), a trade surplus of $2 billion on a $47 billion GNP, the highest rating of any Latin American country in Standard & Poor's risk classification, and an excellent record on labor and environmental issues. It also depends on the United States for only 21 percent of its trade (the EU captures a 24 percent share) and is a member of the Asia-Pacific Economic Cooperation forum. Denying Chile entry into NAFTA could well result in its developing much closer trade and investment ties with Europe and Asia at the expense of the United States.

MYTH #9: Fast-track authority should include provisions linking trade agreements with non-trade issues like labor standards and protection of the environment. Protectionists maintain that fast track must include strong provisions linking trade agreements to progress on non-trade issues, such as labor standards and the environment, in order to safeguard American jobs and industry while helping to raise standards of living in low-wage countries.

10 Testimony of U.S. Trade Representative Charlene Barshefsky before Committee on Finance, U.S. Senate, June 3, 1997.

REALITY: Grafting such extraneous issues as labor standards and the environment onto trade agreements liberalizing global markets for goods and services will prove counterproductive, particularly when the proponents of such linkages actually are promoting protectionist policies. As Jagdish Bhagwati, professor of economics at Columbia University, has stated, "Linking human rights and the environment to trade is the lazy man's solution to extremely difficult problems, and a recipe for failure all around."[11] Free trade is the key to rapid income growth in developing countries, and high income leads to adoption of tough social and environmental rules. The historical record—including the history of the United States—demonstrates conclusively that pollution rises in the early stages of development and declines when countries become wealthy enough to afford clean air and water standards.

Trade agreements are not cure-alls for social concerns in U.S. foreign and international economic policies. The fast-track negotiating objective on labor and environmental issues should seek only to prevent a social agenda from providing cover for protectionist policies, higher taxes, and big government. Free trade and investment should be promoted as mechanisms for enhancing and improving environmental protection. Free trade magnifies a country's environmental responsibilities. The goal of U.S. trade negotiators should be to promote national treatment, transparency, and nondiscrimination so that environmental regulations do not distort trade. Moreover, they should encourage market-oriented solutions that promote environmental goals. Trade restrictions should not be imposed to achieve environmental objectives or government-imposed changes in labor markets. Trade sanctions do not work against environmental pollution, abuses of labor and human rights, or health and safety concerns. Any attempt to negotiate trade agreements that sanction a whole range of non-trade matters and standards is doomed to failure.

MYTH #10: Fast-track authority will lead to additional international agreements like the WTO and NAFTA that violate U.S. sovereignty. Protectionists who oppose fast track argue that global organizations like the WTO and regional trade agreements like NAFTA undermine U.S. sovereignty and represent a move toward world government.

REALITY: Nothing in any trade agreement signed by the United States, including NAFTA and the Uruguay Round Agreements creating the WTO, can force the United States to follow any law not passed by the U.S. Congress and signed by the President. A world government indeed would be grotesque and harmful, but fast-track trade authority will not lead to any such result. All of the above agreements contain language stating that nothing contained in them can supersede U.S. law. Congress created fast-track authority in 1974 to encourage free trade, which is the very antithesis of world government. Fast-track authority will allow the President to negotiate free-trade agreements to facilitate the free flow of ideas, investments, goods, and services. This promotion of trade liberalization and economic freedom worldwide is inconsistent with the centralizing principle of world government.

11 Peter Passell, "Economic Scene: Loading the Trade Agenda with Divisive Issues Could Backfire," *The New York Times*, October 9, 1997, p. D2.

CONCLUSION

For 50 years, the United States has led the world in opening global markets to free trade and investment. This persistent and committed leadership to free trade has succeeded in reducing global tariffs from an average of 40 percent at the end of World War II to about 5 percent today, fueling a 90-fold increase in world trade. Along the way, U.S. trade negotiators have been directly responsible for writing at least 85 percent of the rules that guide today's global trading system. In 1996, the developing world imported over $1 trillion in manufactured goods from the industrialized countries. The U.S. accounts for only 4 percent of the world's consumers; the remaining 96 percent live elsewhere. During the next decade, the global economy is expected to grow at twice the rate of the U.S. economy, while economic growth in Asia and Latin America is expected to be at least three times as great as economic growth in the United States.

In light of this global expansion of trade, there is no substitute for the ability of the United States to negotiate and implement comprehensive free-trade agreements. The lack of presidential fast-track negotiating authority is the single most important factor limiting the capacity of the United States to access global markets, expand exports and investments overseas, and sustain the dynamic performance of its economy at home. It also will undermine U.S. global leadership and influence in the 21st century.

With fast-track negotiating authority, however, the United States can set the pace and timing of its most important trade negotiations, establish negotiating credibility, and ensure its success in the major multilateral and hemispheric trade negotiations that are scheduled to begin early in 1998. Promptly renewing the President's fast-track authority will send other countries the message that Congress and the Administration stand united in pursuit of free-trade agreements that advance U.S. economic interests and values around the world. The economic security of the United States is at stake in this debate. Neither ignorance of the facts about free trade nor retreat in the face of isolationist rhetoric is an option.

FOREIGN AGRICULTURE SERVICE
U.S. DEPARTMENT OF AGRICULTURE

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REGARDS.

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Trade Agreements and Food Safety

The United States sets high standards for food safety and is an international leader in assuring consumers of a safe, diversified, and abundant food supply. Trade agreements have not reduced or limited the authority of U.S. regulatory agencies to protect consumers. Imports may only gain access to the U.S. market if the exporting country or specified individual products demonstrate that they meet U.S. standards for public health, as well as animal and plant health.

U.S. regulatory agencies have a strong track record in assuring that imported foods are held to the same high food safety standards applied to domestic products. In negotiating both the NAFTA and Uruguay Round Agreements, the United States made certain that provisions were included to guarantee our sovereign right to protect human, animal, and plant health. These same provisions will be included in any future trade agreements.

Why Trade Matters

Both the food and nonfood sectors are experiencing globalization of production and increased trade levels. Agriculture is one of the few U.S. industries that consistently shows a trade surplus, and has done so since 1960.

Modern technology is enabling even greater opportunities for trade in agricultural products as a result of better product preparation and handling and more efficient, affordable transportation. The United States is the world's largest agricultural exporter and one of the leading importers. U.S. agricultural exports in fiscal 1996 totaled around $60 billion, and imports approached $33 billion. Trade has been increasing in both directions.

How Consumers Are Protected

- Imported foods are held to the same high food safety standards applied to domestic foods. Products must meet U.S. standards to enter.
- The U.S. regulatory system assures consumers of a safe food supply through:
  - Pre-market assessment and approval
  - Production monitoring and related measures
  - Statistical sampling and inspection of domestic and imported products.
- The United States makes certain that any trade agreement it signs guarantees the sovereign right to set our own level of protection for human, animal, and plant health.
- U.S. representatives use their leadership positions in international organizations to promote high global food safety standards.

Agricultural imports augment consumer choice and make it possible for Americans to include healthy fruits and vegetables in their diets throughout the year.

Key Facts About Food Safety

- The U.S. regulatory network assures consumers of a safe food supply through a systems approach involving pre-market approval of products, implementation of production monitoring systems, and statistically based sampling and inspection programs for both domestically produced and imported products.

- All food safety standards that apply to domestically produced foods also apply to imported foods. For example, U.S. standards for permissible levels of pesticide residues in domestic foods also apply to imported foods.

- The President's Food Safety Initiative announced earlier this year includes many activities to strengthen the programs already in place to ensure the safety of both domestic and imported foods. As part of this initiative, for example, surveillance and sentinel site activities designed to detect foodborne illness at its earliest stages are being enhanced.

- Further development of an early-warning system by federal, state, and local governments will help provide earlier detection of foodborne illness and allow the U.S. regulatory network to respond more effectively to identify and contain future incidents, whether they involve domestic or imported food products.

How Food Safety Is Achieved

The U.S. applies a broad systems-based approach to ensure that the highest standards of human, animal, and plant health are achieved. Safety means assuring that U.S. farmers and ranchers are protected from the threat of debilitating animal and plant diseases and pests so that abundant supplies of safe raw agricultural goods can be provided to domestic industries. It also means assuring that the final retail products are safe through a system that includes: (1) pre-market assessment and approval; (2) production monitoring through HACCP (Hazard Analysis and Critical Control Point) and similar systems; and (3) statistical sampling and inspection of raw and processed food products.

(1) <u>Pre-Market Assessment and Approval</u>: The most effective way to avoid introducing unsafe food products into the domestic market is to evaluate the potential for risk and prohibit the entry of products which present a significant risk to human, animal, or plant health. Several U.S. regulatory agencies play a role in monitoring every link in the food chain, including the movement of diseased plants and animals, the use of feed supplements and pesticides, and the safety of food additives and packaging. U.S. agricultural production capacity is further safeguarded by the use of programs to ensure that genetic materials (foundation seed, male animal health, semen, and embryos) do not pass along harmful diseases or pests.

Imported products face the same scrutiny as domestic products. U.S. authorities review an export country's regulatory and production infrastructure to determine its ability to meet U.S. standards. Based on such reviews, U.S. authorities may disqualify a country completely, approve only selected production facilities, or require specific products to be subjected to strict sampling protocols (100% sampling rates) to assure that the imported product is safe.

(2) Production Monitoring and Auxiliary Measures. Both domestic and imported products available to U.S. consumers are subjected to numerous checks to ensure compliance with the overall food and agricultural production safety objectives. For example, with respect to pesticides, veterinary drugs, and feed and food additives, safeguards are in place to ensure only limited uses within specified tolerances. Crop protection pesticides and fungicides may only be used on specific crops during precise growth stages. Animal health drug use must observe not only dosage restrictions but also required drug-abstention periods prior to slaughter.

Safety rules also apply to material, equipment, and processes used in gathering, storing, and processing agricultural products. Traditionally, methods in the food sector relied on basic hygiene principles and time-honored processing advancements, such as cooking times and temperatures, low-acid canning methods, or vacuum packing. Modern technology permits sophisticated production monitoring structures, which consistently bolster food safety. HACCP and other similar systems take advantage of such technologies and incorporate early and step-by-step supervision to eliminate possible hazards.

Country-of-Origin Labeling Not a Food Safety Issue

Federal, state, and local governments cooperate to ensure that all food available to U.S. consumers is safe and wholesome, and that consumers are fairly and adequately informed about products. Product labeling is a critical link in assuring individual consumer safety, particularly when there may be risks of allergic reactions or other dietary and health concerns.

Country-of-origin labeling does not address the issue of food safety. If a food product is not safe, it should be prohibited from entering the United States. Country-of-origin labels will not help consumers determine if a product is safe.

(3) Statistical Sampling and Inspection: Food sampling and inspection is primarily conducted by the U.S. Food and Drug Administration (FDA) and two U.S. Department of Agriculture agencies -- the Food Safety and Inspection Service, and the Animal and Plant Health Inspection Service. Within their respective areas of responsibility, these agencies maintain comprehensive inspection systems that involve tracking and monitoring.

All food imports (100%) are subject to reviews prior to entry into the United States. The screening determines if the product, manufacturer, shipper, and country of origin have consistently met U.S. standards. The assistance of tracking systems allows sampling and reinspection to be targeted at products that pose a significant risk. In order to ensure that U.S. food safety is protected as imports continue to increase, FDA and USDA have devoted increased resources to inspection.

Promoting Higher International Food Standards

U.S. representatives hold leadership positions in every major international organization charged with ensuring the safety of food produced and consumed around the world. They use these leadership positions to promote the adoption of international food safety measures that maintain high levels of protection for human, animal, and plant health.

- The United States is active in all committees of the Codex Alimentarius Commission, the international food standard-setting forum established in 1962 under the auspices of the World Health Organization. U.S. involvement in Codex activities ensures that our views on critical food safety issues will be reflected in the development of all international food standards. The United States currently holds the chairmanships of the Committee on Food Hygiene and the Committee on Residues of Veterinary Drugs in Foods. The Committee on Food Hygiene is now developing strong new food safety guidelines based on systems of preventive measures, including our own HACCP system.

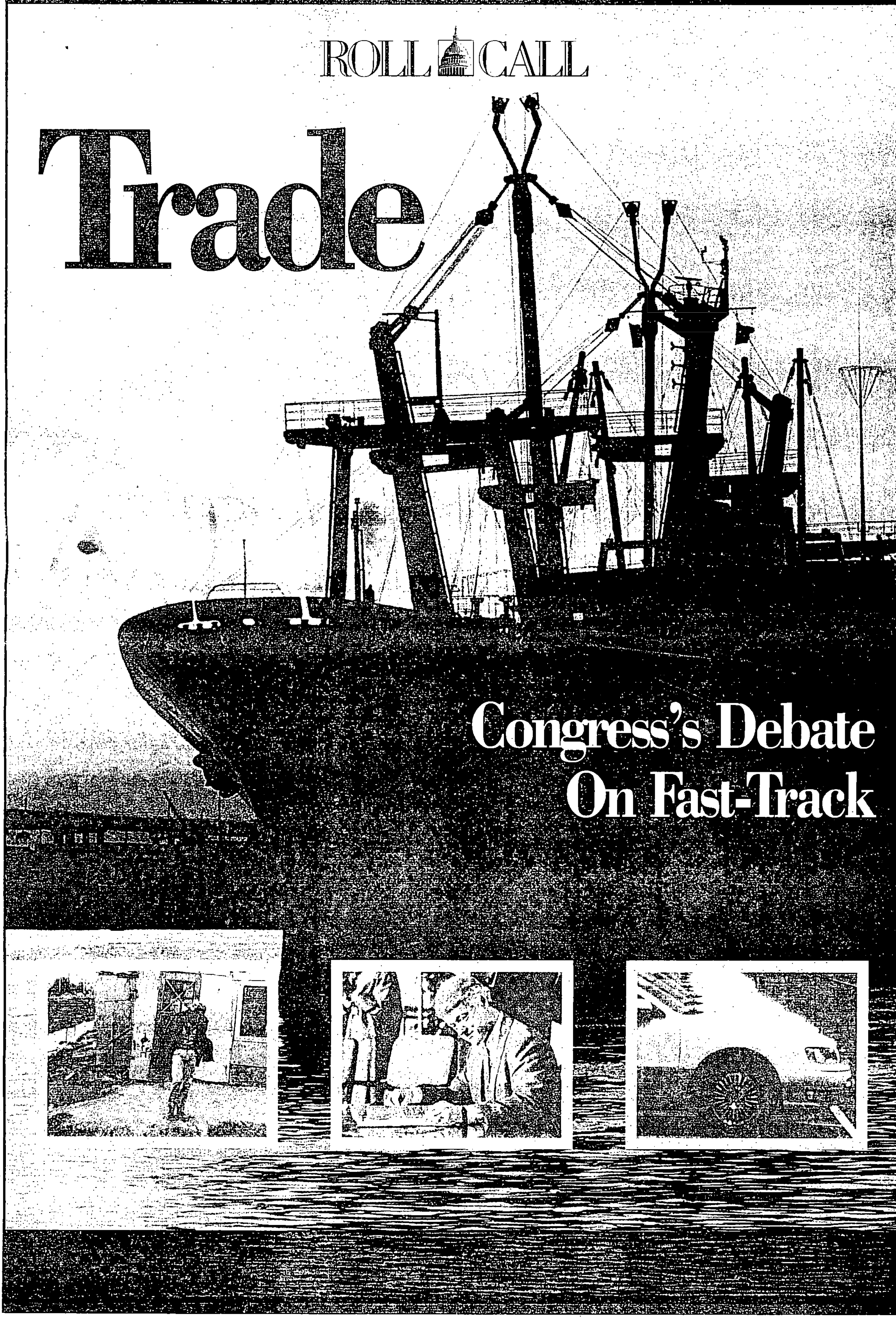
- In addition, U.S. food safety officials frequently meet with their foreign counterparts to evaluate and discuss emerging food safety issues. These bilateral meetings, which often occur independently of any specific trade agreement or commission, are effective in developing programs to control microbiological contaminants in food.

Policy Briefing • Monday, October 20, 1997

ROLL CALL

Trade

Congress's Debate On Fast-Track



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Senate Trade Bill Lays Out New Rules of Engagement For Congress That Preserve Legislative Branch's Power

By Sen. William Roth

Today, more than ever, our economic future is linked to trade. Since 1993, more than one-third of all economic growth in the United States has been driven by exports. Jobs in export-led industries pay 15 percent more than the average American wage. The United States is the world leader in exporting goods and services — 23 percent of our gross domestic product is made up from international trade.

While American leadership on trade has led to the reduction of many barriers to trade among our principal trading partners, that job is not finished. Our exports still face significant barriers abroad, particularly in the rapidly growing markets of Asia and Latin America.

While our trade negotiators have been on the sidelines, our trading partners have moved rapidly ahead with trade arrangements that offer their exports a competitive advantage over US firms in the fastest-growing international markets.

That is why the passage of fast-track trading authority is one of the most important issues we will face this Congress. We cannot legislate changes in our foreign trading partners' laws. Those changes, and the American jobs that depend on them, have to be achieved at the negotiating table.

The Constitution delegates the power to regulate foreign commerce to Congress. So the nation can speak with one voice in its foreign affairs, the Constitution makes the President responsible for negotiating with foreign nations. Thus, Congress and the President must work together to make progress on trade.

Fast-track authority is our means for assuring that partnership. Earlier this century, tariffs represented the principal barrier our exports faced abroad and the principal barrier to trade in the United States. As tariff levels declined following each round of negotiations in the General Agreement on Tariffs and Trade, however, we found our exports facing a more complex set of non-tariff measures that dictated a new approach to trade negotiations and to US trade policy.

The creation in 1974 of what has become known as the fast-track process for implementing trade agreements was our means of addressing that problem. The fast-track rules allow Congress to exercise its constitutional responsibilities by setting the objectives designed to guide our negotiators, playing an active oversight role throughout the negotiations, and considering legislation needed to implement any resulting accord. At the same time, the fast-track process offers the President the assurance that any agreement he negotiates will receive an up-or-down vote.

The purpose of the original grant of fast-track authority was to address trade barriers abroad. Fast-track allows those minimal changes in US law needed to conform to our obligations under a trade agreement. The process was never intended as a vehicle for implementing fundamental changes in domestic policy.

An important corollary to that point is that fast-track authority does not limit the President's constitutional authority to negotiate with our trading partners; rather, it defines and clarifies the procedural rules that the Senate and the House will apply to legislation designed to implement trade agreements. Again, what the process requires is a partnership between Congress and the executive to get the job done.

That said, any sound partnership requires that the ground rules be clear from the start. Enacting the fast-track legislation pending in the Senate, which was approved overwhelmingly by the Senate Finance Committee, is essential to doing precisely that.

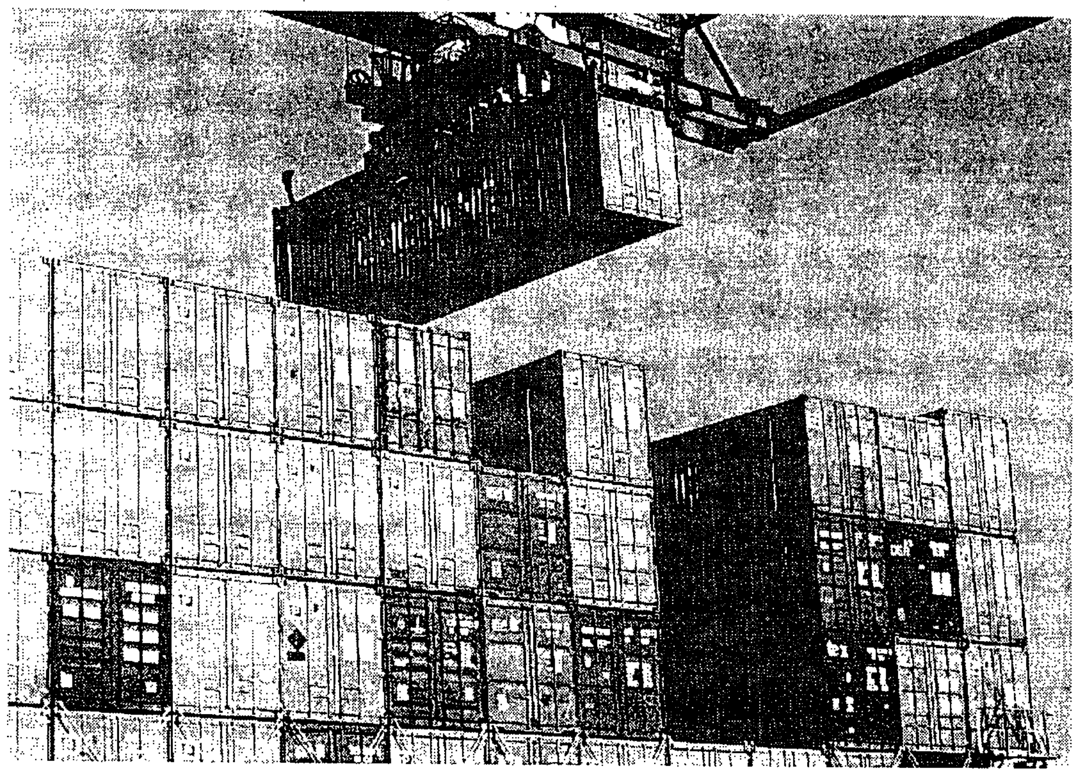

Photo courtesy Port Authority of New York and New Jersey.

The missing piece, writes Senate Finance Chairman William Roth, is fast-track authority for the President.

What the Finance Committee's bill does is to ensure that the partnership between the two branches preserves the voice that Congress must have in the trade negotiations process. First, it is Congress that establishes the negotiating objectives designed to guide the Administration. Access to fast-track is predicated on reaching agreements that satisfy the goals set by Congress.

Second, the bill reported by the Finance Committee imposes new checks on the trade negotiations process and conditions on access to fast-track procedures. For example, the bill requires the President to notify Congress on the purpose and scope of future trade negotiations before initiating talks with our trading partners. The bill then affords Congress, in the form of the two committees that have general trade jurisdiction — Finance and Ways and Means — the opportunity to veto any negotiation that does not meet the objectives set out in the legislation before the talks get under way.

Many Members of Congress have been displeased in the past with cursory and untimely consultation. The Senate's fast-track bill makes clear that this will no longer do.

This check on the executive branch applies to all negotiations that might lead to use of fast-track, not merely bilateral free trade negotiations as under prior law.

Third, the Finance Committee's bill requires greater consultation with Congress by our trade negotiators than has occurred in the past. The bill requires the US Trade Representative to consult closely and on a timely basis throughout the process and even immediately before the agreement is initialed on how the agreement would achieve the policies, purposes, and objectives of the act and whether implementing legislation on non-trade items would also be necessary since only trade-related provisions are entitled to fast-track treatment.

Clearly, many Members of Congress have been displeased in the past with cursory and untimely consultation. This fast-track legislation makes clear that this will no longer do. The bill provides an express provision allowing Congress to withdraw the fast-track procedures with respect to any agreement for which consultation has not been adequate.

Fourth, the committee's bill clarifies what implementing legislation considered under fast-track may contain. Basically, to qualify, the implementing legislation must be a trade bill. It must be limited to provisions that are:

- Necessary to approve a trade agreement (which itself must reduce or eliminate trade barriers to qualify);
- Needed to implement conforming changes in US law;
- Directly related to trade and otherwise necessary to implement, enforce, or adjust to the effects of such agreements (e.g., amendments to reinforce US unfair trade laws or reauthorized trade adjustment assistance programs); and
- Needed to comply with the requirements of the budget process.

Finally, under the legislation pending in the Senate, the fast-track authority would be time-limited. The committee's bill includes an initial grant of four years, with the possibility of renewal for another four years until 2005.

That will give Congress the opportunity to review the results of any negotiations to date and consider whether a further extension of the authority is justified at that point. Either house of Congress can prevent the extension by adopting a resolution of disapproval.

In sum, the terms of the partnership between the two branches are these: If the President adheres to the trade objectives expressed in the bill to which fast-track procedures apply; if he provides us an opportunity to disapprove of a specific negotiation at the outset; if he consults with us closely throughout the negotiations right up to the time the agreement is to be initialed; if the agreement is a trade agreement as defined in the bill; and if the implementing legislation contains only those provisions I noted, Congress will agree to allow an up-or-down vote after 20 hours of debate on the implementing legislation.

The right to offer amendments and to debate the merits of an issue as long as necessary are rights not to be laid aside lightly. That is why, at every juncture, the committee sought to clarify the scope of the fast-track procedures in order to ensure that they serve their intended purpose — reducing trade barriers abroad. We have done our best to make sure that matters of domestic policy remain outside the scope of the fast-track procedure.

Indeed, I view the committee's bill as serving the interests of all parties interested in our domestic policies, including labor and the environment. In the public debate over fast-track, I have yet to hear anyone say that our trade negotiators should be able to redefine the goals of our labor or environmental policies or that our negotiators should be free to raise or lower US labor or environmental standards and then bring that agreement back under fast-track. Under the committee's bill, those matters remain where they should, subject to the traditional practices and procedures of the Senate.

I would not support the limited exception to our Senate traditions that fast-track represents were it not absolutely essential to our continued economic leadership around the world. The action that Congress takes in the next few weeks on this issue will define our economic future.

It is often said that, in foreign policy, our partisan divisions must stop at the water's edge. To be effective with our foreign partners, the President must have our common support. That has consistently been the case on trade as well as other matters affecting our foreign relations.

Extending that support now is a critically important accommodation and one based on solid precedent. As recently as 1988 a Democrat-controlled Congress provided a Republican President the legal assurance that America would speak with one voice on trade. I hope that a similar spirit of bipartisanship envelops us in the next few weeks.

Sen. William Roth (R-Del) is chairman of the Finance Committee.

House's Version Is Fast-Track Done Wrong

By Rep. Richard Gephardt

In September, President Clinton formally requested that Congress approve fast-track trade negotiating authority that he says is necessary for him to negotiate new trade agreements. He aims to expand the North American Free Trade Agreement first. He also wants to have the authority to conclude other trade deals.

But the House Ways and Means Committee earlier this month reported out a flawed fast-track bill that fails to make labor and environmental issues integral parts of trade agreements. Only four Ways and Means Democrats voted for this bill. Unless Chairman Bill Archer (R-Texas) and the Republican leadership dramatically alter their proposal, the burden of passing fast-track on the House floor will rest almost entirely with their party.

I cannot support this flawed approach to fast-track, which prohibits real action on labor rights and environmental issues. This legislation would not raise our standard of living or that of our trading partners — it would undermine it. This bill would lead to continued environmental degradation.

Fast-track is an extraordinary grant of Congressional power. The Constitution gives Congress the power over international trade. That authority must only be delegated if Congress is assured that its goals and objectives are to be followed. Congress must not abdicate its responsibility to its constituents or the country.

I have supported fast-track authority in the past and will support fast-track done right in the future. I want the President to negotiate new trade agreements. We're in a global economy — we're not going to build walls around the United States.

President Clinton believes that he has no choice, that he cannot advocate a progressive trade policy. He must support the Archer fast-track measure because of the Republican majority in Congress. However, there is an alternative view.

Change and increased opportunity never come easily. When the status quo is unacceptable, strong leadership can forge a new path.

Some are trying to couch this debate as a battle between free trade and protectionism — a debate about whether we build the bridge to the economy of the future or whether we will retreat to the past.

But that debate is an old debate and it's over. The United States is the most open economy on the face of the earth. The United States will continue to lead the world to promote more open trade.

I want the President to have fast-track authority — but not at any price. We must not jeopardize the health, safety, jobs, and standard of living of our people, or those in other countries, simply to reach another trade agreement. We need to demand that future trade agreements work for everyone. The question isn't whether we trade. The questions are: What are the terms and who benefits?

The old arguments avoid the new debate about what America stands for. What are our goals — for our people, our nation, and our world? From the presidency of that great son of Missouri, Harry Truman, to the fall of the Berlin Wall, our purpose, properly, was to contain communism. Now it must be to extend freedom and opportunity around the globe.

In December 1940, President Franklin Roosevelt declared in a fireside chat that America "must be the great arsenal of democracy." Then, Roosevelt was talking about planes, boats, arms, and munitions.

Today, ideas are the ammunition in the arsenal of democracy. And we must promote the idea of free but fair trade as the weapon of choice. We must communicate the architecture of a world trading system based on proper values and standards that, over time, create a higher standard of living for all people.

In my public life, I have always believed that firsthand knowledge and examination of issues are vital to a reasoned policy. I have spent a great deal of time and energy not just listening to the academics and the theorists, but also talking to real people.

That's why I visited Mexico on seven separate occasions during the NAFTA negotiations to see for myself exactly what was happening there. That's also why I traveled to South America in August, visiting Argentina, Brazil, and Chile. And, that's why last month I made my second trip this year to our border with Mexico.

In South America, I visited with the presidents of each country and their principal ministers. I met with labor and environmental leaders. And I went out to the local communities to hear firsthand from the people.

I was struck by the fragility of their democracies. Each country has rejected military rule only in the last 20 years. I heard from mothers in Chile about family members lost forever. I learned of the so-called "dirty war" in Argentina that claimed the lives of thousands and thousands who dared to disagree with their government.

I was also alarmed at the economic disparity, of the stratification of the economy that left those at the top very well off but left too many struggling at the bottom. And the disparity is growing. The top 20 percent of Chileans control 61 percent of the gross domestic product. The bottom 20 percent control only 4 percent of the nation's GDP. This inequality exists despite the tremendous expansion of trade in the region.

We must not fuel this inequity — but that's exactly what our current trade policy is doing. A United Nations report describes the same phenomenon on a wider stage: "As trade and foreign investment have expanded, the developing world has seen a widening gap between winners and losers.... The greatest benefits of globalization have been garnered by a fortunate few."

Photo by Jim Saah, Impact Visuals

A maquiladora worker in Juarez, Mexico, stands in front of a heavily polluted stream near his house. As Gephardt notes, "Juarez, a city of 1.2 million, has no wastewater treatment. Each day, the environment dies another death."

Here in America, our economy is also yielding very uneven results. Despite macroeconomic figures that deserve praise, economic inequity is growing. Our inner cities are crying for attention. Far too many families are finding it necessary to send additional family members into the workforce, to work more hours and more jobs simply to pay the bills. Far too many Americans feel they're running in place or falling behind.

I support a new approach to trade policy that expands the arsenal of democracy to include trade policy. At its core I am advocating a trade policy that enhances, not undermines, human rights. Among these human rights is the ability to share in the fruits of one's labor — to know that if you work hard and play by the rules, you'll have a chance to succeed.

Last month I visited Juarez, Mexico, to see firsthand whether NAFTA is this type of progressive trade policy. Has it helped to make a difference in people's lives?

It has, but for the worse. I visited families living in the packing boxes of the very products they produce. Ramshackle houses of cardboard, scrap wood, bottle caps — whatever they could find — standing against a backdrop of sparkling factories built by some of America's finest corporations.

Last year, we saw our trade deficit with our NAFTA partners — Canada and Mexico — reach more than $39 billion.

I met workers forced into the workforce as little more than children to help their families subsist. When I asked one young woman her name, she asked me which name I wanted: her real name or the one that she uses on falsified work papers that allowed her to work at age 14.

I saw a river of human and industrial waste that was overpowering in its magnitude and stench. Juarez, a city of 1.2 million, has no wastewater treatment. Each day, the environment dies another death.

NAFTA was promoted as helping to right these wrongs. To promote change. Just the contrary has happened. NAFTA validated the status quo.

Maquiladoras — the plants set up in Mexico with the primary purpose of exporting their products to the US — were supposed to cease to exist once NAFTA passed. The proponents of NAFTA argued this, as did former Mexico President Carlos Salinas in a direct conversation with me.

Yet today, there are more maquiladoras — and almost double the number of workers in these plants than when NAFTA began. And these workers are making 25 percent less than they did at the time. The average worker I met takes home about $30 a week. That is not a living wage virtually anywhere in the world.

Last year, we saw our trade deficit with our NAFTA partners — Canada and Mexico — reach more than $39 billion. Half of that was with Mexico. Let's remember that we had a trade surplus when NAFTA started.

A central component of our trade policy must be the enforcement of workers' rights. Usually I'm talking about the enforcement of the laws that a country has on its books and the commitments a country has made. The failure to enforce workers' rights should be treated just like the violation of intellectual property rights or any other trade issue.

It's the right thing to do. It's also in our self-interest. More and more of our companies are using the threat of going to Mexico or elsewhere to keep US wage demands down.

The enforcement of environmental laws — and the fight for environmental protection — must be a central component of our trade policy as well. Environmental degradation must not be the comparative advantage of the 1990s.

We also need a trade debate that's honest with the American people. Food safety is an issue of health, not protectionism. Our people deserve to know that their food supply is safe for themselves and their families. We must not risk another incident like the tainted strawberries that reached schoolchildren in Michigan last year.

We need to recognize that, as we open our borders, the threat of increased drug trade must be addressed. Now, more than 70 percent of the drugs coming into the US come through Mexico. As we've opened our borders, we've failed to provide the resources to examine the products coming in. As a Customs inspector at the border recently told me, "We weren't prepared for NAFTA."

We need to deal with financial issues to ensure that our country is not exposed to the potential for another peso bailout like we had to do with Mexico. In recent months, developing country markets and currencies around the globe have been in turmoil. A number of nations had to ban together to bail out Thailand, the Philippines, and now Indonesia.

We need to recognize that any trade agreement — even one done perfectly — will have winners and losers. But we need to ensure the greatest success for the winners and ease the transition for the losers. This isn't a welfare program, it's a competitiveness program.

Since coming to Congress, I have fought for a trade policy to open markets, expand opportunity, and promote our country's basic ideals. In the 1980s, I fought for market access and was called a protectionist. That debate in the US is largely over. Republicans and Democrats now know that market access is an important and worthwhile objective.

America is — and must always be — the arsenal of democracy. But we have always done more than manufacture munitions; we have also forged freedom's foundations. This fast-track debate is not only about dollars and cents, it is about what is right and what is wrong.

Rep. Richard Gephardt (D-Mo) is the Minority Leader.

The Facts on 'Open Skies'

Washington Post
Editorial, October 10, 1997

"Open Skies" ...would basically allow any U.S. carrier and any Japanese carrier to fly any route deemed commercially viable, at any price... but Japan has resisted fiercely such deregulation."

"A partial liberalization could also be a big mistake... any deal should allow U.S. airlines to compete based on price. And no deal will be worth much unless it guarantees... landing slots at Tokyo's Narita airport."

"The deal under consideration, by giving Japan's airlines most of what they want, would leave the United States with far less leverage in the future."

The Fiction On 'Open Skies'

Japan, United and certain other airlines don't want you to know the facts. That's why they've hidden behind "front groups" to promote a deal that helps divide up aviation routes, keep prices artificially high, stifle competition and transfer flights and airline jobs from the U.S. to Japan.

The best proof is what United's Chairman and CEO said before he switched sides and joined Japan:

"Tokyo is encouraging a lobbying group largely funded by American and Delta Airlines—and almost comically called Access U.S.-Japan—to actually champion Japan's cause, promote Japanese trade strategy, and to make the promise of a few more point-to-point flights seem like a victory instead of another defeat."

—Gerald Greenwald, Chairman & CEO, United Airlines
Testimony before the House Aviation Subcommittee, April 30, 1996

Think about it. If these airlines are hiding behind "front groups," ***what else are they hiding?***

Don't Be Fooled. Anything Less Than 'Open Skies' Is A Sell Out To Japan.

NORTHWEST AIRLINES

To Win, US Has to Take Its Seat at Bargaining Table

By Rep. Robert Matsui

What is the cost of lost opportunity to strike trade deals? For America, it is no less than the deflation of our burgeoning economy. For our competitors, the value of America squandering opportunities to negotiate new trade agreements is the chance to steal away American economic strength.

Because we already live in the most open market in the world, trade agreements — by necessity — reduce more barriers to our products and services than they do for those of our competitors. And when America doesn't negotiate and pursue agreements, Americans lose the opportunity to influence the rules of trade that determine global economic advantage and disadvantage.

Beyond the rules of trade, there is yet a third reason for US businesses to participate in ever expanding world trade — our own competitiveness and innovation. As the explosive economies of China, Southeast Asia, and Latin America grow, there is one simple fact we must keep in mind: These developing economies bear the fruit of massive innovation and competitive improvements that a mature economy such as our own cannot expect to enjoy unless we share in their development.

During the last year, Congress has sought to address two major areas of concern for US trade: fast-track negotiating authority for the President and most-favored-nation (MFN) trading status for China. While each issue is vital for future US economic strength, the debate regarding each is often reduced to rhetoric over definitions, rather than discussions of substance.

Fast-track is not about a particular trade agreement such as NAFTA or GATT. It is certainly not a means by which trade agreements are somehow negotiated more quickly, and as a result, with recklessness to American interests. Rather, fast-track is simply a process by which trade agreements — after they have been painstakingly negotiated by US trade experts — can be accepted or rejected by Congress.

But while fast-track is an issue of process, during the debate over fast-track, the substance and centrality of trade to the US economy have been subordinated to a campaign to simply revisit past trade debates. In order to appreciate the importance of the Administration's ability to negotiate trade deals, we must understand the significance of the agreements that are in the queue for the next few years.

Traditional thinking about trade agreements focuses on bilateral agreements between the United States and other trading partners. These types of comprehensive market-opening access agreements remain important to our trade agenda, but over the next few years the US agenda will be dominated by multinational and sectoral trade agreements. These agreements carry far more weight for US economic prosperity than, for example, a bilateral agreement with Chile — which is valuable, but only opens a market of 12 million consumers.

In the lifetime of the current fast-track proposal, the Administration intends to pursue three general areas of use for the negotiating authority. The first has to do with the built-in agenda from the Uruguay Round of negotiations. During that round, a timetable was set where participating countries would come back to the table on a sector-by-sector basis — for example, telecommunications or agriculture.

This year the US Trade Representative will engage in negotiations with other countries, who are World Trade Organization members, on trade in financial services. Next year there will be an effort to improve the government procurement agreement and to extend the coverage of the agreement to more developing countries. In 1999, negotiations on agriculture will be undertaken. Finally, a new round on trade in services should begin by 2000.

Made-in-the-USA BMW roadsters are ready for export.

AP Photo

Just in Asia alone, government procurement is a trillion-dollar industry, agriculture is a $600 million industry, and financial services comes in at more than $1.2 trillion. America must enter these negotiations from a position of strength and unity of purpose or risk having the rules for these industries written to our detriment by our competitors.

The second main area of focus for Administration trade attention is an effort to negotiate individual market sectors such as the Information Technology Agreement (ITA). In fact, there is already an initiative for an ITA-2 that would expand the scope of products addressed in the ITA.

Notably, these are all products for which the United States tariff barriers are already very low or virtually non-existent. In contrast, prior to the ITA, Asia's tariff levels averaged 30 percent. Under the ITA, tariff barriers applicable to 90 percent of the trade in information technology will be reduced to zero by 2000.

Upcoming trade talks will focus on government procurement, intellectual property rights, agriculture, and financial services.

This is a perfect example of a negotiation in which America wins by being at the table and making our case that other markets must be more open.

But beyond the ITA-2 talks, a number of other market sectors are being considered for trade barrier reduction. Because of the openness of the US market, these are all areas in which US goods and services will gain since foreign governments will have no choice but to make their markets more open to our products. These possible negotiations include environmental equipment and services, medical equipment and technology, transportation equipment, and a range of other sectors.

The third area in which the Administration will be looking to expand US economic opportunities in the next few years is in comprehensive market access agreements with individual countries. So far, the only country targeted for this kind of trade expansion is Chile.

One of the main objections voiced to striking bilateral agreements — such as the addition of Chile to NAFTA — is concern over the environmental and labor policies of the other nation. This is not a concern with Chile, which has already indicated that it will sign US labor and environmental agreements which are subject to fines for enforcement.

While fast-track will undoubtedly provide the opportunity to open many new markets and market sectors in which US businesses can compete, the overwhelming reason why the US must continue to break down foreign trade barriers is to maintain our leadership in global economic expansion.

China stands as a prime example of the kinds of benefits America can realize from trade.

While the debate over fast-track is sometimes reduced to claims of trade agreements struck in haste, the China MFN debate is clouded by claims that China somehow receives special treatment not available to our other trading partners.

The reality is the exact opposite: MFN simply grants the same normal trading status that the United States grants to nearly every other country in the world. Unfortunately, the diversion from this fact raises the stakes for future US leadership in trade.

China is one-fifth of the entire global population. It has one of the fastest growing economies in the world, with annual growth rates since 1991 above 10 percent. Furthermore, China has the potential to heavily arm itself and become a superpower — filling the void left by the Soviet Union.

It would be ridiculous for proponents of MFN, like myself, not to take notice of the weaknesses of China's policies. No one is pleased when another nation imposes restrictions on our products and services, violates weapons agreements, and persecutes its own citizens.

But it is important that in evaluating these issues and our responses to them, that we do so in a rational manner and ask ourselves what actions we can take to move the Chinese government in a direction we favor.

For example, the US trade deficit with China is cited as a reason to block our markets to Chinese exports. First, we must evaluate the true nature of that trade deficit. While it appears to be expanding at a rapid rate, through an examination of the trading patterns of China's "four tigers" — Taiwan, Hong Kong, South Korea, and Singapore — we can see that just ten years ago, the US trade deficit with these countries was nearly $34 billion. Today, the US trade deficit with these nations has shrunk below $10 billion as their manufacturing capacity shifted to China.

Ten years ago, the US trade deficit with China was less than $10 billion and has now risen to nearly $40 billion. Most of this growth in the bilateral trade deficit is a result of capacity shifting from the tigers back to China.

While the trade deficit is nonetheless a problem that warrants attention, its rate of growth should not be exaggerated to a level where we consider erecting barriers to our own market. Such an action would cause two results: an immediate Chinese retaliation against US exports (which our competitors would gladly replace) and US consumers would be hit with an increase in domestic inflation as the price of products formerly supplied through Chinese imports skyrocket.

But the real threat from discontinued trade is the damage to US competitiveness if businesses are frozen out of the economic revolution taking place. Over the next ten years, China is expected to spend more than a trillion dollars on infrastructure like roads and bridges. That is the equivalent of starting over a dozen Santa Monica freeways a day, every day, for ten years.

Furthermore, China has a ten-year plan to double the number of telephones per 100 households from two to four. Just that modest expansion is equal to building a new Pacific Bell every year.

At first glance, fast-track, a process for Congressional approval of trade agreements, and MFN for China, a simple status recognizing a nation as equal to dozens of other US trading partners, may not appear to have a great deal in common. But they do: the need for the US to seek expanding economic opportunities for our goods and services.

It has been said many times that the United States contains only 4 percent of the world's population but controls 20 percent of the wealth. This simple fact indicates that in order to improve our quality of life, we must find new places to sell products and services.

Should we choose not to continue to expand our opportunities, the US economy will continue to produce goods, but will have no new markets in which to sell them. Improvements in technology and productivity will result in more and more products produced less expensively.

But without new markets, opened through trade negotiations and market access, these more efficiently produced products have nowhere to go but a warehouse. That is why the US must continue to lead on trade.

Rep. Robert Matsui (D-Calif) is the ranking member of the Ways and Means subcommittee on trade.

AN ACT ONLY A MONOPOLY COULD HATE.

Survey after survey has confirmed that the American people are serious about having a real choice in local phone service. More than a year ago, Congress passed and the President signed a fair and thorough law to guide the way — the Telecommunications Act. It calls for real competition in local phone service — and competition creates greater choice, competitive prices, technological innovation, better quality service and more jobs.

But so far, the local phone monopolies have turned a cold shoulder to competition as required by the Act. They've blocked implementation of the Act through a strategy of litigating, legislating and foot-dragging. They've made no effort to compete against each other. As a result, American consumers and businesses have been put on hold.

At AT&T, we applaud the efforts of Congress, the Administration, the FCC and state regulators to guide the Act forward. When the local monopolies finally comply with the law and allow real competition in their markets, we'll welcome it.

Get with the Act.

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Worried About the Trade Deficit? Don't Be — The Link To US Job Loss, Lower Wages & Unemployment Isn't There

By Sen. Chuck Grassley

The last significant issue that Congress will debate in 1997 is whether to extend fast-track authority to President Clinton. Undoubtedly, the opponents of fast-track will use the debate as a referendum on free trade generally and on our recent free trade agreements specifically. Those of us who support expanding free and fair trade should welcome this debate.

First, it is important to define what it means to support "free trade." Put simply, I believe that as we reduce barriers to trade, more jobs will be created. Higher-paying jobs will replace lower-paying jobs, and the standard of living for US workers will rise.

In fact, exports currently support more than 11 million jobs in this country. These jobs pay 15 to 20 percent higher than the average job. In Iowa, the companies that export provide their employees 32 percent greater benefits than non-exporters.

Free and fair trade rewards the most efficient economy. It rewards the nation with the most advanced technology and the highest skilled and most educated workforce. That is why the United States is the largest exporter in the world today and has the most to gain from further trade liberalization. The opponents of free trade, who fear competing with lesser developed nations, have it all wrong. Would they prefer that our economy more closely resemble that of China or Mexico? If not, we also should not fear trading with nations like China or Mexico. We have all the advantages.

Likewise, fast-track should not be feared. Labor unions have spent millions of dollars trying to kill fast-track. Environmental groups claim that it will lead to the erosion of our health and safety standards. Lost in all of this rhetoric is the real meaning of fast-track and why it is important.

Under fast-track, Congress simply delegates to the President its constitutional prerogative to regulate foreign and interstate commerce. This is necessary because it is impractical for 535 Members of Congress to negotiate trade agreements with other countries. The President must, by necessity, represent the United States in these negotiations.

But Congress retains important protections when it delegates this limited authority. The Senate Finance and House Ways and Means Committees can deny fast-track authority for any free trade agreement, before negotiations begin. The President is required to consult closely with Congress and the public while negotiating an agreement. Finally, either the House or the Senate can vote against an agreement it considers not to be in the country's interests. This leverage allows Congress, and thus the American people, to be deeply involved in negotiating trade agreements.

It is also important to understand that fast-track is about procedure, not about substance. No jobs will be lost and no companies will move offshore just because Congress passes a fast-track bill.

Fast-track is important because the ability to negotiate trade agreements is important. Currently, our trading partners are moving on without us. Incredibly, more than 20 major international trade agreements have been executed, without the United States at the table, since the President last had fast-track authority. For instance, in 1992 President Clinton promised Chile that it would be part of the North American Free Trade Agreement. Five years later, Chile has a free trade agreement with Canada and Mexico and is an associate member of the MERCOSUR, a South American trading bloc that includes Brazil, Argentina, Paraguay, and Uruguay. Yet Chile still is not a member of NAFTA.

American workers and farmers are beginning to feel the consequences. A US telecommunications firm recently lost a $200 million contract with Chile to a Canadian firm that enjoys preferential treatment due to its free trade agreement. American farmers currently supply 90 percent of Chile's feed grain imports. Meanwhile, our biggest competitors for this market, Argentina and Brazil, enjoy an 11 percent tariff advantage over us. It is only a matter of time before we lose this important agriculture market, due to the President's lack of fast-track authority.

Photo by Arvind Garg, Impact Visuals

Santiago, Chile: The US is missing out on trade action with Chile, writes Grassley, which has cut separate trade deals with other countries while waiting to join NAFTA.

Most importantly, fast-track is about restoring the moral authority of the United States to lead on trade issues. Since the Reciprocal Trade Agreements of the 1930s — and even more so after World War II — the rest of the world has followed the the lead of the United States in reducing barriers to trade. Historically, it was often Democratic Presidents who provided the leadership. Franklin Roosevelt, John Kennedy, and Lyndon Johnson all advocated the aggressive expansion of US commerce around the world. I'm reminded of the famous JFK quote, "You either trade or fade." Ironically, it is now largely the Democrats in Congress who are reluctant to support their President's leadership on fast-track.

More than 20 major trade agreements have been executed, without the United States at the table, since the President last had fast-track authority.

Earlier this decade, American leadership made possible the consummation of the Uruguay Round Agreement and NAFTA. Last year, the leadership shown by our current US Trade Representative, Charlene Barshefsky, directly led to the Information Technology Agreement and the Telecommunications Agreement. These agreements will result in the creation of thousands of high-paying American jobs and establish the United States's pre-eminence in these areas. Fortunately, fast-track authority was not needed to complete these agreements. But it was American leadership that made these agreements possible.

Above all, the United States leads the world by promoting its principles of liberty and freedom. Through trade, we export these democratic ideals to other nations. The people of these nations experience American values through the goods they purchase and the relationships they form when trading. In time, it is likely they will insist that their own governments uphold these values as well. We have seen it happen in Latin America, Eastern Europe, and someday, I'm optimistic, we'll see it in China.

Finally, trade promotes democracy simply because it raises the standard of living in other countries. Many scholars, most notably Seymour Martin Lipset, argue persuasively that economic stability is necessary for democracy. Trade is the mutually preferred way of achieving economic growth and stability.

Since 1986, I have hosted on six different occasions a weeklong tour of Iowa for foreign ambassadors and trade representatives. These tours showcase Iowa people, products, and places to the world and help build international trade opportunities. They have also promoted relations and understanding between our nations.

I hear again and again from our international guests that a mutually beneficial and healthy trade relationship is much preferred over foreign aid from the US government. While foreign aid can be fleeting, trade helps build and expand economies. This, in turn, leads to the democratization process.

Yet, fast-track remains a controversial issue despite the apparent virtues of international trade.

Opponents of fast-track argue that further trade liberalization will lead to a bigger trade deficit, a loss of American jobs, and lower wages for American workers. But government statistics, compiled by Citizens for a Sound Economy, show that the trade deficit seemingly has little impact on income and jobs. For example, during the mid-1980s when the trade deficit was at its peak, relative to gross domestic product, the income of the average American family increased. Interestingly, in the last 20 years, median family income has often been the highest when the trade deficit was also at its peak.

The correlation between the trade deficit and unemployment is even weaker. Consider that 1975 was the last time the United States enjoyed a trade surplus. That year, our unemployment rate was as high as 8.5 percent. In 1996, the US ran one of its largest trade deficits ever: $114 billion. But the unemployment rate was just over 5 percent. A look at foreign markets further illustrates this point. Between 1980 and 1995, Germany enjoyed a trade surplus 16 times. The Netherlands ran a surplus 14 of those years, and Sweden, 13 times. Yet in 1996, their unemployment rates were about 7, 8, and 9 percent, respectively. Italy has enjoyed a trade surplus for the last three years and has suffered from an unemployment rate in excess of 10 percent.

The manufacturing sector, a favorite target of free trade opponents, tells a similar story. Although the trade deficit has varied widely over the past 20 years, manufacturing jobs have remained fairly constant. According to the Bureau of Labor Statistics, manufacturing as a percentage of the economy is about the same as it was in 1967 — 21 percent. The trade deficit seems to have no effect on employment in the manufacturing sector whatsoever.

Obviously, I would not argue that trade deficits are necessarily good for America. But it is clear to me that trade deficits do not have the negative effect on employment as some claim. So what exactly does the US trade deficit mean? Robert Samuelson, writing in the Washington Post recently, has a plausible theory. Samuelson argues that our trade deficit is fueled in part by the need for US dollars by foreign countries. These countries want dollars to replace weak domestic currency and to trade in the world market. In order to get these dollars, they are willing to sell products to the US at a lower price.

This is a win for American consumers, who are often forgotten by opponents of free trade. The fact is that American consumers sometimes want goods made elsewhere. It may be because foreign goods are cheaper or because a certain product is made only in another country. That is one of the reasons the US runs a trade deficit. When consumers make individual choices to purchase foreign goods, they don't see this as negative because it contributes to the trade deficit. They see it as a benefit.

The opponents of free trade disagree. They want to stop so-called "cheaply made foreign goods" from coming into the country in order to eliminate the trade deficit. Such a policy would be very harmful for consumers. Trade restrictions such as tariffs and quotas already cost American consumers hundreds of millions of dollars per year. Statistics show that the poorest citizens of our country pay up to 5 percent of their income in higher clothing costs due to quotas.

The bottom line is that further trade liberalization is good for American workers and consumers. The question is not whether future free trade negotiations will occur in the world. They will. Rather, it is whether the United States will be at the table protecting its interests. The answer for all of us should be a resounding yes.

Sen. Chuck Grassley (R-Iowa) is chairman of the Finance subcommittee on international trade.

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Deadly Berries & Trade Policy: They Do Go Together

By Rep. David Bonior

Last spring, a little girl from Michigan named Lindsay Doneth was rushed to the hospital with a fever of 103, bleeding lips, nausea, and sharp pains. As Lindsay screamed in agony, her mom and dad sat by her hospital bed, unsure whether their ten-year-old would live or die.

Doctors said Lindsay had contracted hepatitis, a potentially deadly blood disorder. And she wasn't alone. Area hospitals were being flooded with her classmates from Madison elementary school.

Fortunately, Lindsay and the other students survived the outbreak. Today, she and her classmates are back in class. As it turns out, all 179 of them had eaten contaminated Mexican strawberries in the school cafeteria.

I recount this story because it relates directly to the most important issue Congress is now debating: fast-track and the future of America's trade agreements.

What do Mexican strawberries and sick children in Michigan have to do with our nation's trade policy? Absolutely everything.

Every day, some 10,000 Mexican trucks line up in the sweltering heat at the US border, waiting to cross into the United States. Overburdened American customs inspectors have to wave most of them through because they only have time to check about one percent. They call it the "wave line."

So how many get by without inspection? More than three million a year.

Unfortunately, NAFTA prevents us from increasing inspections at the border. Under Section 717(1)(a) of the agreement, searching more diligently for pesticides, parasites, or infectious disease could be considered a "restraint of trade."

I bring up the case of Lindsay Doneth and the contaminated strawberries because it raises a critical issue in the fast-track debate: Will the trade deals we negotiate promote rising living standards at home and abroad, or will they lead to a downward spiral of dangerous food, a dirtier environment, and lower wages?

I believe cultivating healthy trade relationships is critical to America's future. But our prosperity will depend not just on the quantity of that trade, but the quality.

At stake in this debate is nothing less than the safety of the food we eat, the water we drink, and the air we breathe. At stake in this debate is the safety of our factories, the stability of our farms, and the economic security of working families. At stake in this debate are the values that give our economy strength and our democracy meaning.

There are those who dismiss such talk as mere idealism. Almost derisively, they ask: Are these issues really related to trade? Without a doubt, the answer is yes.

The world has changed, and people who would segregate health, safety, and environmental issues during trade negotiations fail to grasp the new reality of a global economy. With a lot of talk about the future, they are pulling us back to 19th-century conditions: lower wages, weaker consumer protection, and a dirtier environment. I call that the past masquerading as the future.

NAFTA, which was negotiated on a fast track, has been a self-destructive trade policy. It's one that enriches the economic elite and leaves working families poorer on both sides of the border.

Before NAFTA, the United States enjoyed a $2 billion trade surplus with Mexico. By last year, that had become a $16 billion deficit. Is this really a model we want to replicate elsewhere? Is fast-track a process we should repeat?

Consider the issue of food safety.

The New York Times reported Sept. 29 on a dramatic rise in disease linked to imported food, especially fruits and vegetables. Evidence suggests that Lindsay Doneth and her Michigan classmates are but a few of the victims of poisoned produce.

AP Photo

The line of trucks waiting to enter Arizona from Mexico. "Overburdened American customs inspectors have to wave most of them through," writes Minority Whip Bonior.

In 1996, thousands of Americans fell seriously ill after eating Guatemalan raspberries tainted with a parasite living in the water used to irrigate the fields. But when an American inspector informed the Guatemalan growers of the problem, they got angry. They banished our inspector and accused the United States of trumping up the health issue as a way to protect California berry growers.

Unfortunately, Guatemalan raspberries are not the only threat to our health. Contaminated Peruvian carrots, Mexican cantaloupes, Chinese mushrooms — the list goes on.

The Times also reported that while food imports to the United States have doubled since the 1980s, inspections have dropped to less than half of what they were five years ago. That's not progress; that's slipping backward.

Polluted air, water, and food doesn't stop at a dotted line on a map. That makes pollution a bona fide trade issue.

Our health and the safety of our food is directly linked to the state of the environment. During the first NAFTA debate, its supporters promised environmental cleanup on a massive scale. While refusing to include environmental issues in the agreement itself, officials set aside $2 billion to clean up toxic sites along the border. Today, not even one percent of that fund has been spent, and factories there continue to pollute at will.

NAFTA gives multinational corporations a financial incentive to relocate where environmental regulations are weakest. Why should they adhere to higher standards north of the border when they can move south and pollute with impunity?

But while multinational corporations might be able to avoid pollution standards, nobody will be able to avoid the pollution they produce, wherever they live.

That's because polluted air, water, and food doesn't stop at a dotted line on a map. We breathe it, we drink it, and we eat it. That makes pollution a bona fide trade issue, one with real economic and human costs.

I've seen the pollution along the border firsthand. I visited a field littered with used batteries. It looked like a moonscape, covered in white powder. The lead was leaking into the ground right across the road from the region's largest dairy farm. The cows were grazing not 20 feet from the poison.

I've seen Mexican mothers drinking from the same ditches used to flush out factory waste and domestic sewage. I've seen their children bathing in it. It's no wonder birth defects are common in these slums.

The American Medical Association calls the border area a "cesspool of infectious disease," and for good reason: A full 17 percent of Mexican children get hepatitis from contaminated drinking water.

We cannot just look the other way as these conditions spread. It was not so long ago that our parents and grandparents fought for basic rights and standards in the United States.

At the turn of the century, industrial accidents were killing 35,000 American workers a year. It took a fire claiming the lives of 146 immigrant women locked inside the Triangle Shirtwaist Company to ignite the movement for workplace safety standards. Today most Americans take their right to a safe workplace for granted.

In the fall of 1913, some 9,000 Colorado miners and their families went on strike for an eight-hour day. To break the strike, the mining companies mounted a machine gun on an armored vehicle, dubbed it the "Death Special," and sent it rumbling out to intimidate the workers. Today, most Americans take an eight-hour day for granted.

At the turn of the century, unscrupulous meatpackers were selling carloads of rotten beef to a powerless public. It took Upton Sinclair's 1906 novel "The Jungle" to expose this deadly fraud and spark a movement for food safety.

As we approach a new century, the gains of history are being undermined. They are being undermined by powerful multinationals that have no allegiance to this country or any other — only to the bottom line on their quarterly reports.

But just as Teddy Roosevelt and the Progressive Movement rose up against the great trusts that stomped like giants across America's economic landscape, we will not permit today's multinationals to undermine our standards or trample our rights.

Fast-track supporters will argue that the United States can't expect less developed countries to adhere to our standards. They didn't make that argument when they insisted on protections in NAFTA for intellectual property produced by major corporations like Disney and Microsoft.

We should protect intellectual property. But we should also insist that Lindsay Doneth gets as much protection as Donald Duck. Right now, that's not the case. Recognizing this requires us to think about trade in a new way, and develop our trade policy accordingly.

I do not believe that other countries must establish the exact same minimum wage as ours. But we know from our history that the standard of living we enjoy, the consumer protections we rely on, the rights we cherish — they didn't just happen. Our progress on these fronts has not been automatic.

This should tell us something: that similar progress outside the United States will not be automatic, either. Unchecked market forces alone didn't generate safer food, better wages, or a cleaner environment in the United States, and unchecked market forces alone won't generate them abroad, either.

It has always taken some constructive, countervailing pressure to ensure that free markets benefit the broad majority, not just the economic elites. Today, as the United States embraces a growing international market, our trade policy must help provide that countervailing pressure, harnessing economic growth for the benefit of the many, not just the few.

Global trade is here to stay. The question is: What are the rules going to be, and who is going to benefit?

If the United States doesn't stand firm against the international tug of lower standards, lower wages, and a dirtier environment, nobody will. If we don't stand firm, all of us will pay the price, and so will generations to come.

Those who support fast-track often like to say "America must be a leader." I completely agree. But what they propose leads us in the wrong direction. What they propose is a policy that has already failed.

According to the Clinton Administration's own assessment, NAFTA-related exports have generated somewhere between 90,000 and 160,000 new jobs. They quietly say the agreement has had a "modest positive effect" on the US economy.

But those figures don't account for nearly 150,000 Americans who've lost their jobs as a direct result of the agreement. That figure comes from the Labor Department. And it only includes those workers who received help under NAFTA's narrow Trade Adjustment Assistance Program.

Other estimates of NAFTA-related job losses run much higher. The Economic Policy Institute issued a report last month that indicated NAFTA has cost nearly 395,000 American jobs.

Whatever the exact figure may be, the Labor Department has found that two-thirds of Americans who lose their jobs due to foreign trade end up with work that pays less than they earned before. That's not progress; that's slipping backward.

The Administration claims that fast-track is necessary to land important new trade deals. But they have already negotiated more than 200 such deals without fast-track.

Fast-track supporters claim that this process is essential if the United States hopes to boost trade with South America. But in the past year alone, our trade surplus with South America has doubled to $3.6 billion, far outstripping all of our rivals.

Fast-track supporters claim that this is a philosophical struggle, and they label me — wrongly — a protectionist. To them I say: The old argument between protectionism and free trade died a long time ago. Ours is a debate about America's capacity to shape its future.

But I will tell them, with pride, that I do believe in protecting the air we breathe. I do believe in protecting the water we drink. I do believe in protecting Lindsay Doneth and the children of America from unsafe food. And I do believe in protecting the American values that endow our democracy with direction, purpose, spirit, and meaning.

As we approach the 21st century, we should not trade these away — on a fast-track or any other track.

America can do better. With a new, progressive approach to foreign trade — one built on our democratic values — we can both honor our history and embrace the future.

Rep. David Bonior (D-Mich) is the Minority Whip.

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

An Appeal to Congress from the States:

GIVE PRESIDENT CLINTON THE AUTHORITY TO NEGOTIATE TOUGH, FAIR TRADE AGREEMENTS.

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Now key negotiations are about to start-in agriculture, services, financial services, and information technology-sectors where our country is the world leader-and in Asia and Latin America, the two fastest growing regions in the world. This is no time to unilaterally disarm our President and our negotiators. Without fast track, the United States cannot negotiate new trade agreements that are in our interest, and fair, reciprocal trading rules. Failure to renew negotiating authority will only encourage more competitors to cut America out of accords.

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

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'Open Skies' Deals Are Also Part of Free Trade Debate

By Sen. John McCain

Every day more and more countries pursue the proven benefits of free trade: improved efficiency, productivity, and living standards. The amount of goods crossing international borders has never been greater and will continue to grow.

In order to maximize the benefits of liberalized trade, the United States and free-trading nations must increase their focus on ensuring the efficient and effective means of transporting the increased volume of goods that are exchanged between nations.

One of the ways to achieve that goal is to apply the tenets of free trade to the transportation sector by concluding international agreements that allow nations to compete freely and fairly in providing international transportation services. In recent years we have reached fully liberalized aviation agreements with many of our trading partners around the world, including Germany, Costa Rica, and Malaysia.

But agreements with several major trading partners — England, France, and Japan — remain elusive.

Currently, the Administration is focusing its efforts on a broad agreement with Japan that would replace the archaic 1952 United States-Japan Civil Air Services Agreement. An agreement to liberalize aviation services between our two countries is a significant goal for two reasons: It would enhance the free flow of goods between the United States and Japan, and it would allow US carriers to operate more freely in Japan's domestic market.

It is ironic that Japan, one of the world's most sophisticated, export-driven economies, would also have a highly regulated air carrier industry. Japan's carriers cannot compete with US carriers, and there are no Japanese equivalents to the US rapid-delivery air cargo service providers. Our nation's air cargo industry enjoys a strong advantage as a result of having a large domestic market and having faced the competitive pressure created by airline deregulation. On the other hand, Japan's regulatory regime has resulted in bloated, inefficient airlines.

The importance of the aviation market between the United States and Japan, and the importance of the agreement that controls that market, cannot be overstated. In terms of revenue, the US-Japan aviation market is the largest aviation market in the world, and Japan represents the largest international cargo market for US carriers. Furthermore, Japan occupies a strategic location as the aviation gateway to Asia, the fastest-growing sector of the air cargo industry.

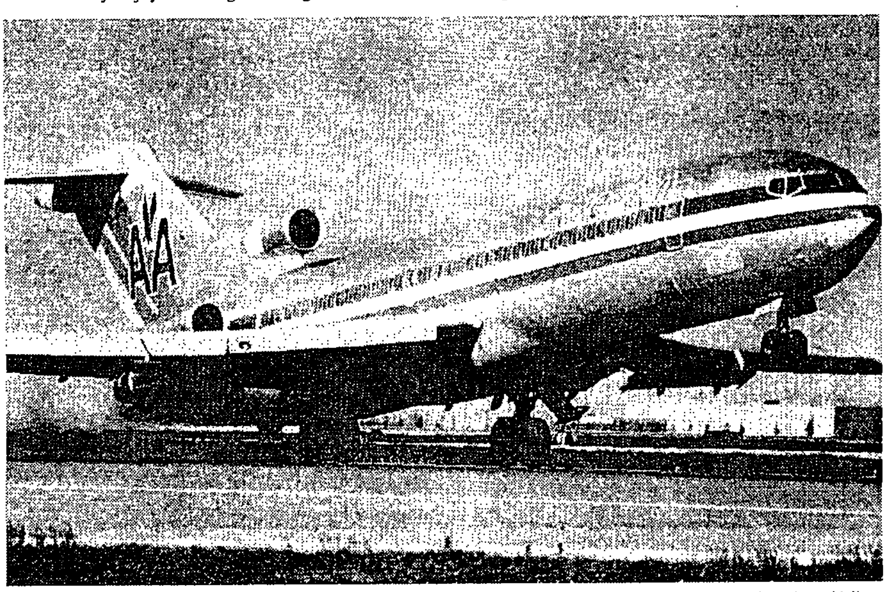
Photo courtesy American Airlines

Recent projections show worldwide cargo activity growing at 6.7 percent per year, and the Asian Pacific market growing even faster, with 30 percent of the total world market. Other studies indicate that the intra-Asian courier business is the fastest-growing part of the international air express cargo market, with intra-Asian business expected to represent about 35 percent of the total air freight market by 2015.

Once Japan adopts a deregulated regime — something the United States did almost 20 years ago — consumers and businesses from all over the world will enjoy lower prices and greater efficiency. In addition, US carriers will have free and fair access to the Japanese market.

The more liberal the new aviation agreement between the two countries, the greater the benefits to both nations.

Japan should take note: The trend of knocking down these regulatory barriers is unstoppable in today's global economy, with the United States already having signed 25 of these agreements with other nations, including several other Asian countries.

The continued growth of international trade and the movement of goods depends on sound transportation policies. Open lines of transportation are an integral element of free trade and affect trade volume. Let us work toward a future without the unnecessary costs to our governments, businesses, and, most importantly, to consumers that result from air transport barriers.

US negotiators resume their formal talks with Japan this week. The fruits of their labor will have a dramatic impact on the future of aviation between the US and Japan. Japan should no longer fight international trade forces; it must recognize the advantages for its country and for the already interdependent global economy.

Sen. John McCain (R-Ariz) is chairman of the Commerce, Science, and Transportation Committee.

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This powerful tandem in Washington—Big Business and Big Government—will trample deregulation experiments now underway in the states. How? By mandating more "Washington Knows Best" rules, requirements, bureaucrats and deadlines.

All consumers want lower electricity rates. And state-based reforms are serving as the perfect vehicle to ensure this. For small business and average homeowners this is the best of all possible developments. Competition flourishes and consumer choice thrives...without the heavy-handed intrusions of the government in Washington.

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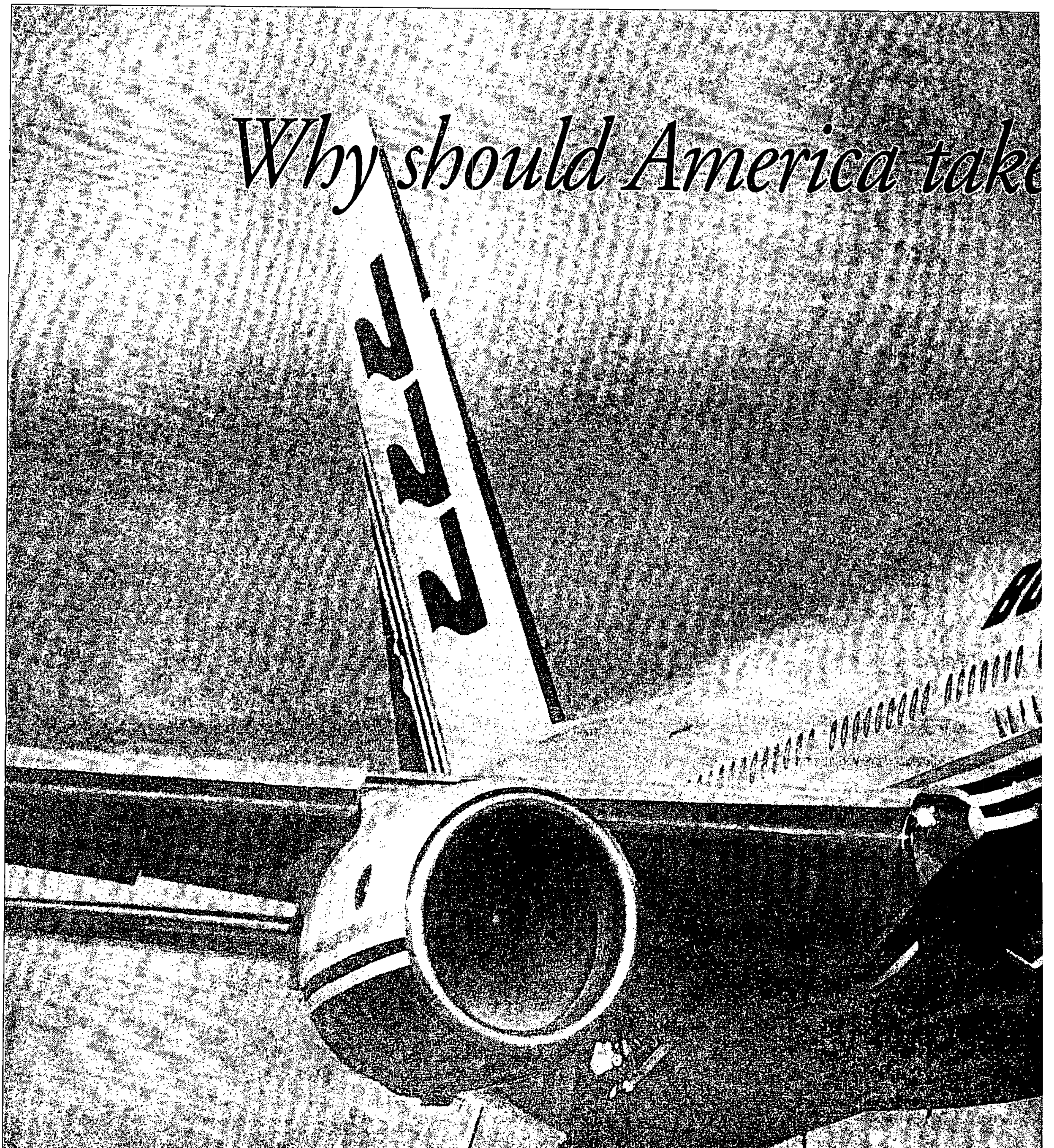
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Don't Forget Other Treaties: Congress Must Adopt Key Intellectual Property Pacts

By Rep. Howard Coble

The topic is intellectual property and trade. What's up with that? "I'll trade you two Rhodes scholars and a Nobel Prize winner for three Harvard fellows and a Pulitzer Prize recipient to be named later?" I don't think so.

Intellectual property is the product of someone's creative mind. It can take the form of a song, a book, a computer software program, or a movie. Intellectual property is intimately connected to the arena of international trade: When Arnold Schwarzenegger's newest movie is showing in Milan, "the Terminator" is improving our balance of trade. When Garth Brooks's latest single is racing up the charts in Liverpool, "we've got friends" in new international places.

And when Sun Microsystems sells a new software package to a computer company in Jakarta, all of America comes out ahead (perhaps with the exception of a small firm located in Redmond, Wash., but that's a different story).

The Judiciary Committee is working on legislation to get 'digital Blackbeards' off our high-tech high seas. Last year, worldwide losses to software piracy were $11.2 billion.

Intellectual property is one of the driving and thriving forces in the US economy today. That's why it is such an exciting time for a country boy from North Carolina to be chairman of the House Judiciary subcommittee on courts and intellectual property. The policies that our panel will adopt over the coming months will have a dramatic impact on a key segment of our nation's economy.

If you don't believe me, take a look at the figures compiled by the International Intellectual Property Alliance (IIPA). Earlier this year, the IIPA released a study prepared by Economists Incorporated that detailed the contribution of America's creative communities — including the publishing, audiovisual, music and recording, and computer software industries — to the US gross domestic product, employment, and foreign trade. In 1994, for example, copyright industries accounted for more than $385 billion, or 5.7 percent, of our gross domestic product while employing more than 5.9 million Americans.

Many of these people were working hard to increase exports and reduce our international trade deficits. In 1995, copyright industries achieved foreign sales and exports totaling more than $53 billion, surpassing all export sectors except for automotive and agriculture. The 1995 totals represent a 10.2 percent gain over the previous year's numbers, and all indications point to continued growth since then.

Eric Smith, the IIPA president, has stated that his association's report proves "the economic impact of the US creative industries has passed a number of significant milestones. This quarter-trillion-dollar economic dynamo has created more than three million jobs and over $50 billion annually in overseas sales. Industries like business and entertainment software, movies, TV and video, music and sound recording, and book and journal publishing are critical national assets and the linchpin of US global competitiveness. To encourage the continued success of these industries into the 21st century, the report is critical reading material for Congress as [Members] examine ratification of the two new WIPO treaties."

Mr. Smith goes to Washington, and he hits the nail right on the head. Congress must adopt both new World Intellectual Property Organization treaties, and that is why I have introduced legislation to implement both treaties. WIPO is not a brand of soap. But it is "new and improved!"

The digital environment now allows users to send and receive perfect reproductions of copyrighted material over the Internet. With these evolutions in technology, the law must adapt to continue to protect the works of our nation's creators.

WIPO does not take effect until 30 countries have ratified the treaties and then it will only apply to those countries that have ratified the agreements. At this time, we do not have a timetable for when the House will consider the implementing legislation or when the Senate will ratify the treaties.

In Geneva, Switzerland, in December 1996, a diplomatic conference was convened under the auspices of the World Intellectual Property Organization to protect copyrighted material in the digital environment and to provide stronger international protection to performers and producers of "sound recordings" (e.g. CDs, cassette tapes, LPs, etc.). The latter is important in order to provide guarantees of the same strong protection afforded to American records, tapes, and CDs abroad that is provided domestically.

The conference produced two treaties, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, which were agreed to by consensus by more than 100 countries. The US delegation, which participated in the negotiations, supported the efforts, but the purpose of our implementing legislation is to conform US law to the treaties. The Senate then must ratify the treaties.

These treaties are extremely important to ensure adequate protection for American works in countries around the world, particularly at a time when digital means of dissemination are becoming increasingly popular. While such rapid distribution of perfect copies will benefit owners and consumers, it will unfortunately also facilitate "digital pirates" who aim to destroy the value of American intellectual property.

Our implementing legislation contains two basic additions to US domestic law along with some technical changes. Our subcommittee held a hearing on the treaties on Sept. 17. No other action has occurred thus far. The treaties do not require any substantive changes to US law.

The changes address the problems posed by the possible circumvention of technologies, such as encryption, which will be used to protect copyrighted works in the digital environment and for the development of secure online licensing systems.

To comply with the treaties, the US must make it unlawful to defeat technological protections used by copyright owners to protect their works. This would include preventing unlawful access and targeting devices made to decode encrypted copyrighted material.

Just as Congress had to act in the areas of cable television and satellite transmissions to prevent rampant copying and unauthorized use, we must now address the online environment. Further, the US must, under the treaties, make it unlawful to deliberately alter or delete information provided by a copyright owner that identifies a work, owner, and its permissible use.

AP Photo

The scene in Beijing last year before the signing of a new Sino-US agreement on intellectual property rights. Two new WIPO treaties on intellectual property are pending.

When copyrighted material is adequately protected in the digital age, a plethora of works will be unleashed and distributed over the Internet. In order to protect the owner, copyrighted works will most likely be encrypted and accessed once a consumer pays for the distribution of the work. There will be those who will try to profit from the works of others by decoding the encryptions protecting copyrighted works. A new section of our bill will make it unlawful to engage in this activity.

While there are no objections to preventing Internet piracy, it is not easy to draw the line between legitimate and nefarious uses of decoding devices.

While there are no objections to preventing Internet piracy, it is not easy to draw the line between legitimate and nefarious uses of decoding devices, and to account for devices that serve legitimate non-infringing purposes. I believe our bill presents a reasonable compromise that achieves these goals. The Administration supports our bill and there is no competing legislation.

Our overall goal is to give our American creative industries the freedom and tools necessary to compete in the global marketplace. Thwarting software piracy is a major component of that plan. Last year, worldwide losses were $11.2 billion. Piracy rates in some countries of the world are 80 to 90 percent.

If we can eliminate or severely reduce these rates, we can add even more black ink to our international balance of trade. Software piracy is a fancy way of saying theft — plain and simple. These pirates are stealing someone else's property — in this case, intellectual property.

Unfortunately, the US cannot claim the high road when it comes to piracy. Even though our loss rates are lower (27 percent), the US market represents the largest single-country losses anywhere in the world — $2.3 billion lost to software theft in 1996. That also means 130,000 lost American jobs. Our committee is working on legislation to get these "digital Blackbeards" off our high-tech high seas.

A thriving intellectual property community will lead our economy into the 21st century. As technology continues to evolve, Congress must be ready to assist American companies competing in the international marketplace.

Someone once said that while the public may find the debate of intellectual property abstract and arcane, it is up to Congress to prove that it is no less deserving of protection as personal or real property rights. It shouldn't take a Rhodes scholar to figure that out.

Rep. Howard Coble (R-NC) is chairman of the Judiciary subcommittee on courts and intellectual property.

National Interest
Vs.
Special Interest

Over 2,300 communities, companies, and organizations support a new aviation agreement with Japan.

Only one major airline, Northwest, opposes the deal.

New Agreement	Northwest's Position
5,000 new flights in the U.S.-Japan market	No new flights
250,000 jobs	No jobs
At least $10 billion in U.S. economic activity	No new economic activity

Thanks to tough negotiating by the Clinton Administration, more flights by more airlines from more U.S. cities to Japan and beyond are within our reach. A new agreement will bring at least $10 billion in new annual economic activity to the U.S. and support 250,000 jobs. But in an apparent effort to protect their own market share and corporate profits at the expense of all Americans, Northwest is opposing the deal and misleading the public. With a good agreement so close, this is no time to let special interests outweigh the national interest.

Don't let the special interests of one airline jeopardize an agreement that benefits all Americans.

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US Invokes 'National Security' at Own Risk in Trade

And We Seem Doomed to Repeat the Past by Hurting Our Software Industry With Encryption Export Ban

By Rep. Sam Gejdenson

Too often when this country makes international trade decisions in the name of national security, we shoot ourselves in the foot.

We are now holding a gun to an industry that will march us toward economic prosperity and job creation in the 21st century: the computer software and hardware industry. Specifically, we are threatening our software business — the envy of the world — by restricting its export of encryption technology.

The impetus behind restricting encryption technology stems from legitimate concerns about the safety of American citizens. No one wants another World Trade Center incident to occur, and I sympathize with law enforcement agents who want to employ all available means to prevent a recurrence. The problem is that the encryption genie is already out of the bottle. It is available around the world and will continue to be whether we cap our export or not.

Encryption is a mathematical process to scramble digital information during computer transmission or storage. Growing in importance each day, encryption is crucial to protect the confidentially of electronic commerce, financial transactions, medical records, and intellectual property.

The Internet's potential as a vehicle to conduct worldwide commerce and communication is seemingly limitless. But if consumers lack faith in the confidentiality of the Internet, it will not reach its promise to become the focal point for global commerce and communication. Few will send their bank records, research data, or personal medical history across the Internet if they believe anyone other than the intended recipient will have access to the information. Recent studies have estimated that without a change in our encryption policy, the US information industry could lose between $30 billion and $60 billion in annual revenues by 2000.

Just as protecting valuable information is burgeoning as a hugely lucrative and job producing business, export controls are constraining the US computer industry from competing internationally. US-based businesses are not allowed to export anything stronger than 56-bit encryption. (We gauge encryption's strength by the length of its "keys," measured in bits.) In contrast, foreign producers are selling encryption products with 128-bit key length, which is considered unbreakable by today's computing standards.

The New York Times reported in April that a software company in Boeblingen, Germany, and other European firms are filling the void for strong encryption left by American companies. Ominously, the author concludes, "Far from hindering the spread of powerful encryption programs, however, US policy has created a bonanza for alert entrepreneurs outside the United States."

The cost of this policy is already becoming clear. This May, Sun Microsystems announced that it would sell advanced encryption software from a Russian supplier to overseas customers. Sun's plan to sell encryption software licensed from Elvis+ Company, formed by scientists from the Soviet space program, bodes poorly for the future of America's computer dominance. One of our major computer exporters was forced to purchase a product from a Russian company to comply with US export laws.

This incident demonstrates that encryption technology is readily available worldwide and that meeting US export laws on encryption will create Russian and Swiss jobs while costing us high-tech employment here at home.

What is more frustrating is that the intent of restricting encryption exports to increase national security may be jeopardized by that same policy. If US companies cannot compete on a level playing field with their European and Asian counterparts, we will lose our competitive edge in encryption. Losing our lead in competitive technology can dull our national capacity to combat criminal use of encryption and limit the capability of the FBI or the National Security Agency to acquire cutting-edge, crime-fighting equipment and technology.

In an important study, the National Research Council concluded that allowing the export of better encryption products corresponds with our national security interest. The blue-ribbon panel from industry, government, and academia asserted that "it is desirable for the US government to keep abreast of the current state of commercially deployed encryption technology, a task that is much more difficult to accomplish when the primary suppliers of such technology are foreign vendors rather than US vendors."

Frequently the notion arises that the federal government might gain access to all encrypted data by use of "key recovery." Under this scheme, all encryption products would have a feature to allow law enforcement agents, with the proper legal authority, to decode encrypted information into plain text without the user's knowledge. Ironically, this policy would hinder the private sector from safeguarding its data from criminal hackers looking to pilfer sensitive information.

With key recovery, an encryption system would have more pressure points and more vulnerabilities. In addition, any universal key recovery system would have to rely on impregnable confidentiality from individuals, and once this is breached would leave crucial data vulnerable to commercial and international espionage. On top of all of this, experts in the field have assailed key recovery as untested and question whether it could work on a large scale.

If we adopted this key recovery policy, we would leave corporate and individual computer systems potentially exposed to security breaches.

What is clear is that there is no multilateral support from our allies either for mandatory key recovery or limiting the sophistication of encryption software. Recently issued guidelines by the Organization for Economic Cooperation and Development (OECD) left to the discretion of each country to make key recovery policy as it saw fit. Just last week, the European Commission urged its member states and the United States to take a "hands off" approach to Internet regulation and to refrain from imposing key recovery.

There are disheartening precedents to a misguided application of national security principles to international trade here in the US. Six years ago, the Commerce Department wanted to decontrol 286 MHZ computers and then-Defense Secretary Dick Cheney told us that in the name of national security, we absolutely should not. By the time their argument was over, the 286 computer was almost obsolete. How could any terrorist threaten us today with a 286 computer? And if we had made that unnecessary sacrifice, how many hundreds of thousands of high-tech American jobs would have been lost?

Go back a little further and we can remember the Defense Department at one time told American manufacturers they could not export machine tools because the quality was too good. Then several years later, the Defense Department came back and said we needed to get Japanese machine tools because they were more precise than American machine tools.

And just this year, the House passed an amendment to the defense authorization bill to put extra controls on the export of high-performance computers any country suspected of fostering weapons proliferation. Not only could these countries purchase these computers elsewhere, but they might also be encouraged to develop domestic computing alternatives to compete against our businesses.

Again, we were jeopardizing an entire sector of our economy to gain nothing in safety. It is comforting to know that if we are not hobbling our software industry, we can always place a straitjacket on our important computer hardware producers.

To protect ourselves from further self-inflicted wounds, I signed on as an original co-sponsor of H.R. 695, the Security and Freedom through Encryption (SAFE) Act, introduced by Rep. Bob Goodlatte (R-Va). This bill permits the continued use of any security system to protect confidential information and prohibits the federal government from mandating federal access to encrypted documents, while making it unlawful to use encryption to commit a crime or willfully cover up criminal activity.

This is a continuation of my longtime commitment to creating a rational policy on encryption. Dating back to 1991, as chairman of the Foreign Affairs subcommittee on international economic policy and trade, I pushed for encryption technology to be moved off the munitions list and onto the dual use list for export purposes in various versions of the Export Administration Act considered by the House.

As chairman, I conducted hearings on this subject. At one hearing, each committee member was presented with a laptop computer and was directed by a representative from Sun Microsystems to download sophisticated encryption programs off the Internet. Had they pushed one button and returned the programs to their source, they would have been in violation of United States export control law and subject to criminal prosecution.

I stood with President Clinton in the White House on July 1 as he announced the Electronic Commerce Initiative. The Administration's task force presented some excellent overarching principles for the future of the Internet:

1. The private sector should lead. The Internet should develop as a market-driven arena, not a regulated industry.

2. Governments should avoid undue restrictions on electronic commerce.

3. Where governmental involvement is needed, its aim should be to support and enforce a predictable, minimalist, consistent, and simple legal environment for commerce.

4. Governments should recognize the unique qualities of the Internet.

5. Electronic commerce on the Internet should be facilitated on a global basis.

I wholeheartedly endorse these goals and I believe that the encryption legislation co-sponsored by 248 of my House colleagues abides by these challenges. When it comes to the Internet, the President said it best on that day:

"Because the Internet has such explosive potential for prosperity, it should be a global free trade zone. It should be a place where government makes every effort first, as the Vice President said, not to stand in the way — to do no harm."

Good policy balances important priorities. This nation's encryption law should weigh the legitimate needs of law enforcement and national security with rights of privacy for law-abiding citizens and companies and the need for our world-class software companies to compete unshackled in the global economy.

Fundamental to this delicate balance is an assertion that our economic security is an essential component of our national security. International trade helps provide us with the resources we need to pay for our defense and produces the prosperity we are trying to protect in the first place. Crippling one of our dominant exporting industries from fairly competing in the global market and creating American jobs is bad for our nation's strategic and economic security.

Let us unload the gun of a misguided encryption export policy and allow the overwhelmingly legitimate individual and commercial users of the Internet to conduct their transactions securely. And let us instead channel our intellectual power and creativity to break the codes of illegal transactions and target the terrorists and criminals instead.

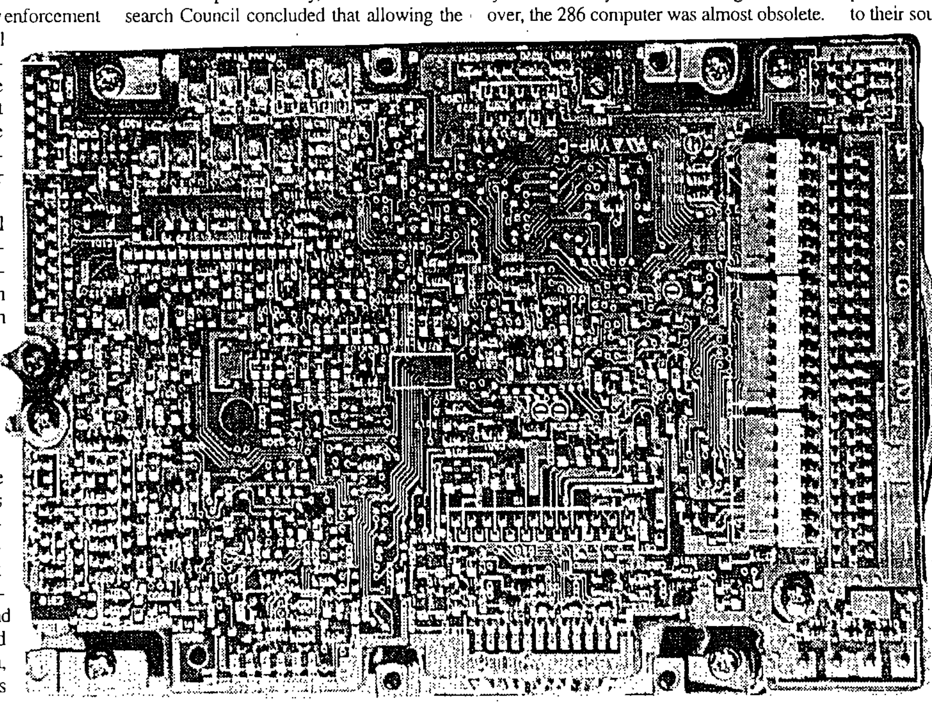

Photo by Rebecca Roth

Rep. Sam Gejdenson (D-Conn) is the ranking member of the International Relations subcommittee on international economic policy and trade.

The Cost of War

World War I cost America $460 billion*

World War II cost America $3.88 Trillion*

** in 1996 dollars. Source: Statistical Abstract of the U.S., 115th Edition.*

The Price of Peace

NATO expansion will cost each U.S. taxpayer the price of a candy bar.

Source: Department of Defense

Expanding NATO to include Poland, Hungary and the Czech Republic will come with a price. What will it cost every American taxpayer? About what it takes to buy a kid a candy bar. That's not much considering the staggering and tragic toll of war. America can afford NATO expansion. America can afford peace.

Secure the Peace. Expand NATO.

For additional information, contact the bipartisan U.S. Committee to Expand NATO
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To Stop Copyright Pirates, US Needs Fast-Track

New Trade Deals Will Protect Intellectual Property, the Foundation of Our Most Competitive Industries

By Rep. Cal Dooley

Lost amid the debate over granting President Clinton fast-track negotiating authority for trade agreements is a vitally important issue: Fast-track is needed not just to bring down trade barriers to US products, but also to protect the intellectual property rights of US industry.

Industries that depend on intellectual property are the future of America, and protecting intellectual property rights must remain a priority. For America to maintain its global economic leadership, particularly in industries

Protections for patents and copyrights have already been negotiated in the Uruguay Round Intellectual Property (TRIPS) agreement; they need to be strengthened and maintained.

such as computers, software, entertainment, pharmaceuticals, agriculture, and others that have experienced exponential growth in the past decade, we must do more than just export products, services, and opportunities for investment.

We must introduce and market to the rest of the world American intellectual property and at the same time ensure that our ideas and inventions — including patents, design processes, and trademarks — are not pirated by our competitors.

Extension of fast-track will allow the President to continue pursuing protections for US intellectual property rights while increasing access to foreign markets for US products. The arguments for fast-track negotiating authority, which will ultimately lead to solid fair-trade agreements, are obvious in the product arena.

However, removing trade barriers like tariffs on products and services is also critical to the economic growth of America because it spawns competition. With fair and open competition, American companies gain the right to establish themselves in key emerging markets overseas, to compete once they are there, and to receive treatment similar to that of national competitors.

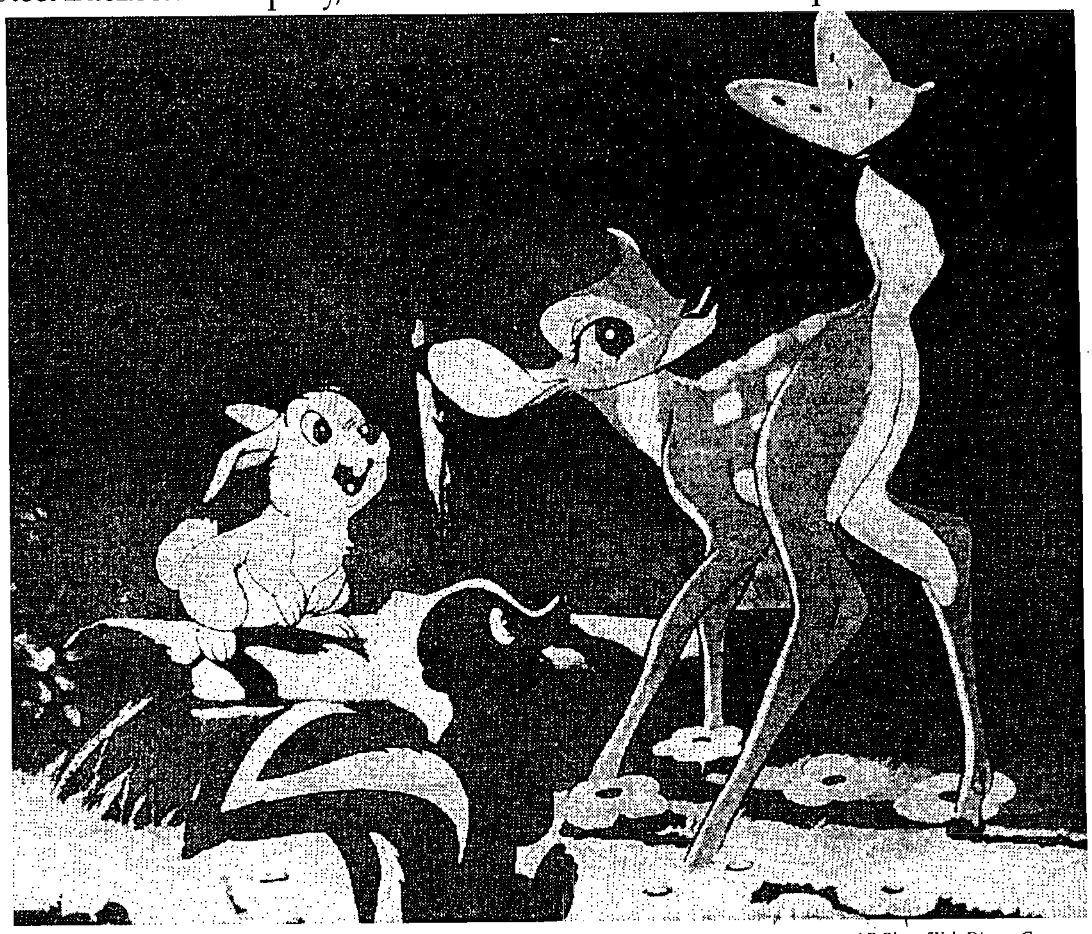
The same applies to our less tangible, but perhaps even more valuable, intellectual property. America is the world's innovator. We lead in product design, efficient manufacturing processes, software programming, entertainment, biotechnology inventions, and agricultural and genetic engineering, to name but a few of our successes.

Our inventors must be able to protect what they create. This protection only can be gained through comprehensive trade agreements that cannot be dismantled by the special interests of any country. Without such binding agreements, our inventions and innovations are vulnerable to international piracy — to being stolen and reproduced in foreign countries where we have no legal recourse or rights of redress.

There is an inexorable link between intellectual property protection and American job competitiveness and growth. Our global leadership ultimately depends on our creativity and resourcefulness — Americans' unique ability to generate new ideas and develop new ways of looking at the world.

Our most competitive industries are built upon intellectual property. The information technology industry, for example, generates more than 3.5 million jobs, with wages and

Rep. Cal Dooley (D-Calif) is a member of the Resources Committee.



AP Photo/Walt Disney Company

What is intellectual property? Well, Bambi qualifies, though the famous Disney movie was actually based on an Austrian writer's tale.

benefits well above the national average. We are the number-one manufacturer and exporter of semiconductors, computers, and software. Nine out of ten of the world's largest software companies are based in the United States, producing business software and entertainment software, such as video games, compact discs, multimedia products, and electronic journals.

These products alone account for almost 4 percent of the gross domestic product and more than $250 billion in revenue. New jobs were created in these industries at a rate four times faster than the average US job rate in the last ten years.

Patents and copyrights protect this industry's inventions. Yet copyright piracy casts a pall over this industry's bright prospects. According to the International Intellectual Property Alliance (IIPA), copyright piracy is the number-one trade barrier affecting the health and growth of US copyright industries. The IIPA estimates that last year alone, creative US industries lost more than $2.3 billion due to copyright piracy of US-copyrighted materials. These losses translate directly into lost US revenue and employment opportunities.

Trade agreements such as the Free Trade Area of the Americas (FTAA), which only could be cemented with certainty under fast-track authority, would help combat such piracy. The resulting level playing field would allow US software inventors to compete fairly, as well as grant legal leverage for intellectual property theft.

Consider the rise of the Internet and electronic commerce. More and more business transactions are taking place in cyberspace. Electronic commerce is gaining ground on physical commerce, creating jobs and boosting our economy. This year alone, nearly 200,000 Internet-related jobs will be created in the United States; last year, that figure was approximately 90,000, and the year before, around 50,000. This tremendous growth in well-paying, high-skilled jobs is a benefit to our nation's families. We must ensure that these good jobs continue to be created into the next century.

The Internet operates without geographic boundaries, 24 hours a day, seven days a week. Such a global medium demands global protections. American companies are leading the Internet technology surge, and they depend on

Nine out of ten of the world's largest software companies are based in the US, producing business and entertainment software, such as video games, CDs, multimedia products, and electronic journals. These products alone account for almost 4 percent of the GDP.

intellectual property and intellectual property protections like patents and copyrights to sustain international competitiveness and growth.

Such protections have been approved by Congress in the Uruguay Round Intellectual Property (TRIPS) agreement. But these protections need to be strengthened and maintained.

TRIPS protects databases, computer programs, and sound recordings, as well as product and process patents, for virtually all types of inventions, including pharmaceuticals and agrochemicals. But again, presidential negotiating authority is necessary for the United States to convince other countries to participate in these types of agreements; we lose our standing if other nations fear that agreements will be picked apart when these agreements return to America.

Fast-track allows the President and Congress to enter into a partnership to enhance the opportunities for American businesses to compete in the world. The President and Congress can work together to bring down barriers to US exports, ensure that our products do not face unfair trade barriers, set up a system for addressing violations of trade agreements, and create an international framework to continue expanding trade opportunities.

Working together, the President and Congress can ensure that the United States effectively negotiates away foreign tariff barriers to US products, as well as non-tariff barriers, such as quotas, protectionist product standards, and subsidies that foreign governments increasingly substitute for tariffs to exclude US products. In addition, fast-track will allow the President to continue to pursue sectorial agreements with our trading partners on such items as intellectual property rights.

Ultimately, the most compelling arguments supporting fast-track are the simplest. Almost 96 percent of the world's consumers live outside the United States. The global economy will grow at three times the rate of the US economy. The US must maintain its competitive advantage and protect intellectual property rights to ensure the continued growth and prosperity of the industries that depend on intellectual property.

This fast-track vote, more than any other taken by Congress this year, will pave the way for a bright and prosperous future for America. We must maintain our commitment to improving intellectual property rights protection around the world. The continued growth in software, entertainment, biotechnology, and other areas is dependent on enforceable agreements protecting intellectual property.

Dow Corning Knew.

1975

Silicone Breast Implants Leak.

A common hand towel may be the most damning piece of evidence against Dow Corning in its campaign of deception about silicone breast implants. Early on, Dow realized the implants it was selling leaked silicone. They bled. Instead of alerting physicians to the problem, Dow Corning's internal documents reveal they told their salesmen to wipe implants with a towel before presenting them to doctors. One concerned Dow salesman wrote to his boss: "To put a questionable lot of mammaries on the market is inexcusable. I don't know who is responsible for this decision, but it has to rank right up there with the Pinto gas tank."

What happens to the silicone that bleeds from the implants once they are inside a woman's chest? A research study Dow Corning conducted on mice tells the story. Mice were injected with a small amount of silicone. Within two days, the silicone migrated to key organs in the mouse's body: spleen, liver, kidney. The migration of silicone is also a problem for women who've had implants. A recent study at Harvard shows silicone in the livers of women with implants. In addition, women with implants experience rheumatoid symptoms in joints throughout the body. Doctors often find deposits of silicone in the affected joints.

In the face of significant evidence, Dow clings to flawed scientific studies to discredit the women who are suffering from its implants. Those studies contain warnings from their authors against drawing conclusions because of incomplete data. But the science revealed in Dow Corning's own internal documents is irrefutable. The implants leak, the implants rupture, the implants are not biologically inert and safe. No towel can wipe away the facts.

For a free information packet that includes documentation of all claims made in this ad, write to: Command Trust Network, 11301 West Olympic Blvd., Box #332, West Los Angeles, CA 90064.

COMMAND TRUST NETWORK, INC. NATIONAL SILICONE IMPLANT INFORMATION CLEARINGHOUSE

Debunking Fast-Track Fear-Mongers: They Are 1990s Xenophobic Version of the 'Know-Nothing Party'

By Rep. Jim Kolbe

As Congress debates in earnest the merits of granting the Clinton Administration fast-track authority to negotiate trade agreements, America's economic future hangs in the balance. The battle for fast-track is an uphill one, and a successful outcome may well hinge on how effectively Republicans and Democrats who believe in the principles of free trade counter the rhetoric of the fear-mongers.

Over the past several months, fast-track opponents have painted a gloomy, yet seductive picture — one that panders to economic insecurities. Unfortunately, they have been all too successful. Through clever, if disingenuous, use of anecdotal evidence and shaky economic theories, fast-track opponents have unleashed a whole panoply of fears for many Americans.

If a factory closes, for whatever reason, the naysayers blame free trade. If a company opens a subsidiary in Korea to take advantage of the Korean market, even if it keeps production in the United States, they are nevertheless excoriated for shipping jobs to Third World countries.

If the World Trade Organization rules that European countries should not use phytosanitary standards that have no rational, scientific basis, to keep American beef out of the European market — a decision that clearly benefits America's beef producers — opponents accuse these unaccountable international bureaucracies of gutting environmental standards.

Most recently, fast-track opponents have seized upon an isolated incident of contaminated frozen strawberries, grown in Mexico but processed in the United States, to cast doubt on the safety of all imported produce. It seems as though free-trade opponents are prepared to link any issue to free trade in order to justify protectionist trade policy — from immigration and human rights abuses to auto accidents, industrial pollution, drug abuse, and even teenage pregnancy.

In many ways, the opponents of free trade remind one of "The Know Nothing Party" of the 1850s, which exploited fears of anything foreign. Today's xenophobic "Know Nothings" have made a cottage industry of denigrating not only NAFTA but also the whole idea of liberalized trade policy.

But the truth is that the American people have little to fear, and indeed everything to gain, from free trade.

Since the end of World War II, the United States led the world in opening markets. In doing so, we benefited ourselves and served as the engine of worldwide economic growth. As a result, American values and products are now commonplace throughout the world. The world continues to look to the United States for leadership. We cannot neglect this responsibility.

In the next few years, America will be called upon to provide the political leadership needed to open markets throughout the world to American products and services. Negotiations in the World Trade Organization on intellectual property rights are scheduled to begin next year. Agriculture negotiations will follow in 1999, and negotiations for the services industry in 2000. If we do not participate in these negotiations, the rules of trade for the 21st century will be written by Europe, Japan, and all the other 100-plus members of the WTO. If that happens, you can be sure these rules will not reflect American values, nor will they be designed to enhance our competitive advantage.

The same is true in regional negotiations. Latin America is an important market for our

Rep. Jim Kolbe (R-Ariz) is a member of the Appropriations Committee.

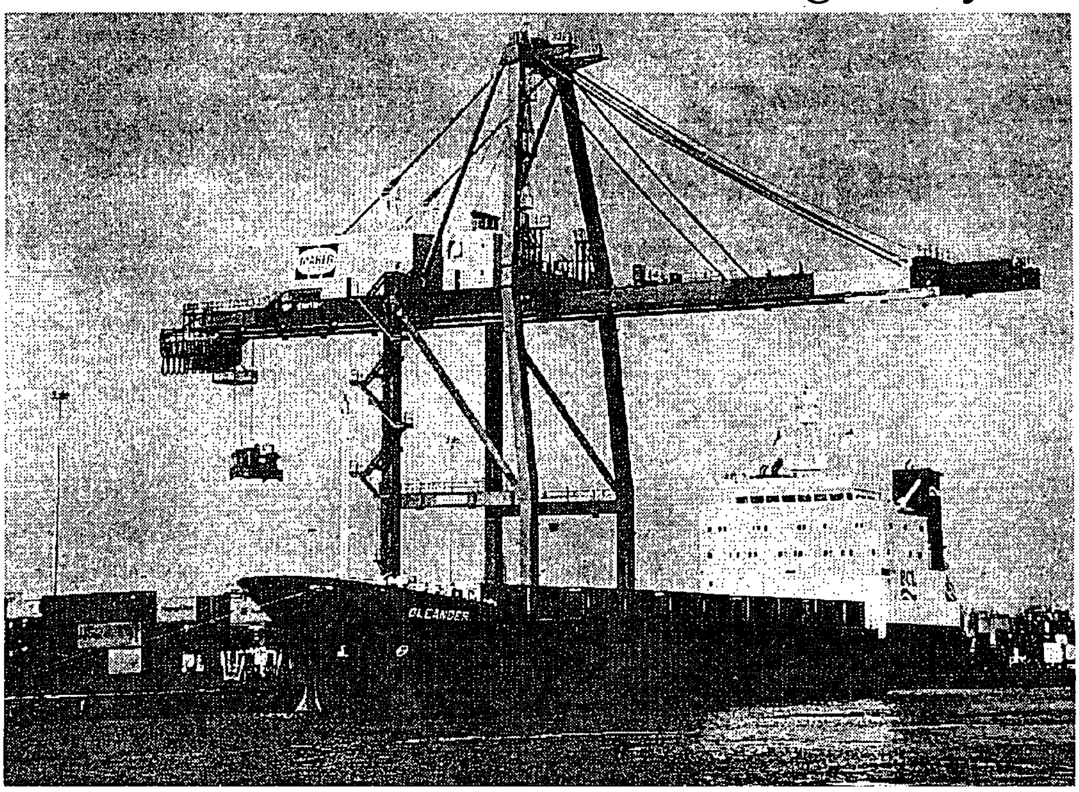


Photo courtesy Port Authority of New York and New Jersey

Full steam ahead on trade.

exports, accounting for 38 percent of all US exports in 1995. We must continue to press open markets in this important region. The first step on that road must be to adopt fast-track legislation. The Free Trade Area of the Americas (FTAA), a trade agreement first outlined by President Clinton at the Miami Summit in December 1994 and which encompasses a $1.5 trillion consumer market, is being shaped by Brazil today because the United States cannot come to the negotiating table.

Our political influence and international credibility are also at stake. Three years ago, the United States assured Chile that it would

> *It seems as though free trade opponents are prepared to link any issue to trade in order to justify protectionism — from immigration and human rights to auto accidents, drug abuse, and even teenage pregnancy.*

be the next country to join NAFTA. This promise created a sense of partnership with the United States throughout Latin America. But, absent fast-track authority, the Administration has been unable to enter into any serious negotiation with Chile. This is particularly lamentable because Chile is more ready than any other Latin American country to enter a free trade agreement with the United States.

The result of our delay is a steady erosion in America's leadership. Indeed, while we procrastinate, Chile already has entered into bilateral free trade agreements with our NAFTA partners — Canada and Mexico. Three years ago, Chilean trade missions to the United States were commonplace. Today, you are far more likely to see Chilean businessmen headed to Canada than America.

Make no mistake. If we continue to procrastinate, the dream of hemispheric free trade will evaporate. If that happens, we will risk losing as much as Latin America. While we waffle in indecision, other countries in the hemisphere are rapidly consolidating their own regional trade alliances. MERCOSUR — a trading alliance that includes Brazil, Argentina, Uruguay, and Paraguay — is currently working on a framework agreement with the European Union. While trade within MERCOSUR grows at a rapid pace, the relative importance of the US market to Latin America declines.

If the United States does not pursue hemispheric free trade promptly, we could find that, by the time we do act, our ability to structure a free trade agreement on terms favorable to our nation will be seriously curtailed. Worse, Chile and other Latin American countries may find that they have little desire, or need, to negotiate with the United States. The result will be lost economic opportunities for the US.

But it will not just be economic opportunities that are lost. Over the past several years we have seen a wave of democracy sweep the hemisphere. Protectionist markets have been opened, centralized governments abandoned, and dictators sent packing. But we cannot take this for granted. Open markets and democratic rule are fragile concepts in Latin America. They must be nurtured if they are to flourish.

The United States must assert its leadership role in the promotion of free trade or the economies of this hemisphere could stagnate. History has shown time and time again that economic stagnation breeds poverty and instability, and that leads to civil unrest, military conflict, and mass emigration from these countries.

Our ability to lead in other parts of the globe also depends on fast-track. Economic progress in the Asia Pacific Economic Cooperation (APEC) forum is stalled because America can't lead without fast-track. And sectors in which America is most competitive — computer software, information technology, medical equipment, and environmental technology — remain closed to many American exports all around the globe because we have little leverage without trade negotiating authority.

America has the most to gain from these multilateral, regional, and sectoral negotiations. After a decade of corporate downsizing, industrial restructuring, and budgetary belt-tightening, the United States is now rated as the most competitive market in the world. Largely as a result of our open markets and pursuit of international trade, the US economy continues to create new jobs while holding down inflation.

Here at home, there can be no guarantee that the strong economy we are enjoying today

> *Three years ago, Chilean trade missions to the US were commonplace. Today, you are far more likely to see Chilean businessmen headed to Canada than America.*

will continue indefinitely. But it is an axiom that government tariffs (read: taxes) drive up the cost of doing business for America's producers. They also limit consumer choice and divert economic resources from the individual to government bureaucracies.

Government-regulated competition distorts market opportunities and slows America's industrial innovation. Non-tariff trade barriers erected under the altruistic banner of worker rights and environmental protection frequently result in retaliatory action against American exports.

The result is slow economic strangulation — a loss of jobs for American workers and a lower standard of living for American consumers.

In the end, the fast-track debate before us is a classic battle of fear vs. faith. Americans have always had faith in America's economic future. That is why fast-track can and will prevail.

Off-Track: Trade Deficits Result From Bad Deals

By Sen. Byron Dorgan

AP Photo

Cut-rate CDs on sale in Tokyo. "Our biggest trade deficits are currently with Japan and China," writes Dorgan.

I'm in favor of trade. The more the better. I think free trade is good, and fair trade is better.

I support negotiating trade agreements with our trading partners to lower tariffs and open markets. And for you Smoot-Hawley heck-lers, I don't sound like Mr. Smoot and I don't look like Mr. Hawley.

But I've had a bellyful of the thoughtless ranting by economists and politicians, and some editorial writers, about free trade and fast-track. It's safe to say that none of them has ever lost a job because of a bad trade agreement.

Let's take inventory. The US has had 21 years of uninterrupted trade deficits. Last year we hit a record $191 billion in our merchandise trade deficit. We've lost every trade negotiation we entered over the last 20 years. We sign the paper, shove it through Congress, and our trade deficit goes up.

We concluded a trade agreement with Canada and our trade deficit with Canada doubled. We did an agreement with Mexico, and our $2 billion trade surplus with Mexico collapsed into a $16 billion deficit. We approved the GATT agreement, and our trade deficit hit an all-time high.

Those trade deficits we rang up over the past 21 consecutive years now total an accumulated $2 trillion. They have been a major reason the United States switched from being the world's largest creditor nation to being the world's largest debtor nation.

In the first seven months of 1997, we have already piled up a $114 billion trade deficit. That's $6 billion more than the total trade deficit for the first seven months of 1996. We are well on the way to a fourth consecutive record trade deficit. Experts now expect the yearlong trade deficit total for 1997 to range somewhere between $200 billion and $210 billion.

Our biggest trade deficits are currently with Japan and China, which are having a month-to-month race with each other to see who can pile up a bigger trade surplus with the United States. These are countries we have trade treaties with, which, presumably, set the stage for a mutually rewarding, two-way trade relationship.

Judge for yourself whether it's worked out that way: This year's trade deficit with Japan is expected to climb to a new record level of more than $60 billion. Our trade deficit with China has grown in a dozen years from $10 billion to $40 billion annually. It, too, is expected to set a new record this year, climbing to about $45 billion.

This is what we call success? Not where I grew up!

So if our trade policies aren't working, what do we do to change them? The President asks for fast-track authority to negotiate new trade pacts and have them considered by a Congress that is prevented from amending them. That is the same tired policy that has failed us in the past. I think it's time for some changes.

For starters, let's dispense with some of the shibboleths usually hurled at those who oppose fast-track trade authority. This debate is not between those who believe in free trade and those who don't. It is not between those who want to compete in the growing world economy and a bunch of xenophobic, anti-growth protectionists. I favor free trade. I want the US to be competitive in the global economy. I want US businesses to have greater access to foreign markets. I am pro-growth!

To make our trade policies work we have to address two issues.

First, what are the rules of fair trade? Is it fair trade when a producer in a foreign land can hire children, put them in unsafe workplaces, pay them a dime an hour, dump chemicals in the water and pollution in the air, and then send the products from their factories to store shelves in the United States? Should US producers who have to comply with child labor standards, minimum-wage requirements, anti-pollution laws, and more be forced to compete with those who have no such restrictions?

The answer should be clear. The new global economy and the rules of trade that support it must require responsible compliance with standards that we know are reasonable and fair, dealing with both labor and the environment.

> *A report concluded that of 45 major trade agreements with Japan, only 13 could be judged to have been successful. No wonder we have had 32 consecutive years of trade deficits with Japan.*

Second, are we going to have the nerve and the will to require foreign countries to open their markets to American goods just as we open the US market to foreign goods? Trade must be a two-way street. Eliminating the huge trade deficits the US is experiencing need not lead to a restriction on imports — rather, it should persuade us to demand that foreign markets be open to US goods. We need to summon the courage to make that happen.

We simply cannot continue to put up with the structural nature of our nation's trade deficits. The vast bulk of our trade deficits are with just a handful of countries. If a trading partner enjoys open market access to our economy, we deserve — and should demand — reciprocal access to its market.

I think we've been using the wrong yardsticks in measuring progress on the trade front. First, we have been measuring only one side of the trade equation. While it is true that our exports to China are now three times greater than they were in 1980, it is also true that imports from China into the United States have grown by 46 times during the same period. US trade officials busy boosting fast-track inevitably fail to mention that inconvenient second fact.

The bottom line, though you won't hear it often in this debate from the Administration or other fast-track boosters, is that the $12 billion in US exports they cheer about sending to China are offset by $52 billion in imports from China. That leaves the US with "net exports" of -$40 billion.

How does this happen?

I think it's clear that while we have entered into hundreds of trade agreements in recent years, we have done very little to track and enforce those agreements. A study published earlier this year by the American Chamber of Commerce in Japan is very revealing.

The chamber reported that, in preparing a study of bilateral agreements between the US and Japan, it was "astonished to learn that no US government agency has a readily accessible list of all US-Japan agreements or their complete texts."

The report concludes that "it has often been more important for the two governments to reach agreements and declare victory than to undertake the difficult task of monitoring the agreements to ensure their implementation produces results."

The chamber's report concluded that of 45 major trade agreements it analyzed, only 13 could be judged to have been successful in clearly improving market access. The others were either only marginally successful or failures.

No wonder Japan continues to account for our largest trade deficit, that we have had 32 consecutive years of trade deficits with Japan, and that this deficit is once again growing as Japan seeks to export its way out of its own economic dilemma.

It should be abundantly clear that our nation is suffering the logical consequences of fast-track, which Webster's defines as "a building method in which construction begins even before plans and designs are completed."

This time we need to do it right. We need to get our nation's trade policy plans and designs worked out before we get on a new fast-track.

When other countries do nothing to stop the pirating of our intellectual property, we ought to take action. When other countries violate our laws by dumping goods in our country below cost, we ought to take action. When other countries close markets they've previously agreed to open for US producers, we ought to take action.

And when our trading partners begin running huge surpluses with us and restrict access to their own domestic markets to US producers, we ought to take action.

So as we debate President Clinton's proposal to give him fast-track authority for new trade agreements, I intend to propose new criteria for judging whether trade agreements are in the best interest of this country. That criteria should require that any trade treaties we negotiate do the following:

> *Our nation is suffering the logical consequences of fast-track, which Webster's defines as 'a building method in which construction begins even before plans and designs are completed.'*

- Make progress in eliminating our trade deficit by increasing US exports and requiring free trade rules.
- Create more and better jobs and a higher standard of living here at home.
- Prohibit "trap door" agreements that make tariff reductions meaningless when huge changes in currency values occur without any adjustments to tariffs.
- Include strict and mandatory enforcement provisions when trading partners do not live up to their promises.
- Make certain that trade agreements do not weaken national security or the US industrial base.

Surprisingly, US trade negotiators are not now required to work for agreements that accomplish those objectives. Not surprisingly, they have produced a long series of trade agreements that don't measure up.

Sen. Byron Dorgan (D-ND) is a member of the Commerce, Science, and Transportation Committee.

Why Are Republicans Going to Bat for Clinton on Trade?

Chile Will Not Come to the Table Unless Congress Establishes Procedure for Up-or-Down Final Vote

Photo by Steven Rubin, Impact Visuals

Crane is ready for the President to make a deal with Chile. Above, a grade-school teacher in Chiloé, Chile.

By Rep. Philip Crane

When the Ways and Means Committee on Oct. 8 approved legislation to grant President Clinton fast-track trade negotiating authority, one could have asked: Why is a Republican-controlled Congress working so hard to delegate authority over trade, spelled out in Section 8 of the Constitution, to a Democratic President?

The answer requires an appreciation for the arcane process of fast-track and for its importance in ensuring that the US is well positioned to meet the challenges that the international marketplace of the next century will present.

Americans have never been reluctant to compete head to head with our trading partners, but they do need balanced trade agreements that pry open foreign markets for exports and establish fair terms of competition. Put in place by successive Congresses since 1934, fast-track procedures make it possible for the United States — where authority to regulate trade is uniquely vested in Congress — to negotiate with the rest of the world.

Surely, 535 Members of Congress cannot negotiate a free trade agreement with Chile, except by delegating authority to the President to speak on their behalf. Just as certainly, Chile will not come to the table if Congress does not establish a procedure for implementing the final agreement on an up-or-down vote, protected from the threat of unraveling amendments. Fast-track accomplishes this while, at the same time, guaranteeing that Congress is the final judge and jury of whether certain trade agreements are in our national interest.

Fast-track is about empowering the President to achieve trade agreements according to clearly defined goals and objectives established by Congress, and providing a legislative mechanism for implementation. Considering that fast-track simply offers the opportunity to negotiate and does not in any way constitute final approval of a trade agreement, a vote for fast-track should be an easy one. Congress retains full authority to approve or disapprove any particular trade agreement at the time the President presents it to Congress.

Rep. Philip Crane (R-Ill) is chairman of the Ways and Means subcommittee on trade.

I am willing to predict that no legislation that Congress passes this decade will do more than fast-track to improve the competitiveness of US industry and enhance the creation of jobs in America. Trade is the most powerful stimulant of economic growth in our economy today. The US is the world's greatest exporter, sending almost $1 trillion of goods and services to foreign consumers around the world.

Trade plays an essential role in the US economy. In fact, trade as a percentage of the US economy is equivalent to nearly 30 percent of our gross domestic product. Even more telling is the fact that growth in US exports accounts for 33 percent of US economic growth in the past four years. In a world where 95 percent of consumers live outside US borders, it is critical for our country's mature economy to open new markets to its products.

> *Current trends indicate that Latin America and the Caribbean will exceed Europe as destinations for US exports by 2000.*

We know that working Americans prosper when they work for export-oriented businesses. According to figures provided by the Administration, jobs associated with exports pay on average 13 to 16 percent more than jobs that are not trade-related, and benefit levels are 11 percent higher. In addition, job security in terms of tenure and turnover is much better in exporting firms. Job creation in plants that produce for export is 17 to 18 percent higher than in plants that do not.

To facilitate this trend, however, the President must have authority to negotiate further reductions in trade barriers blocking US exports to international markets.

As the House moves forward with fast-track legislation, it is important to point out that, contrary to the doomsday predictions that we heard three years ago, NAFTA has had a beneficial effect on the US economy in every category: employment, income, investment, and wages.

Since NAFTA was implemented three years ago, the US economy has created 311,000 jobs as a result of increased trade with Canada and Mexico. During the same time period, 140,000 jobs were certified by the Department of Labor as having been "lost" due to increased competition from our NAFTA partners.

NAFTA is important to the US because it guarantees US exporters access to the Mexican and Canadian markets. In fact, the true test of NAFTA came during Mexico's 1995 peso crisis. Although the peso devaluation was totally unrelated to NAFTA, it did have the effect of reducing the demand for US products in the Mexican market. By forcing Mexico to keep its markets open to US goods, however, NAFTA minimized the effect of the peso crisis on US firms and workers.

During this time, US firms saw their exports to Mexico drop by only 9 percent. In contrast, European and Japanese firms saw their exports to Mexico fall by 25 percent, due to our preferential access to the Mexican market. US exports have already surpassed previous record levels and are currently growing at a rate of 23 percent per year. Furthermore, Mexico has surpassed Japan to become the second biggest (behind Canada) destination in the world for US exports.

If our businesses are to succeed in the global economy, we cannot be satisfied with the status quo. To stand still in a dynamic market is to ensure that we will fall behind. Our objective must be to increase access to markets with growing numbers of consumers for US products.

Current trends indicate that Latin America and the Caribbean will exceed Europe as destinations for US exports by 2000, and both Japan and Europe by 2010. These markets are the growth areas of the future in terms of demand for goods and for infrastructure development.

While the US delays, other countries continue to move forward, negotiating premium access for the products of our toughest competitors. In Asia and Latin America alone, 20 significant trade liberalizing agreements have been negotiated since 1992. The US is a party to none of these agreements. For its part, Chile has negotiated agreements with every country in our hemisphere — except Cuba and the US!

A worker who has been displaced because of changes in manufacturing and import competition will find it difficult to take any satisfaction in the overall effects of free trade. However, the unfortunate fact is that job turnover is the inevitable result of a dynamic and changing economic environment, especially as the US economy shifts to services and the production of higher technology goods. If we stand still in a misguided effort to prevent any job turnover, we will fall behind our foreign competitors and lose more jobs. Isolating ourselves from the global market would amount to economic disarmament and lead to disastrous consequences for our companies and workers.

The choice the US faces in the current fast-track debate is not whether global integration will take place, but rather whether we will aggressively pursue US interests in the process. Free trade is the solution, not the obstacle, to future economic growth.

Those of us who support fast-track face a number of challenges, not the least of which was the President's delay in submitting his request for fast-track renewal to Congress until last month. Time is short and we must act to ensure that fast-track authority is in place in time for the President to attend the next Summit of the Americas in Santiago, Chile, in April 1998. The focus of the summit will be the kick-off of the negotiations leading to the creation of the Free Trade Area of the Americas by 2005.

Failure to act will indicate to our trading partners that the US has indeed abdicated its leadership role. In this vacuum, Brazil and the other members of the MERCOSUR trade agreement in South America will be allowed to advance their model of free trade, rather than the US-based rules of trade in NAFTA.

Fast-track legislation is about strengthening the position of the US in the world. Success must not be measured in partisan terms.

FAST TRACK: HISTORICAL BACKGROUND

Constitutional Authority

- The Constitution gives Congress exclusive authority to set tariffs and enact other legislation governing international trade.
- The President negotiates international agreements under his own Constitutional authority.
- If the President negotiates a trade agreement that calls for a change in tariffs or in other domestic laws, the President must submit the trade agreement to the Congress -- or have Congress' advance approval of such changes.

Tariff Proclamation Authority

- Tariffs were the major source of revenue for the federal government for well over 100 years. Congress enacted a number of across-the-board tariff changes -- the last of which was the increases of the 1930 Smoot-Hawley Tariff Act.
- During the Roosevelt Administration, Congress began moving away from protectionism four years later.
- Congress gave the President the authority in 1934 to "proclaim" up to 50 percent reductions in U.S. tariffs in return for "reciprocal" commitments from other countries -- without further action by Congress. This was the original "fast track" -- although it was not called that then.
- Proclamation authority was to last for three years, but was renewed over the following six decades.
  - By 1945, Cordell Hull had negotiated tariff reductions with 27 countries -- lowering U.S. tariffs by an average 44% on covered products.
  - The President used his proclamation authority to carry out U.S. tariff commitments under the first world-wide trade agreement, GATT, in 1947.
  - The President used his 50 percent tariff cutting powers again to implement U.S. tariff commitments under several subsequent GATT negotiating rounds -- including the "Kennedy Round" cuts, completed in 1967.

Non-tariff Barriers

- Once the early GATT rounds were completed, tariffs had dropped in the United States and other developed countries to the point where other -- non-tariff -- trade barriers became equally or more important. These included product design standards and customs rules designed to exclude foreign goods.

- Although the President had authority to lower tariffs further, he did not have the power to change federal law in order to put "non-tariff" agreements into effect.

Genesis of Fast Track

- Congress rejected two important agreements concluded by the Johnson Administration to close the Kennedy Round (a GATT "dumping" code and a change in U.S. tariff appraisal methods) in 1967. The rejection was a major embarrassment for the United States, which had sought the two agreements.

- The Nixon Administration recognized that the United States could not negotiate and carry out future market-opening deals unless the President and the Congress worked together. President Nixon asked the Congress for proclamation authority to make changes in U.S. law necessary to implement "non-tariff barrier" agreements -- subject to a possible Congressional veto.

- The House went along, but the Finance Committee objected -- Senator Talmadge, in particular, wanted to retain the power to approve trade agreements, not just veto their implementation.

- The compromise was a "fast track" procedure, inserted in the 1974 trade act, for obtaining Congressional approval on an "up or down" vote within a limited period. (The idea was drawn from a procedure common to budget resolutions.)

- The procedures required the Administration to consult closely with the Congress both before and during negotiations. They were crafted with the next GATT negotiating round -- the Tokyo Round -- in mind.

Agreement on Drafting Implementing Bills

- Towards the close of the Tokyo Round, the Ways and Means and Finance committees -- which had principal jurisdiction over trade bills -- insisted on further guarantees from the Carter Administration. They insisted that the implementing legislation for the Round would be drawn up collaboratively with the Congress, in advance of actually submitting a bill, through pre-hearings and pre-markups.

- That format was used repeatedly thereafter. The pre-hearing and -markup procedure largely recreates the legislative process in advance of the bill's submission.

- Congress overwhelmingly approved the Tokyo Round legislation, together with a partial extension of fast track through 1988.

Inclusion of FTA Negotiations

- In 1984, Congress wrote a specific three-year fast-track bill for free-trade agreements with individual countries -- which the Reagan Administration used to negotiate and obtain Congressional approval for FTAs with Israel (1985) and Canada (1988).

The Uruguay Round and NAFTA

- In 1988, Congress enacted the first "omnibus" trade act since Smoot-Hawley, which it used to extend fast-track for both FTA's and the GATT "Uruguay Round" until March 1991.

- The Uruguay Round negotiations broke down in Brussels in December 1990, by which time the NAFTA negotiations had gotten under way.

- The 1988 statute allowed the Administration to request a two-year extension of fast track -- unless either House disapproved. The Bush Administration waged a fierce and successful fight to overcome opposition to the extension.

- During the debate, the Bush Administration attempted to address questions that had been raised by spelling out in advance its NAFTA negotiating objectives and implementing proposals. An Administration statement to the Congress also stressed Mexico's labor and environment efforts.

- The House overwhelmingly approved a resolution endorsing the Bush Administration's NAFTA labor and environment objectives.

- The NAFTA was signed by President Bush in December 1992 and approved by the Congress under fast track procedures in the 1993. At the same time, Congress provided for the implementation of supplemental agreements on labor and the environment.

- Congress extended fast track procedures for a final time in 1993 for the Uruguay Round agreement. That agreement, which replaced the GATT with the World Trade Organization, was approved by large Congressional margins in late 1994.

Key Fast Track Components

- Under fast track, Congress maintains substantial control and oversight over our most important trade negotiations. In return, Congress commits to refrain from re-negotiating agreements that the President brings back for consideration.

- Under fast track rules, Congress has exerted authority in a variety of ways, including by:

- -- requiring the President to meet extensive consultation, reporting and notification requirements in connection with fast track trade negotiations;
- -- creating a special, rapid procedure for Congress to retract fast track if the President fails to consult adequately;
- -- empowering the Ways and Means and Finance committees to veto particular free-trade negotiations in advance;
- -- providing that either House may disapprove the extension of fast-track procedures;
- -- insisting on Congressional participation in drafting the implementing bill through the use of pre-hearings and -markups;
- -- requiring the President to spell out precisely how he will use his existing regulatory authority to carry out fast track trade agreements; and
- -- reserving the right to vote an agreement down if it is unacceptable.

o Other key components of fast track have been:

- -- a commitment by the Congress to vote "yes or no" -- with no amendments -- on the implementing bill within several months after it is introduced. As a practical matter, Congress has typically taken only a few weeks because issues involving the agreement are worked out during the lengthy pre-hearing and -markup period that precedes submission of the bill.
- -- a provision limiting the types of provisions that can be included in implementing legislation to those "necessary or appropriate" to carry out the agreement. This requirement has helped keep non-trade matters out of fast track legislation, but provides enough flexibility to help ensure passage.
- -- a provision in the 1988 version of fast track allowing for an extension of fast track if the President meets certain reporting requirements and if the Congress does not disapprove.

Uses of Fast Track

o Since 1974, five significant trade agreements have been brought to the Congress under "fast track" procedures.

o These are the Tokyo and Uruguay Round agreements, our bilateral free-trade arrangements with Israel and Canada, and the NAFTA.

- o Future uses of fast track are likely to include multilateral agreements, in particular the WTO built-in agenda, which includes global negotiations on lowering barriers to trade in agricultural products or in other sectors where the United States is the world's leader; sectoral agreements, like the recently concluded ITA; and the long-delayed free-trade agreement with Chile.

The United States Trade Agenda: What Is Fast Track For

After consultations with Congress, the President will set out the nation's trade agenda for the next few years. The absence of large-scale negotiations like the Tokyo and Uruguay Rounds has mistakenly led some to conclude that not having fast track is not a problem for the United States. That is just as wrong a view as the idea that this request for fast track is only about extending NAFTA to Chile.

The President has identified three main areas in which negotiations would greatly benefit the United States. First, there is the "built-in" agenda of the WTO, which calls for negotiations on government procurement in 1997; intellectual property in 1998; agriculture in 1999; and trade in services in 2000. In each of these areas, the United States is the most competitive nation in the world and, as a result, we stand to benefit the most from actively participating in writing the rules of trade.

The second part of the President's proposed agenda involves building on the success of the Information Technology Agreement(ITA). This $5 billion tariff cut on products for which the United States is the world's leading producer was achieved by the use of residual tariff cutting authority from a previous grant of fast track. We have identified eight additional sectors for future negotiations: ITA 2, chemicals, automotive, oilseeds, energy equipment and services, environmental technology and services, medical equipment and services, and wood and paper products. Other APEC members have submitted their "wish lists" and it appears there is sufficient overlapping support for many of the U.S. suggestions. Without fast track, it is very unlikely that this process will go forward.

The third area the President hopes to address is moving forward in both the Asia Pacific Economic Cooperation Forum(APEC) toward the goal of free trade by the year 2010 and with a Free Trade Agreement for the Americas(FTAA)by the year 2005. In both regions, economic growth rates are among the highest in the world and barriers to U.S. exports remain high. As a result, tariff reductions and greater market access will have a very positive effect on our exports. Without the active participation of the United States, both of these processes will slow considerably--and without fast track we

cannot participate actively.

The President and many Members of Congress have indicated that negotiating a trade agreement with Chile is a critical step in continuing the move to trade liberalization in the Hemisphere. The Canadians have already concluded a bilateral treaty with Chile and the result, for our exports, 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 preferential tariff treatment. On the contrary, they are very active in advancing their own agendas. Since 1992, in Latin America and Asia they have concluded over 20 free trade agreements--agreements that leave us at a disadvantage.

The United States is the most competitive nation in the world. That is why it is so advantageous for us to play a leading role in establishing both the focus of trade negotiations and the rules. We will not have the opportunity to do either in the absence of fast track.

GENERAL TALKING POINTS ON THE IMPORTANCE OF FAST TRACK

Introduction

- I think you know the arguments for fast track authority. One-third of our growth since 1993 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. And that's all we are seeking under fast track: the opportunity to negotiate new agreements that break down foreign trade barriers, level the playing field, and increase our ability to export our world-class goods and services.

- 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 the importance of fast track extends beyond trade alone; it is about American leadership in the world today. 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 interdiction to immigration to environmental protection to fighting corruption.

- Rejecting fast track would send the wrong 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.

POSSIBLE FAST TRACK QUESTIONS AND PROPOSED RESPONSES

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 bills, we will be able to use trade agreements to keep other governments from weakening their labor, environmental, or health and safety laws to gain an advantage in trade or investment (House bill)/to attract investment or inhibit U.S. exports (Senate bill).

- The President also retains ample authority to address these issues in a variety of international fora, as my Administration has been doing for the past 4 ½ years. And with fast track, the President also will be able to pursue labor and environmental side agreements where appropriate, including with Chile. Our goal should be to work with other countries to help them better 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.

The Need for Fast Track

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 -- usually in response to our pressure to open their markets. But the largest and most important agreements -- like NAFTA and the Uruguay Round, and the future agreements we are seeking on agriculture, services, and in other areas -- 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.

Effects of NAFTA

Q: Why should we support fast track when we see such negative effects from NAFTA?

- 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?

- President Clinton has 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, this Administration has fought successfully for increased training and educational opportunities. We have doubled the funding for dislocated workers since 1993 to nearly $1.3 billion; have fought to ensure that 13 million children from low-income families benefit from the child tax credit; have made college more affordable with the Hope Scholarship and tuition tax credit programs; and have pushed successfully for a variety of other measures.

- And the President is committed to doing even more to build on this strong record. The Administration has been working on a set of additional initiatives to help both individuals and communities that may be affected by trade flows, and President Clinton 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 factors, and is not the sign of a weak economy. It is hard to argue that this 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 the President the authority to attack the remaining trade barriers and negotiate tough new agreements to help our exporters.

Trade Agreements with Developing Countries

Q: Why should we negotiate trade agreements with 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 IN RESPONSE TO CRITICISM OF FAST TRACK BILLS

Introduction

- I know you have heard from fast track opponents that the bills pending in the House and Senate would greatly restrict the President's ability to address other governments' labor and environmental practices. That is untrue. And it should not be allowed to shift the focus from the central issue: that fast track is essential to opening foreign markets to our exports, creating good high-wage jobs for American workers.

Labor and the Environment

- The opponents neglect to mention that the House and Senate fast track bills both set out specific negotiating objectives to address foreign governments' labor practices -- the most detailed provisions of this type ever included in fast track legislation.

- The opponents also ignore the fact that these fast track bills *for the first time* include trade-distorting environmental, health, and safety practices in the principal fast track negotiating objectives.

- These bills expressly permit the President to determine whether other governments are actually applying their labor laws -- or instead are manipulating them to gain an unfair trade advantage for their goods and companies. If we find that they are doing so, we can negotiate provisions to stop that practice.

- Claims that these bills represent a "step backward" from past fast track authority, including under the 1988 Trade Act, are fallacious. As noted, those were silent on environment, health, and safety. And the labor-related language was much vaguer. The 1988 Act committed the United States only to "promote respect" for worker rights and seek adoption of a GATT "principle" that foreign countries "should not" use the denial of such rights to gain competitive advantage in international trade.

- By contrast, these bills are far stronger -- turning the vague language of the past into clear authority for the President to negotiate with other countries to ensure they do not manipulate or ignore their labor and environmental laws to gain a competitive advantage for themselves.

- And the President also retains the full authority under these bills to utilize a variety of means to promote greater respect for environmental protection and worker rights -- including through a prohibition on exploitative child labor. The Administration is committed to addressing these issues vigorously in a variety of international fora and, where appropriate, with our trading partners.

- [If asked--for House bill only] The opponents also claim that language in the House bill providing that foreign governments should not be precluded from changing their laws for "sound macroeconomic reasons" creates a loophole here. That is untrue. We have long urged other governments to implement economic policies that make good development sense in the long term -- and that are consistent with labor, environmental, and health and safety concerns. *Sound* macroeconomic policies and strong labor and environmental protections are complementary goals.

Other Issues

- The opponents also are wrong when they claim that the bills will significantly restrict Congress' ability to include provisions of importance to American workers in future trade agreement implementing legislation.

- In fact, both bills ensure that future fast track legislation can include trade adjustment assistance for U.S. workers and firms, must protect our strong laws addressing unfair foreign trade practices, and can accommodate other relevant provisions of interest to Members of Congress and the Administration.

Conclusion

- The House and Senate bills both improve on past fast track legislation in enabling us to address the types of foreign government labor and environmental practices that have the greatest impact on American workers and American firms. These bills give us the chance to break down foreign trade barriers and advance worker rights and environmental protection at the same time.

- Opposing fast track, by contrast, would do nothing to advance our ability to address these concerns with other governments. It simply would ensure that our labor and environmental concerns are ignored in the years ahead-- even as we are denied the chance to pursue new export opportunities that translate directly into good jobs for American workers.

12-POINT ACTION PLAN TO COVER SECONDARY WORKERS AND EXPAND AND IMPROVE TAA

$455 MILLION OVER FIVE YEARS FOR SECONDARY WORKERS:

I. **$200 MILLION OVER FIVE YEARS IN SECRETARY'S DISCRETIONARY FUND EARMARKED FOR SECONDARY WORKERS.** In conjunction with the passage of fast track authority, the Department of Labor will issue a Statement of Administrative Action extending the Secretary's discretionary authority to use JTPA Title III funds to serve secondary workers in firms doing business with primary firms eligible for or certified for TAA. To ensure that adequate funding is available the Secretary of Labor will fence off $200 million over the next five years to ensure job training and income support for secondary workers.

II. **$250 MILLION IN DISLOCATED WORKER FUNDING EARMARKED TO SECONDARY WORKERS.** The Administration will propose a $50 million increase in JTPA Title III in our FY99 budget and will earmark this money to help secondary workers receive the job training and income support they need and deserve. Between FY99 and FY03, this expansion of dislocated worker funding for secondary workers would mean an additional $250 million of resources. As with Action Item #1, this proposal would serve secondary workers affected by trade.

- In addition to basic education, training and income support, the $455 million over five years the Administration will spend on secondary workers will be used to develop better approaches to serving special targeted groups. These grants will be flexible, customized and aimed at filling in the gaps in our training system. Cities, states and local non-profit groups will participate in developing innovating new approaches. For example:
    - The Department will develop a competitive demonstration program to better develop bilingual and literacy training strategies, and contextual learning strategies which incorporate language skills into job training programs and have been shown to be effective. This demonstration program would fund 5 projects -- similar to the CET model -- of $2 million each from FY97 funds. The awards would be given by March 1998 and providers would be in place by June 1998.
    - The Department will also plan to leverage these grants to support and complement other federal, state and local efforts for economic development and community adjustment.

III. **CLARIFY THAT SECONDARY FIRMS CAN BE CERTIFIED FOR TAA/NAFTA-TAA EVEN IF PRIMARY FIRM IS NOT CERTIFIED.** Some have expressed concern that secondary firms were being denied benefits because the relevant primary firm had not obtained certification. There are cases when the primary firm does not go through the certification process, but the secondary firm is adversely impacted from trade. Therefore, the Secretary of Labor will clarify that secondary firms -- adversely affected as a result of business lost with a primary firm -- can be certified for TAA or NAFTA-TAA, even if the primary firm is not certified.

- In order to certify these firms, the Labor Department will need to do broader, two-tiered investigations. This will cost an estimated $5 million over five years.

INFORMATION CAMPAIGN TO INCREASE TAKE-UP RATE OF SECONDARY WORKERS:

IV. **LABOR DEPARTMENT GUIDELINES TO STATES TO URGE THEM TO FIND OUT INFORMATION ABOUT SECONDARY FIRMS.** The best way for the Labor Department to find secondary workers is to start with the primary firm and work outwards. By December 1997, the Labor Department's Employment Training Administration will issue guidelines to the states requesting that they seek information from primary firms about their suppliers during or immediately following the certification process. This information will form the basis for a systemic effort to identify and locate potentially eligible secondary workers.

V. **ISSUE GUIDELINES TO TAKE A PROACTIVE STANCE AND CONTACT SECONDARY FIRMS POTENTIALLY IMPACTED BY LOSS OF BUSINESS.** By December 1997, the Labor Department will issue a set of guidelines so that direct contact with potentially eligible secondary firms and their workers is made. The Labor Department will also disseminate fact sheets and posters to these secondary businesses, and will make information available to personnel offices. The Labor Department will also set up a bilingual web site to help contact secondary workers.

VI. **PUBLIC SERVICE CAMPAIGN IN ENGLISH AND SPANISH ABOUT THE BENEFITS SECONDARY WORKERS CAN RECEIVE.** In order to increase the take-up rate among secondary workers, the Labor Department would run a public education campaign using public service announcements in English and Spanish in trade-impacted areas. Specifications for the bidding process will be in place by December 1997 and the competition will begin soon thereafter. In seeking bids for the project, the Department will include in the specifications a requirement that the firm have experience with the Hispanic media in the region and will ask bidding firms to submit evidence of prior successful public education campaigns. National Economic Advisor Sperling and Secretary of Labor Herman will choose two staff members to monitor the Department's activity in implementing this campaign. (Anne Lewis, Special Assistant to the President for Economic Policy and former Assistant Secretary of Labor for Public Affairs, will be the NEC's representative.)

VII. **DISTRIBUTE INFORMATION ON BENEFITS AVAILABLE TO SECONDARY WORKERS AT UNEMPLOYMENT OFFICES.** The Labor Department will distribute information to State Employment Service Offices where workers go to file unemployment benefits.

- This information campaign will increase the take-up rate among secondary workers. Outreach efforts can successfully reach many workers who are not, but should be, receiving job training and income support. The resulting increased case load will require 4-5 FTEs, at a cost of $2 million over five years.

EXPAND AND IMPROVE TAA:

VIII. **ISSUE GUIDELINES URGING STATES TO GIVE WORKERS 30 DAY EXTENSION IF THEY ARE RECEIVING REMEDIAL EDUCATION.** While the 6/16 requirement -- that is, the requirement that certified workers enroll in training by their 16th week on unemployment insurance, or enroll in training by their 6th week after being certified under NAFTA/TAA -- is statutory and can not be changed administratively, the Labor Department will issue guidelines to the states requesting that they provide 30 additional days for dislocated workers who are receiving English as a second language (ESL) or another form of remedial education to get into training. The statutory language gives certified workers up to 30 additional days on the 6/16 requirement if there are "extenuating circumstances" that do not allow them to be in training by the specified time periods. The Labor Department guidelines will state the ESL or other remedial education programs classify as "extenuating circumstances."

IX. **CUT CERTIFICATION TIMES BY ONE-THIRD.** In order to cut the certification time from 60 days to 40 days, the Department of Labor will take the following four steps: (1) reduce investigator caseload to allow for more timely follow-up in obtaining relevant company and customer data; (2) develop an enhanced in-house system for tracking import trends and performing import-impact analysis; (3) reduce the amount of time from 21 to 14 days between the day the Labor Department requests and receive data from companies; and (4) reduce the length of the customer survey from 21 to 14 days. See attached time lines for changes in certification process.

- Technological improvements as well as possible staffing increases will allow the Department to assemble, review, and analyze investigative data and information in a more timely manner. The total cost for these improvements would be $2.5 to $3 million over five years.

X. **IMPLEMENT PERFORMANCE MEASURES FOR TAA/NAFTA-TAA PROGRAMS.** The Labor Department does not receive information on how workers do after they participate in either TAA or NAFTA-TAA programs. To ensure that the programs work effectively, the Labor Department is developing and implementing performance measures, and collecting outcome-based performance data -- including, for example, age, gender, family status, work experience, pre- and post-training wage levels, education levels, type of service received, ethnicity -- for workers who receive adjustment assistance. This will permit better tracking of TAA/NAFTA-TAA program effectiveness, and thus, improved outcomes for participants.

- These performance measures can be accomplished within current administrative cost and program budget limitations.

XI. **CREATE COORDINATING BODY TO DEAL WITH TRADE ADJUSTMENT.** DOD's Office of Economic Adjustment (OEA) was the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. Learning from the defense conversion experience, we would create an OEA-type body to coordinate the Administration's response to trade-impacted regions by working with Labor, Commerce, SBA, Treasury, and other government entities. This group would provide planning grants and expertise to help communities develop credible economic adjustment strategies. They also would bring the appropriate state, local and federal groups to the table to provide adequate resources for implementing plans. The expert staff at OEA could be detailed to this body to help trade-impacted regions and workers.

- The Administration would propose $10 million per year -- or $50 million over five years -- for funding this coordinating body, which would require approximately 8 FTEs.

XII. **AN ADMINISTRATION COMMITMENT TO WORKING WITH CONGRESS TO ENSURE FUNDING IS APPROPRIATED.** National Economic Advisor Sperling will coordinate a quarterly meeting between the relevant Administration representatives and Congressman Becerra and other Members of Congress. The purpose of this quarterly meeting would be to evaluate the progress of the Administration's efforts to help trade-impacted workers and regions. Moreover, the Administration's commitment to ensure that funding for trade-impacted workers is achieved would be made: first, in the President's FY99 budget, and second, in writing at the time of the Appropriations process.

POSSIBLE POLICY IDEAS FOR JOB CREATION AND TRADE-ADJUSTMENT ASSISTANCE PLAN

October 7, 1997

I. Reauthorization of TAA:

1. **REAUTHORIZE TAA AND NAFTA-TAA FOR FOUR YEARS.** The Senate Finance has approved an extension of TAA and NAFTA-TAA for two years. (TAA and NAFTA-TAA expire September 30, 1998.) The Finance Committee paid for NAFTA-TAA extension by extending a processing fee ($5) for commercial passengers entering the U.S. from Mexico, Canada, and the Caribbean. The fee would be extended for a time period sufficient to pay for the two-year extension. The Administration would propose the reauthorization of TAA and NAFTA-TAA through fiscal year 2002.

    - CBO estimates the costs of the NAFTA-TAA extension for four years at about $102 million. While TAA extension costs $1.26 billion over four years, it does not require offsets since it is already included in the baseline.

II. Possible Improvements to TAA:

LEGISLATIVE CHANGES:

2. **GIVE WORKERS IN FIRMS WHICH SHIFT PRODUCTION TO ANOTHER COUNTRY TRADE ADJUSTMENT ASSISTANCE.** Under TAA, workers may only be certified for assistance if their firm is adversely affected by imports. Under NAFTA-TAA, workers may be certified if either their firm is adversely affected or their firm shifts production to Mexico or Canada. This proposal would give workers in firms which shift production to another country trade adjustment assistance.

    - Covering shifts in production under TAA, as well as NAFTA-TAA, would cost $69 million per year or about $345 million over five years.

3. **MODIFY WAIVER FOR TRAINING REQUIREMENTS FOR TAA AND NAFTA-TAA SO THAT THEY ARE SIMILAR.** Theoretically, TAA requires that a participant be enrolled in training in order to qualify for income support, but waivers are granted very often. In contrast, there is no waiver authority under NAFTA-TAA. As part of reauthorization, the Administration could propose to narrow waiver authority under TAA and loosen it under NAFTA-TAA. This would serve to both reduce the abuse of the waive provision under TAA and to harmonize the two programs.

- The costs of this proposal are still being determined, but it is likely revenue-neutral. This proposal could also be done administratively.

ADMINISTRATIVE CHANGES:

4. **CUT CERTIFICATION TIMES BY ONE-THIRD.** In order to cut the certification time from 60 days to 40 days, the Department of Labor will take the following four steps: (1) reduce investigator caseload to allow for more timely follow-up in obtaining relevant company and customer data; (2) develop an enhanced in-house system for tracking import trends and performing import-impact analysis; (3) reduce the amount of time from 21 to 14 days between the day the Labor Department requests and receive data from companies; and (4) reduce the length of the customer survey from 21 to 14 days.

    - Technological improvements as well as possible staffing increases will allow the Department to assemble, review, and analyze investigative data and information in a more timely manner. The total cost for these improvements would be $2.5 to $3 million over five years.

5. **IMPLEMENT PERFORMANCE MEASURES FOR TAA/NAFTA-TAA PROGRAMS.** The Labor Department does not receive information on how workers do after they participate in either TAA or NAFTA-TAA programs. To ensure that the programs work effectively, the Labor Department is developing and implementing performance measures, and collecting outcome-based performance data for workers who receive adjustment assistance. This will permit better tracking of TAA/NAFTA-TAA program effectiveness, and thus, improved outcomes for participants.

    - These performance measures can be accomplished within current administrative cost and program budget limitations.

III. Community Adjustment Assistance and Expansion of Trade Adjustment to Include Secondary Workers:

6. **$200 MILLION TO EXPAND EDA SO THEY CAN EFFECTIVELY DEAL**

WITH TRADE ADJUSTMENT. Expand EDA's budget by $200 million over the next five years, so that they could provide comprehensive economic development assistance to regions affected by major plant closings. Some priority could be given to trade-impacted regions.

- So that EDA could provide more comprehensive economic development assistance, including trade-impacted areas, the Administration would propose expanding EDA's budget by $200 million over the next five years.

7. **CREATE COORDINATING BODY TO DEAL WITH TRADE ADJUSTMENT.** DOD's Office of Economic Adjustment (OEA) was the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. Learning from the defense conversion experience, we would create an OEA-type body to coordinate the Administration's response to trade-impacted regions by working with Labor, Commerce, SBA, Treasury, and other government entities. This group would provide planning grants and expertise to help communities develop credible economic adjustment strategies. They also would bring the appropriate state, local and federal groups to the table to provide adequate resources for implementing plans. The expert staff at OEA could be detailed to this body to help trade-impacted regions and workers.

    - The Administration would propose $50 million over five years for funding this coordinating body.

SECONDARY WORKERS:

We are currently working with Congressman Becerra on a package to cover secondary workers under the Trade Adjustment Assistance program. Our discussions have focused on providing more dislocated worker funding for secondary workers. We are also working to initiate an informational campaign to increase the take-up rate of dislocated worker benefits by secondary workers.

IV. Job Creation Initiatives (Combined With Proposals Outlined in Section III):

8. **MAKE FLEXIBLE FUNDING AVAILABLE FOR SECOND-ROUND URBAN EMPOWERMENT ZONES**. The Administration would request $100 million per year --or $500 million over five years --in grant funds for second-round urban EZs. This funding could be used for a wide range of activities, including economic development and housing projects, project-based rental assistance, and job training. Although the Administration requested $100 million in flexible urban EZ funding for FY 1998, the FY98 VA-HUD conference report includes only $5 million in EZ planning funds, with no guarantee of actual program funding for FY 1999.

- Providing flexible funding for the second-round of urban Empowerment Zones would cost $100 million per year, or $500 million over the next five years.

9. **EXPAND THE YOUTHBUILD PROGRAM**. YouthBuild provides high school dropouts 16-24 with general academic and job skills training, as well as apprenticeships constructing and rehabilitating affordable housing. The FY 1998 VA-HUD conference report will likely include $35 million for YouthBuild. This proposal would provide, beginning in FY 1999, an increase of $10 million per year for YouthBuild (above the FY 98 conference level).

- Expanding the YouthBuild program would cost $10 million per year or $50 million over five years.

10. **CREATE OPPORTUNITY AREAS FOR OUT-OF-SCHOOL YOUTH**. The Administration requested and continues to advocate strongly for $250 million in competitive grants to selected high-poverty urban and rural areas, including designated EZs and ECs, to increase youth employment. The House Labor-HHS-Education Appropriations bill includes $100 million in forward funding for FY 1999; the Senate bill $250 million (also forward funded).

- The Administration would work to ensure that the out-of-school youth program receive $250 million per year or $1.25 billion over the next five years.

11. **$250 MILLION IN DISLOCATED WORKER FUNDING**. In order to provide training to more dislocated workers, the Administration would increase funding for the dislocated worker program.

- The Administration will propose a $50 million increase in JTPA Title III in our FY99 budget. Between FY99 and FY03, this expansion of dislocated worker funding would mean an additional $250 million of resources for dislocated workers.

12. **$500 MILLION IN WELFARE-TO-WORK TRANSPORTATION FUNDS.** The Administration requested $100 million for an unspecified number of projects. The initial House bill provided $42 million for 10 projects. The Senate transit legislation reported by the Banking Committee fully funds the President's request. To help move people from welfare-to-work, the Administration will continue working to secure full funding for welfare-to-work transportation funds.

- The Administration will work to ensure that welfare-to-work transportation funds receive $500 million over the next five years.

13. **PERMIT STATES TO SET ASIDE ON-THE-JOB TRAINING POSITIONS FOR WELFARE RECIPIENTS AND EZ/EC RESIDENTS ON FEDERALLY-FUNDED HIGHWAY PROJECTS.** The Administration would work to permit states to set aside on-the-job training positions for welfare recipients and residents of EZ/ECs on Federally-funded highway projects. This NEXTEA provision is not included as proposed in either the House or Senate transportation bills, although the House bill does include a preference for welfare recipients.

- The annual cost of this proposal is zero.

14. **$250 MILLION TO OPEN ADDITIONAL JOBCORPS CENTERS AND IMPROVE EXISTING ONES.** JobCorps centers provide basic education, training, work experience, and other support to economically disadvantaged youth typically from debilitating environments. The Administration would propose to increase funding for JobCorps so that additional centers could be opened and existing centers could be improved.

- The Administration would propose a $50 million increase in JobCorps funding --over five years, that's an additional $250 million.

15. **$225 MILLION FOR CDFIs TO EXPAND THE AVAILABILITY OF CREDIT IN DISTRESSED URBAN AND RURAL AREAS.** The Community Development Financial Institution (CDFI) fund is designed to expand the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities. The Administration requested $125 million for CDFIs, but the Treasury-Postal conference report provided $80 million for FY98.

- The Administration will propose a $45 million increase over the conference report in our next budget --that's $225 million over five years for CDFIs.

V. Building On Tax Provisions for Investors in Specialized Small Business Investment Companies (SSBICs):

16. **ENHANCE AND BUILD ON TAX PROVISIONS FOR EQUITY INVESTORS IN SSBICs.** The Administration is committed to ensuring the success of the initiatives contained in the President's 1993 Economic Plan to encourage investments in specialized small business companies (SSBICs). The Administration would work with Congressman Jefferson and the tax-writing staff to enhance the effectiveness of these provisions through proposed modifications. The starting point of the discussions would be the proposals already put forward by Congressman Jefferson in his letter to National Economic Advisor Sperling on October 3, 1997. These proposed modifications would cost on the order of $50 million over five years.