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PRESIDENT WILLIAM J. CLINTON

REMARKS ON "FAST TRACK"

THE EAST ROOM

SEPTEMBER 10, 1997

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Thank you.

THE WHITE HOUSE
WASHINGTON

From the Office of:

The Domestic Policy Council

**Elena Kagan
Deputy Assistant to the President
for Domestic Policy**

TO: Jane Von Karel

FAX: X 6-2464

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PAGES: 4

MESSAGE: _____

Please call (202) 456-5584 if there are any problems with the transmission.

Initiative to Ensure the Safety of Imported and Domestic Fruits and Vegetables

Today President Clinton announced an initiative to ensure that fruits and vegetables coming from overseas are as safe as those produced in the United States, as well as to upgrade our own domestic standards. The President stated that he will ask Congress to enact legislation that will require the Food and Drug Administration (FDA) to halt imports of fruits, vegetables, and other food products produced in countries that do not meet U.S. food safety requirements. The President also directed the Department of Health and Human Services (HHS) and the Department of Agriculture (USDA) to work cooperatively with the agricultural community to develop guidance on good agricultural and manufacturing practices for fruits and vegetables.

Enhanced FDA Oversight for Imported Foods. The President announced that he will send legislation to Congress that will require the FDA to halt imports of fruits, vegetables, and other food products from any foreign country with food safety systems and standards that are not on par with those of the United States. The legislation also will require the FDA to halt imports from countries or facilities that do not allow FDA inspections to occur. This legislation -- comparable to existing law that requires the USDA to halt the importation of meat and poultry from such countries -- will enable the FDA to prevent the importation of potentially unsafe foreign produce. The President also committed to providing the necessary funds in his Fiscal Year 1999 budget to enable the FDA to expand dramatically its international food inspection force. With this greatly increased ability to inspect food safety conditions abroad and at points of entry, the FDA will be able to make effective use of its new authority.

Development of Guidance on Good Agricultural and Manufacturing Practices. The President directed the Secretary of Health and Human Services, in partnership with the Secretary of Agriculture and close cooperation with the agricultural community, to develop guidance on good agricultural practices and good manufacturing practices within one year. This guidance will take into account differences in both crops and regions and will address potential food safety problems throughout the food production and distribution system such as sanitation, worker health, and water quality. The guidance -- the first-ever specific safety standards for fruits and vegetables -- will improve the agricultural and manufacturing practices of all those seeking to sell produce in the U.S. market. To ensure that this guidance has the widest possible effect, the President also directed the FDA and USDA to develop coordinated outreach and educational activities.

Improvement of Monitoring and Inspection Activities Abroad. In addition to committing to substantial additional resources to expand the FDA's international food inspection force, the President directed the Secretaries of Health and Human Services and Agriculture to report within 90 days with a plan on how to improve the monitoring of agricultural and manufacturing practices abroad, to assist foreign countries to improve these practices where necessary, and to prevent the importation of unsafe produce, including by detecting unsafe food at the dock and border. The President urged consideration of ways to target inspection and testing toward those areas where problems are most likely to occur.

A Record of Improving Food Safety. The President's announcement builds on a strong record of food safety initiatives ensuring that Americans eat the safest food possible. The Administration has put into place improved safety standards for meat, poultry, and seafood products, and has begun the process of developing enhanced safety standards for fruit and vegetable juices. The Administration also has expanded research, education, and surveillance activities throughout the food safety system.

Clinton Administration Accomplishments In Improving Food Safety

- * October, 1997. President announces new initiative to enhance FDA oversight over imported foods and develop guidance on good agricultural and manufacturing practices for fruits and vegetables.
- * May, 1997. Administration announces comprehensive new initiative to improve the safety of nation's food supply -- "Food Safety from Farm to Table" -- detailing a \$43 million food safety program, including measures to improve surveillance, outbreak response, education, and research.
- * January, 1997. President announces new Early-Warning System to gather critical scientific data to help stop food borne disease outbreaks quickly and to improve prevention systems further.
- * August, 1996. President signs Safe Drinking Water Act of 1996. The law requires drinking water systems to protect against dangerous contaminants like cryptosporidium, and gives people the right to know about contaminants in their tap water.
- * August, 1996. President signs Food Quality Protection Act of 1996, which streamlines regulation of pesticides by FDA and EPA and puts important new public-health protections in place, especially for children.
- * July, 1996. President Clinton announces new regulations that modernize the nation's meat and poultry inspection system for the first time in 90 years. New standards help prevent E.coli bacteria contamination in meat.
- * December, 1995. Administration issues new rules to ensure seafood safety. Utilizes HACCP regulatory programs to require food industries to design and implement preventive measures and increase the industries' responsibility for and control of their safety assurance actions.
- * 1994. CDC embarks on strategic program to detect, prevent, and control emerging infectious disease threats, some of which are food borne, making significant progress toward this goal in each successive year.
- * 1993. Vice-President's National Performance Review issues report recommending government and industry move toward a system of preventive controls.

THE WHITE HOUSE
WASHINGTON

From the Office of:

The Domestic Policy Council

Elena Kagan
Deputy Assistant to the President
for Domestic Policy

JAY-
Here's the
Draft Directive
& Response
to NYT piece

JUK

TO: Jan Vorkane

FAX: 6-2464

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MESSAGE: _____

Please call (202) 456-5584 if there are any problems with the transmission.

DRAFT

MEMORANDUM FOR THE SECRETARY OF HEALTH AND HUMAN SERVICES
SECRETARY OF AGRICULTURE

SUBJECT: Initiative to Ensure the Safety of Imported Fruits and Vegetables

During my Administration, we have taken significant steps to strengthen our entire food safety system, including expanded research, education, and surveillance activities. We also have put into place enhanced safety standards relating particularly to meat, poultry, and seafood products. These measures are greatly improving the safety of the nation's food supply.

We need to build on these efforts, and today I ask you to do so by focusing on the safety of fruits and vegetables. Although the produce Americans eat is very safe, we can and must do even better, particularly with respect to produce imported from foreign countries. Last year, 38 percent of the fruit and 12 percent of the vegetables consumed by Americans came from overseas. We must ensure that these fruits and vegetables are produced under safety systems equivalent to those existing in the United States, at the same time that we upgrade our own domestic standards.

As you know, I am introducing legislation in Congress that will help accomplish this task. This legislation will authorize the Food and Drug Administration (FDA) to halt imports of fruits, vegetables, or other food from any foreign country whose food safety systems and standards are not on par with those of the United States. This authority, which is equivalent to authority the USDA now has to halt the importation of meat and poultry, will enable the FDA to prevent the importation of potentially unsafe foreign produce. In addition, I will provide the necessary funds in my Fiscal Year 1999 budget to enable the FDA to expand dramatically its international inspection force. With this greatly increased ability to inspect food safety conditions abroad, the FDA will be able to determine when to halt the importation of fruits and vegetables from foreign countries.

At the same time, I direct you to take administrative actions that will better ensure the safety of fruits and vegetables coming from abroad, while continuing to improve the safety of domestic produce. You should accelerate whatever food safety research is necessary to support these actions.

First, I direct the Secretary of Health and Human Services, in partnership with the Secretary of Agriculture, to report back to me within 90 days with a plan on how to improve the use of existing and projected resources to monitor agricultural and manufacturing practices abroad, assist foreign countries to improve those practices, and prevent the importation of unsafe produce, including by detecting unsafe food at the dock or border. I especially urge you to consider the best ways to target inspection and testing resources toward those areas where problems are most likely to occur.

Second, I direct the Secretary of Health and Human Services, in partnership with the Secretary of Agriculture and in close cooperation with the agricultural community, to issue

within one year guidance on good agricultural practices and good manufacturing practices for fruits and vegetables. This guidance should address such matters as sanitation, worker health, and water use, should take into account differences in both crops and regions, and should address potential food safety problems throughout the food distribution and marketing system. By providing the first-ever specific safety standards for fruits and vegetables, the guidance will improve the agricultural and manufacturing practices of all those, foreign and domestic, seeking to sell produce in the U.S. market. To ensure that this guidance has the widest possible effect, I also direct the development of coordinated outreach and educational activities.

These steps, taken together and in coordination with the legislation I will send to Congress, will ensure to the fullest extent possible the safety of fruits and vegetables for all Americans. I will also direct the Administrator of the Environmental Protection Agency and the Secretary of Labor to provide you with assistance in achieving this goal.

Q&A on the Safety of Imported Food
September 29, 1997

Q: Is increased international trade going to introduce added risk to the U.S. food supply as today's New York Times article indicated?

A: No. Food on U.S. grocery shelves produced either in the U.S. or overseas are both extremely safe. In fact, our nation's food supply today is probably the safest it has ever been, but we are working to make it even safer.

As was reported last week, the President will be sending legislation to Congress that will go a long way to filling the remaining gaps in our food safety system. The legislation will authorize the FDA to halt imports of fruits, vegetables, or other food from any foreign country whose food safety systems and standards are not on par with those of the U.S. The President will also provide the necessary funds in his FY99 budget to enable FDA to expand dramatically its international inspection force so that it can make good use of this new authority.

In addition, the President has asked the Secretaries of Health and Human Services and Agriculture to take additional steps to improve the safety of both imported and domestic fruits and vegetables. Specifically, he has asked the Secretaries to issue within one year guidance on good agricultural practices and good manufacturing practices for fruits and vegetables. By providing the first-ever specific safety standards for fruits and vegetables, the guidance will improve the agricultural and manufacturing practices of all those, foreign and domestic, seeking to sell produce in the U.S. market.

These efforts all build on the Clinton Administration's long-term commitment to strengthening our food safety system. With the help of the Vice-President's National Performance Review, we have fundamentally improved the way we ensure the safety of meat, poultry, and seafood. We have also put in place important new protections against the risks of pesticides in our food, especially for our children. And we are hopeful Congress will provide the \$43 million the President requested in his FY98 budget to improve food safety.

Q: Why hasn't the Administration acted sooner? Are these steps being taken now only because of the Administration's interest in passing fast-track legislation?

A: No, we are taking these steps now because they are the natural next steps in the President's long-term efforts to ensure the safety of the nation's food supply.

One of the first challenges we faced after taking office in 1993 was an outbreak of *E. coli* in hamburger in the northwest. We recommended replacing our old system of responding

to problems only after they occur with a new system to prevent problems before they occur. That system, which we are putting in place for meat, poultry, and seafood is greatly increasing our ability to make sure food is safe.

In January, we announced several additional steps to improve the safety of our food. The President asked Congress to add \$43 million to our food safety budget to fund a nationwide early-warning system for foodborne illness, increase seafood safety inspections, and expand food-safety research, training, and education. We are hopeful Congress will provide the funds we requested and beginning next month we will be using that money to further reduce the incidence of foodborne illness.

This new initiative is the natural next step. With significant measures already taken to ensure the safety of meat, poultry, and seafood, we are now directing our efforts to the produce consumed by Americans.

AI By JEFF GERTH
and TIM WEINER

WASHINGTON, Sept. 28 — Since the 1980's, food imports to the United States have doubled. But Federal inspections of those imports by the Food and Drug Administration have dropped to less than half what they were five years ago.

Now, public-health scientists say they are seeing more and more outbreaks of disease linked to imported food, particularly fresh fruit and vegetables.

These are known to have sickened thousands of Americans, and those reported cases are a small fraction of the actual number of people made ill, according to scientists at the Centers for Disease Control and Prevention in Atlanta.

The scientists' list of outbreaks in the 1990's implicates imported foods — including raspberries from Guatemala and carrots from

TAINTED IMPORTS

A special report.

Peru; strawberries, scallions and cantaloupes from Mexico; coconut milk from Thailand; canned mushrooms from China; an Israeli snack food, and a multinational batch of alfalfa sprouts — in a variety of infectious diseases.

The increase in imports has strained the nation's food-safety system, said Dr. David A. Kessler, the Food and Drug Administration commissioner from 1990 through February 1997. "We built a system back 100 years ago that served us very well for a world within our borders," he said in an interview. "We didn't build a system for the global marketplace."

Most of the food imported to the United States is wholesome. Consumers, knowing that fresh produce is good for their health, can now buy reasonably priced fruits and vegetables imported from around the world, regardless of the season, and without ill effect.

But the illnesses that have been

Continued on Page A10

Continued From Page A1

imported along with some of the produce are an unintended byproduct of the boom in international trade — a boom long advocated by the Reagan, Bush and Clinton Administrations as crucial to economic growth.

There is "a tension between the two goals of safety and trade," said Mickey Kantor, President Clinton's first trade representative, who helped push global trade to the top of Mr. Clinton's agenda. "You want to open markets but not lower standards. And that's easy to say, but very, very difficult to carry out."

Scientists are recognizing that "free trade may present problems that are associated with food poisoning," said Dr. Marguerite A. Neill, an infectious disease specialist and a member of a Federal advisory panel drafting new food-safety standards. These problems cut both ways: radish sprouts from Oregon seeds sickened people in Japan in March, and South Korea said it detected *E. coli* bacteria in a shipment of frozen United States beef last week.

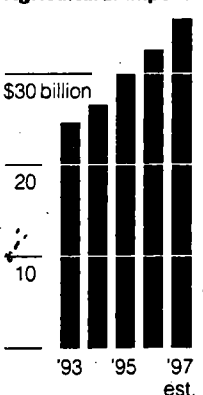
The problems imports may pose for American consumers include polluted water used to grow food in third-world nations, faulty safety systems in countries where the foods are produced, and a lack of natural immunity to exotic microbes rarely seen in this country. "Certain viruses, bacteria and parasites may be posing a unique problem

BY THE NUMBERS

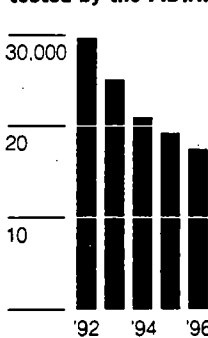
More Imports, Fewer Tests

Food imports into the United States have risen while the F.D.A. has reduced the number of imports it examines.

Agricultural Imports



Imported food and food-related items tested by the F.D.A.



All years are fiscal years ended in September.

Source: Agriculture Department

in the U.S. because we haven't tended to be exposed to them," Dr. Neill said.

Dr. Yasmine Motarjemi, a World Health Organization food-safety scientist, said the organization also believed that global trade "brings new pathogens into countries which are not immune."

Those problems were foreseeable — and foreseen.

In 1994, a Centers for Disease Control report said, "As trade and economic developments like Nafta take place, the globalization of food supplies is likely to have an increasing impact on food-borne illnesses."

In 1993, the Food and Drug Administration, in a memorandum citing "enormous inefficiencies in the current food-protection system" and the "ever-increasing challenges" posed by rapidly growing imports, asked the Clinton Administration for legislation giving it power to bar all food — including fruits, grains, vegetables and fish — imported from any country with an inferior food-safety system.

The Department of Agriculture has such authority over imported meat and poultry. But the F.D.A. never acquired that power through legislation or executive order.

Dr. Kessler said in an interview that he had told the Bush and Clinton Administrations that the safety system for imported food was inadequate and outdated.

"How is it physically possible to insure the safety of imported food?" he said. "You don't have police power throughout the world. Inspecting at the border has a limited value. You're left with real risks."

Now these risks figure in the political debate about free trade.

The Clinton Administration wants the power to sign new free-trade pacts without Congress's changing the language of those agreements. Opponents of this "fast track" authority raise the food-safety flag. Some food growers say that the risks from imports are insignificant, and that the C.D.C. exaggerates them.

The C.D.C. says diseases borne by domestic and foreign foods kill thousands of Americans and sicken millions, perhaps tens of millions, every year — mostly the very young, the very old and the very ill. Its scientists say almost none of those cases are ever traced back to their cause. As a result, they say, they lack the data to show how many people get sick from imported food, and whether that food is safer or less safe than domestic food.

Both sides in the fast track debate use the Centers for Disease Control's data to make their cases — and both sides mischaracterize what the data show, according to the scientists.

Now the Administration is preparing a proposal to address the problems posed by imported food — nine months after announcing a sweeping food-safety initiative that largely ignored them, and days after a bill to revamp the Food and Drug Administration was passed by the Senate.

The Food Chain

Modern-Day Travels Of Tainted Products

The United States has its own food-safety problems at home. Urgent questions about the integrity of America's food supply were raised when three American children died and 144 people were hospitalized after eating fast-food hamburgers in 1993. A reminder of the problem came this summer, when tainted hamburger meat from a Nebraska plant made 16 people sick.

But this spring and last, in an outbreak that attracted less attention, tainted raspberries from Guatemala made thousands of Americans sick. They were victims of a nearly invisible, dimly understood parasite called *cyclospora*, a species almost never seen in the United States before 1996.

To know the story of raspberries and *cyclospora*, Dr. Michael T. Osterholm, one of the nation's leading epidemiologists, wrote recently, "is to know food-borne disease in the modern world."

Not a single raspberry grew in Guatemala a decade ago. They grow today because the United States helped introduce them.

In the 1980's, during the height of the Guatemalan Army's campaign against leftist guerrillas, the United States Agency for International Development tried to win over the peasants by introducing them to the riches of global trade. Spurred by the Reagan Administration's Caribbean Basin Initiative, a 1983 free-trade measure that cut or eliminated tariffs on imports, the agency spent tens of millions of dollars promoting "nontraditional" agriculture in Guatemala.

It persuaded rural Guatemalans to switch from planting corn and beans for themselves to growing exotic crops for North Americans. It financed Guatemalan exporters and American importers who bring raspberries and other produce to the United States.

The raspberry trade exploded two years ago. Guatemala shipped less than 4,000 pounds of raspberries to the United States in 1992 — and about 700,000 pounds in 1996. The growers timed their first harvest of 1996 for late April and early May, when they would have the United States market almost completely to themselves.

But every April and May, when the spring rains come to the highlands, thousands of Guatemalans fall ill. They think something in the water flowing from the mountains makes them sick. And when the raspberries came to the United States in spring 1996, thousands of Americans fell ill as well. Many experienced weeks of misery — debilitating diarrhea, severe cramps, chills, fever, nausea, weight loss, depression.

The Centers for Disease Control's scientists never found *cyclospora* on the raspberries, but they found it in the stools of the Americans who ate them. And they are fairly certain that the parasite lay hiding in the water in Guatemala — the water with which the berries were sprayed and irrigated just before they were picked, shipped and eaten fresh and raw days later in the United States.

The case underscores the C.D.C.'s recent warning that "improving the microbiological safety of drinking water and food production" overseas is crucial "to insure the safety of the increasing amounts of food imported to the United States."

After that experience, American scientists and Guatemalan growers, working together, did everything they could to prevent another outbreak. But when this spring came, it happened again: Hundreds, perhaps thousands, of Americans who ate Guatemalan raspberries fell sick.

The *cyclospora* case is now the biggest outbreak of food-borne disease in the United States in years. The Centers for Disease Control count at least 2,300 people sickened this year and last. They are "the tip of the iceberg, and we don't know how big the iceberg is," said Dr. Barbara Herwaldt of the

struction of a large housing project in East Jerusalem.

The latest American mediation effort came against a distinctively menacing drumbeat.

According to the Israeli radio, the Israeli Army held exercises in the northern West Bank last week focused on ways to counter a major Palestinian uprising, from the defense of threatened Jewish settlements to full-scale operations in Palestinian-controlled areas. The exercises were held on the first anniversary of the bloody clashes following the opening of a Western Wall tunnel, and were seen as a signal to the Palestinians that Israel stood ready for any level of conflict.

Israeli security officials continued to issue warnings that the same Hamas cell responsible for suicide bombings in July and this month might strike again. Popular gathering places like the Ben Yehuda pedestrian promenade, site of the attack on Sept. 4, and Jerusalem's large Malcha Mall, which is usually packed in advance of the holidays, drew unusually sparse crowds.

The warnings followed the announcement by Mr. Netanyahu last week that four of the five suicide bombers in the last two attacks had been identified by Israeli intelligence as residents of a West Bank village. He triumphantly brandished the disclosure in a number of interviews as proof of his assertion that Mr. Arafat was not combating terror.

Mr. Arafat, who had claimed that the attackers might have come from abroad, now charges that the village in question was under Israeli security control.

Mr. Netanyahu's announcement drew unusually open criticism from Israeli intelligence agencies, which put out a series of leaks in the Israeli press saying that they had counseled the Prime Minister against the early disclosure, and that it may have harmed their investigation by tipping off members of the cell. An official of the Shin Bet secret service was quoted in Haaretz as saying the Prime Minister had created a "terrible problem," and similar charges were published in other newspapers.

Mr. Netanyahu was also reported to have clashed with senior intelligence officials over their assessment of how Mr. Arafat could be made to fight Islamic terrorism. According to Zeev Schiff, a longtime security reporter for Haaretz, senior officers of Shin Bet and army intelligence told the Israeli Cabinet last week that Mr. Arafat had little incentive for cracking down on the Islamic organizations as long as the diplomatic process was stalled and Israel was not

Hope for committee talks, but not much for renewal of full peace negotiations.

keeping its part of the agreements.

The assessment was assailed by Tourism Minister Moshe Katzav, a close ally of Mr. Netanyahu, who declared that the only choice it left the Government was "to change our basic concepts, or resign." Mr. Netanyahu agreed, Mr. Schiff wrote, saying, "I don't accept the military intelligence assessment either."

In the meantime, Hamas issued new threats of violence after a mysterious attack on a senior Hamas official in Amman, Khaled Mashal. Hamas insisted that the attack, which led to the hospitalization of Mr. Mashal, was an assassination attempt, while the Jordanian authorities said it was a fight between his driver and two Canadian citizens.

The dismal state of Israeli-Palestinian relations was the theme of a series of parting interviews by Mr. Indyk, who left Tel Aviv on Saturday after two and a half years as the American Ambassador. Mr. Indyk, who is now Assistant Secretary of State for Near Eastern Affairs, had been intimately involved in the Oslo process, and though he made little secret of his dismay as the process unraveled, he was unusually blunt in farewell speeches and interviews.

"I leave Israel with a heavy heart," he said in a speech to the Israeli Council for Peace and Security. "Increasingly people have the sense that we are headed back toward conflict, that peace — real peace — with the Palestinians is somehow no longer a realistic expectation."

"Somehow, the partnership has to be restored," he said. "Somehow we have to get back to the notion that both sides benefit from the process, that it is not a zero-sum game, that your interests are advantaged by helping the other side achieve their interests."

Mr. Indyk's replacement in Tel Aviv will be Edward S. Walker, currently Ambassador to Egypt.

Company News:

Tuesday through Saturday,
Business Day

The New York Times

MONDAY, SEPTEMBER 29, 1997

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2

C.D.C. The Centers for Disease Control still know little about the parasite. But they established this spring that cyclospora is a common cause of diarrhea in Guatemalan children, and is still present in the water that runs through the highlands. The C.D.C. has shown that a polluted stream in a third world field can spawn a mysterious bug that can sicken a diner in midtown Manhattan.

"We eat out of everybody else's garden now," said Dr. Dan Colley, director of the Centers for Disease Control's division of parasitic diseases. And on an increasingly crowded planet, not everyone's garden is well kept.

When cyclospora struck in the United States again this spring, Guatemalan berry growers acted swiftly. First, they voluntarily suspended their shipments. Then they kicked the C.D.C.'s field investigator off their farms. Then they denounced the American scientists as snipers fighting a trade war on behalf of the growers' California competitors.

Roberto Castenada, vice president of the Guatemalan Berries Commission, said in an interview: "Last year the guerrillas were in the fields asking my workers about their conditions, asking, 'Do you have bathrooms?' And this year, it was the C.D.C. The C.D.C. is killing us. They kill us every time they open their mouths."

Gabriel Biguria, a former president of Gexpront, the Guatemalan agricultural export group, said his country was the victim of an unfair trade practice.

"Cyclospora?" he said. "They can't find it. We find a tremendous possibility that people in California are using this as a very dangerous tool for protectionism. Protectionist forces find bugs or whatever to protect their market. It's a commercial war."

This dispute illustrates how science and politics collide in the arena of trade.

Some of the biggest food-trade fights have centered on the safety of American products. European nations did not want hormone-injected beef or chlorine-rinsed chicken. So far, the United States has won those cases. But now the United States sometimes finds itself on the other side of the fence, fighting with trading partners about the safety standards for their imports.

"Where we see a safety issue, they see a trade issue," said Dr. I. Kaye Wachsmuth, a leading Federal food-safety official.

The Inspectors

Import-Ban Power For the F.D.A.

Things were simpler when most of the food Americans ate was grown near their homes. Traditionally, food illness came from undercooked or mishandled domestic meat and poultry. Today, people depend more on global trade to satisfy their hunger.

"Go to a restaurant and take a look at your supper," said Dr. Robert Tauxe, chief of the food-borne and diarrheal disease branch at the Centers for Disease Control. "How many different continents are on your plate?"

The food chain that fills those plates has become unimaginably intricate.

For example, alfalfa sprouts gave salmonella to hundreds of people in 24 states this year and last. The seeds for those sprouts

were bought from Uganda and Pakistan, among other nations, shipped through the Netherlands, flown into New York and trucked around the United States, Dr. Tauxe said.

Previously unknown pathogens are being discovered years after they arrive in the United States. Take the case of the Peruvian carrots, which took years to break.

In a coming issue of the *Journal of Infectious Diseases*, Dr. Osterholm and his colleagues will report their discovery of a new strain of *E. coli* bacteria, linked to a shipment of carrots from Peru. It took them six years to connect the new strain to a 1991 outbreak at a Minneapolis convention.

Most of the data on food-borne disease come from a relatively small number of outbreaks at big gatherings — conventions, restaurants and receptions. Most cases are never reported at all, said Dr. Osterholm, Minnesota's chief epidemiologist.

"If you get an outbreak of 500 people in a state, but no more than a few in any one household, you'll never pick it up," he said.

Because one percent or less of the actual number of outbreaks are reported, analyzed, identified and successfully traced back to the source, the C.D.C. says, its scientists cannot identify the causes of a great majority of food-borne diseases.

International food-borne outbreaks, said Dr. Colley of the Centers for Disease Control, are increasing and "can be expected to worsen as the world moves toward a global food economy."

Detecting microbes at the border is about as effective as detecting illegal drugs.

The Food and Drug Administration's inspectors test an ever-dwindling fraction of the 30 billion tons of food now imported into the United States. The responsibilities of individual inspectors have increased, but their resources have dwindled. They sampled 17,000 food items in 1996, less than one percent of 2.2 million food shipments, down from 30,000 samples, or about 3 percent of 1.1 million shipments, in 1992.

A more fundamental defense — insuring the safety of food at its source — does not exist. The F.D.A.'s inspectors can seize suspect imports, but they lack the power to automatically bar imported food just because it comes from a country with an inferior food-safety system.

Congress has never granted them that power. The White House has never publicly asked for it — until now, as it seeks fast track authority for trade pacts that is being seriously challenged in Congress over food-safety issues. The Administration plans to announce a proposal seeking to give the Food and Drug Administration the new powers this week.

The need has been apparent for years, Federal food-safety officials said. They cited the case of the tainted coconut milk from Thailand. In 1991, frozen coconut milk processed at a Bangkok plant, and exported by a Thai trading company to the United States, set off an outbreak of cholera. The life-threatening disease was thought to have been eradicated in this country.

"The Thai authorities were unaware of the existence of the plant," Dr. Tauxe said. "It was unlicensed, uninspected, unregulated."

Nor is it clear that the new powers the White House is planning to seek would have prevented the outbreak.

"I can't imagine an F.D.A. inspector in

every country overseas," said Peggy Foege, a principal author of a landmark 1994 study on food-borne pathogens.

The United States is second to none at stopping food-borne disease after it breaks out. The Clinton Administration says it will lift up public-health and food-safety standards around the world until they meet those of the United States, in order to insure the safety of imported food.

But the United States' public-health systems today "cannot properly identify, track and control food-related illness, or prevent, to the extent possible, future cases from occurring," said a Federal report published in May as part of a food-safety initiative now nearing passage in Congress.

The Safety Net

Eroding Resources For Surveillance

Some Federal agencies are helping their foreign counterparts improve their public health systems. But "the United States cannot really build public health structures for the world," said Kerri-Ann Jones, a top White House science official.

The Clinton Administration says it wants more surveillance, more research, more F.D.A. inspectors. But "Federal budget constraints will likely prohibit significant funding increases in the future" for the F.D.A., said the food-safety initiative report published in May.

Many state health departments are overburdened and underfinanced, in part because of the AIDS crisis. Twelve states have no system for reporting food-borne disease, largely because of budget restrictions, public health officials say.

And many countries are reducing their own disease-surveillance abilities. "Economic globalization has also increased the need for governmental budget austerity," and countries around the world are cutting spending on public health to streamline their economies, according to a coming study by World Health Organization officials.

Scientists have fought new diseases spread by trade, travel and technology before. One night in 1849, a British doctor, John Snow, had a brainstorm. Having realized that cholera was spread by contaminated water, he ripped the handle off a water pump in a London slum and stopped an epidemic.

Global trade, the gigantic pump bringing the essentials and luxuries of life, and the small but rising threat of disease pose more intricate challenges for scientists.

Dr. Kessler and other prominent scientists, while acknowledging the problems with domestic food, said those challenges could be summarized by two questions:

As the world's nations become more intertwined, interdependent and intensely competitive, will the rest of the world's standards become more like those of the United States, with its relatively safe water, sound hygiene and state-of-the-art science? Or will the United States, despite its high standards, become more vulnerable to the rest of the world's microbes?

"The challenge for the United States," Dr. Kessler said, "is to raise everyone else's standards."

U.S. Reshaping Cancer Strategy As Incidence in Children Rises

Increase May Be Tied to New Chemicals in Environment

By JOHN H. CUSHMAN Jr.

WASHINGTON, Sept. 26 — The rate of cancer among American children has been rising for decades. Although the reasons remain unclear, many experts suspect the increase may be partly the result of growing exposure to new chemicals in the environment.

That suspicion, while still unproved, is beginning to shape Federal research priorities and environmental strategies.

Depending on which types of cancer are counted, and in what age groups among the nation's youth, the rate of increase has amounted to nearly 1 percent a year, according to the National Cancer Institute.

Over a few decades, that has meant striking double-digit increases.

Childhood cancer is still far less common than cancer in adults, and its very rarity makes it especially hard to discern what might be causing the increase. Its creeping spread has also been masked by better news, as recent medical gains have made it much more likely that a child with cancer will survive.

But childhood cancer, even when its young victims are cured, can inflict wrenching costs on children and their families, whether its toll is measured in financial, emotional or physical terms. Patients can suffer permanently from brain damage, stunted growth or secondary cancers later in life, partly as a result of radiation and chemical therapies.

And today, according to experts in the field, a newborn child faces a risk of about 1 in 600 of contracting cancer by age 10.

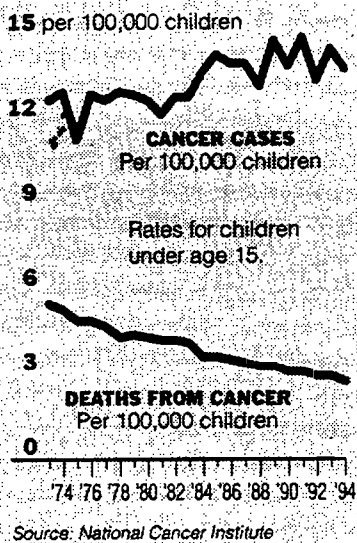
In the United States, cancer is diagnosed each year in an estimated 8,000 children below the age of 15. Cancer, although it kills fewer children than accidents do, is the most common form of fatal childhood disease, accounting for about 10 percent of all deaths in childhood.

The increases surprise even people who are predisposed to think the worst about the ill effects of chemical pollution.

"I had not realized that the numbers were going up that way," said Karen Florini, a lawyer specializing in health issues at the Environmental Defense Fund. "I think it indicates a very disturbing trend that we had better get to the bottom of."

Acute lymphoblastic leukemia in boys and girls increased 27 percent between 1973 and 1990; since then, the rate in boys has declined, but it is still rising in girls. Brain cancer, or glioma, increased nearly 40 percent from 1973 to 1994. These two forms of cancer account for most of the dis-

The rate of childhood cancer has been rising since the early 1970's, though the death rate has been dropping.



Source: National Cancer Institute

The New York Times

Continued From Page A1

ease in children.

Other forms of cancer, such as the form of bone cancer called osteogenic sarcoma and the kidney cancer known as Wilms's tumor, have also been rising, although the numbers of cases remain so small that the trends may not be statistically significant. The increases are big enough that better diagnosis and reporting of the diseases are unlikely to be the principal explanation, experts say; childhood cancer is such a serious ailment that it is usually detected.

Although the causes are not known and are probably many, some experts say, toxins in the air, food, dust, soil and drinking water are prime suspects.

So with the Clinton Administration putting a high priority on issues of children's health and the environment, and with Congress last year overwhelmingly approving new laws taking children's exposures into account when setting standards for pesticide residues in food and contaminants in drinking water, Federal authorities are moving to review the epidemiological data much more closely and to review environmental regulations that may help fight the trend.

At a meeting in Washington last week, a team assembled by the Environmental Protection Agency drafted a research plan that could steer millions of dollars toward better understanding the problem, beginning next year.

"The increases are too rapid to reflect genetic changes, and better diagnostic detection is not a likely explanation," said Dr. Philip J. Landrigan, a pediatrician who directs the division of environmental medicine at the Mount Sinai School of

Medicine and who is the senior adviser to a new office of children's health at the E.P.A. "The strong probability exists that environmental factors are playing a role."

Not all environmental factors involve pollution. Dr. Landrigan said that changes in life style, especially diet, must also be considered and may play some role. Viruses may be implicated in some cancers, but there is scant evidence.

Instead, he and many other experts are inclined to examine the estimated 75,000 new synthetic chemicals introduced in the last half century, the emissions from cars, the pesticides in foods and in neighborhoods, the runoffs in drinking water — the whole collection of chemicals out there, mostly untested for toxicity to humans, let alone for possible cancerous effects in children.

If their suspicions prove to be well founded — and that could take many years to determine — it could usher in a new generation of tighter controls on pesticides, toxic wastes, and other chemicals based on the theory that it may take less of a carcinogen to afflict a child or a fetus, that their health may be affected by combinations of chemicals and that their needs ought to come first in dictating pollution controls.

But first, an expansion of federally supported research is likely.

"I'm talking about new research on air pollutants, water pollutants and pesticides and their effects on children," said Carol M. Browner, the administrator of the E.P.A., "and new testing guidelines that routinely incorporate children's issues into E.P.A.'s risk assessments. I'm talking about moving beyond the chemical-by-chemical approaches of the past, and instead looking at a child's total cumulative risk from all exposures to toxic chemicals."

She promised to pursue better interdisciplinary and collaborative studies of suspected environmental causes and mechanisms of childhood cancer, an initiative that was endorsed at the agency's conference.

Industry representatives who attended the meeting, though, cautioned against the Government's moving too fast to react to such sketchy scientific information.

"It doesn't appear that anyone really knows yet what the causes are," said Nancy Doerr, vice president for scientific and policy programs at the American Industrial Health Council, which represents a diverse group of manufacturing companies. "Yes, there may be some role for environmental causation for childhood cancer. But there is also a role for life style, and the prenatal vitamin supplementation during pregnancy also seems to be very important in preventing some cancers."

Ms. Doerr said that the E.P.A. was acting properly by announcing that it would select a few major regulations for scientific review to determine whether they adequately protected children.

The group also recommended developing a National Childhood Cancer Registry, which would contain information such as exposure histories and family health data, and for

Continued on Page A14

Talking Points on Initiative to Ensure the Safety of Imported Fruits and Vegetables

- The President will announce next week a major initiative to ensure the safety of fruits and vegetables consumed by the American public, especially those coming from foreign countries. Today, 38% of the fruit -- and 22% of the vegetables -- consumed in the United States is imported.
- First, the President will direct the FDA and USDA to issue guidance on good agricultural practices and good manufacturing practices for fruits and vegetables. The guidance will deal with matters such as sanitation, workers health and water use. By providing the first-ever specific safety standards for fruits and vegetables, the guidance will improve the agricultural and manufacturing practices of all those, foreign and domestic, seeking to sell produce in the U.S. market.
- Second, the President will propose legislation to give the FDA authority to bar food imports from any country that does not protect food safety at least as well as the United States does. The USDA already has this authority for meat and poultry products and uses it to refuse meat imports from many countries. The legislation will give the FDA the same power over fruits, vegetables, and other food products, so that the FDA can prevent countries that do not protect food safety as well as the United States from importing their products.
- Third, the President will call for an increase in FDA funding in FY 99 to allow the FDA to expand dramatically its international inspection force. The budget request will enable the FDA to deploy inspectors in all foreign countries seeking to import fruits and vegetables into the U.S. Based largely on their inspections, the FDA will decide whether to allow imports from foreign countries.
- This initiative builds on the President's prior actions on food safety -- including a new early warning system to detect outbreaks of foodborne illness as quickly as possible; advanced safety standards for meat, poultry, and seafood; and a recent legislative proposal to increase the FDA's and USDA's recall authority. It is not a response to recent attacks on fast track, but a continuation of the President's longstanding commitment in this area.

Talking Points 9/29
From
Elena Kagan's
office - she'll get
you a copy of the
draft directive

9/26

White House to Propose Broader Food Safety Powers

Bill Would Allow FDA to Block Imported Produce

By John Schwartz and John Harris

Washington Post Staff Writers

The Clinton administration will seek new powers that would allow federal inspectors to block imports of fresh fruits and vegetables that don't meet U.S. food safety standards, officials said yesterday.

The proposal, to be announced next week, is one element of a four-part administration program aimed at improving the safety of both foreign and domestic produce.

"This is just another step in an ongoing commitment by the administration to improve food safety," a senior administration official said. "It's part of continuing to keep our eye on the ball."

Food safety has been a high-profile concern for the administration since a 1993 outbreak in the western states of the bacteria *E. coli* O157:H7 in fast-food hamburgers caused three deaths and 500 cases of illness.

Although most consumers associate disease outbreaks with improperly cooked hamburger, chicken and eggs, the amount of illness linked to produce is on the rise, officials say. The pathogen *Cyclospora* on Guatemalan raspberries has caused disease outbreaks for the last two summers, and *E. coli* in unpasteurized apple juice caused some 66 cases of illness and one death last year. Another *E. coli* outbreak last year in Japan that was linked to bad radishes sickened more than 5,500 schoolchildren and teachers in the town of Sakai.

The new proposal would involve passing two pieces of legislation and issuing two executive orders. One bill would give the Food and Drug Administration the same kind of authority over produce imports that the Department of Agriculture has over meat and poultry: the ability to refuse shipments of fruit and vegetables at dockside if the shipping country or producer can't prove that it meets U.S. sanitation and production standards. The second bill would provide \$20 million to \$25 million for that effort, along with a new corps of inspectors who would work abroad.

The first of the two executive orders will call for a 90-day study of ways to improve the ways food safety is encouraged and monitored abroad. The second would call for a set of food safety guidelines for domestic fruit and vegetables. This second initiative would stop short of calling for enforceable rules, however, which surely would meet stiff opposition from industry. Instead, the new standards would set up voluntary guidelines. In case of outbreaks, proof that a company had followed those guidelines could provide some legal protection.

Those guidelines would include many seemingly simple concepts, such as not placing latrines near irrigation systems as well as procedures monitoring worker health for handling

produce during transportation, administration officials said.

Figures gathered by the Centers for Disease Control and Prevention show that the percentage of *E. coli* O157:H7 outbreaks in vegetables in the United States climbed from 5 percent of such reports a few years ago to about 15 percent today.

"We're seeing a change," said David Acheson, a food safety expert at Tufts University. "It's not entirely a meat industry problem."

In addition, the growing amount of international produce in supermarkets has raised

*Last year 38 percent of
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fears that pathogens might be slipping through the food safety net. According to administration figures, last year 38 percent of fruit and 12 percent of vegetables that Americans consumed came from other countries. As Americans increasingly seek healthier diets with plenty of fresh fruits and vegetables, consumption has increased and stores have looked to world markets to ensure a year-round supply and culinary diversity that would have seemed impossible a generation ago.

The administration hopes that the new initiative will help allay fears that the increasingly free trade will give a free ride to food-borne pathogens from imported from countries with lower standards of food safety.

The U.S. food supply is widely considered the safest in the world, but millions are sickened and some 9,000 people still die each year from food-related illness. Reports of outbreaks are on the rise, but it is unclear how much of that can be attributed to better detection by government labs. "One of the reasons we're finding more is that we're looking harder than we ever had before," an administration official said. Today, high-tech investigative techniques can prove links between victims in different cities that in the past might have been written up as isolated cases.

A food safety advocate who had not seen the final proposal applauded the administration's efforts yesterday. "It is clearly time for the administration to move food safety back to the farm," said Caroline Smith DeWaal, director of food safety for the Center for Science in the Public Interest.

The Washington Post

FRIDAY, SEPTEMBER 26, 1997

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The Washington Post

FRIDAY, SEPTEMBER 26, 1997

Gore's Staff Routinely Discarded Call Sheets

Justice Dept. Probe May Be Extended if Record of Fund-Raising From White House Is Incomplete

By Bob Woodward
Washington Post Staff Writer

The executive assistant to Vice President Gore has testified that she or her assistants routinely discarded Gore's copy of the call sheets prepared for his telephone solicitations of potential campaign contributors after Gore talked to the potential donors.

Government officials said there was no suggestion the call sheets were disposed of improperly or discarded to conceal information from Justice Department investigators now reviewing Gore's telephone solicitations. But any missing documents could be important if the investigators determine they cannot establish the full extent of Gore's fund-raising calls at the end of a 30-day review ordered by Attorney General Janet Reno.

Reno opened the review earlier this month to determine whether she should seek the appointment of an independent counsel to investigate Gore's White House calls. Under the terms of the Independent Counsel Act, Reno could be required at the end of the 30 days to order a 90-day preliminary investigation of the Gore calls if investigators conclude that critical information is missing or might be obtained through further inquiry.

The 30-day review period expires Oct. 3, at which point Reno must close it down or order a formal preliminary investigation. Such an investigation would be the next step in the legal process Reno must follow before deciding whether to recom-

mend appointment of an independent counsel.

Gore's attorneys had hoped that the Justice Department task force investigating the phone calls would concentrate on legal questions of whether a law barring fund-raising solicitations on federal property applies to the vice president or to calls made to people not on federal property. But one Gore associate said yesterday that the absence of orderly record-keeping in Gore's office would likely cause Reno to extend the 30-day review to a preliminary inquiry.

Gore's office was able to come up with copies of call sheets in 46 cases because Peter Knight, Gore's chief fund-raiser, kept copies and was present at most but not all of the nearly dozen sessions when Gore phoned for contributions to the Democratic National Committee. In a number of cases, a source said, Gore's attorneys had to rely on "Peter's memory" to determine whether Gore had solicited contributions from a particular person.

Officials said they could not be certain they have copies of all the call sheets or records of all calls made because there was no master list. The absence of such a list could complicate the effort of Justice Department and congressional investigators who are trying to assemble all the information on Gore's phone calls.

In all, some 125 individual call sheets were prepared for Gore by the Democratic National Committee. Each call sheet contained the name of the potential donor, professional

position, history of previous giving to the DNC and other personal background. Some call sheets carried notes handwritten by Gore.

Heather Marabeti, Gore's executive assistant, said in a Sept. 3 deposition to the Senate committee investigating campaign finance irregularities that "calls that were completed, those sheets, we discarded." Asked if Gore himself kept a copy of the sheets, Marabeti said, "He did not. . . . He would give them back to Peter [Knight] or put them in his Out box, and we would discard them."

Maggie Hickey, a counsel with the majority staff, asked Marabeti, "Did you keep any type of record of the phone calls that were placed?"

"No," Marabeti replied.

Ginny Terzano, Gore's press secretary, said yesterday that the record-keeping was the responsibility of the DNC. "We relied on the DNC, and copies of completed call sheets were returned to the DNC, generally through Peter Knight."

Earlier this year, a former senior DNC official involved in Gore's fund-raising calls listed five people, mostly wealthy businessmen, he believes Gore solicited who are not among the 46 individuals Gore's office identified in August.

The records released by the White House and Gore's office also add to the confusion. For example, a Feb. 6, 1996, call sheet prepared for President Clinton requested that he call Alice L. Walton, president of Llana Co. in Arkansas. "Ask her to contribute \$100,000 to the DNC Media Fund," a notation on the call

sheet said. "She wants to be certain that her contribution goes directly to support your campaign efforts."

In a recent interview, Walton said Clinton never called her to ask for a campaign contribution in any form. But she said Gore called her before the 1994 elections and asked for a contribution to help pay for the Democratic effort in the midterm elections. Based on the call, she said, she gave \$50,000 in November 1994.

Gore's office has not released information about his 1994 phone solicitations. Gore made the 1994 calls from the DNC, not from his White House office, officials have said.

One of the 46 people that Gore's office said he called is Sanford R. Robertson, chairman of Robertson Stephens & Co. of San Francisco. Telephone records show a seven-minute call from Gore's office to Robertson's on April 26, 1996, but Robertson issued a statement saying he never received such a call.

Federal and congressional investigators are trying to determine who Gore called. "It's the first step, establishing the size of the universe and who is in it," said one investigator who has had trouble coming up with a definitive list of individuals called by Gore.

Researcher Jeff Glasser contributed to this report.

FOR MORE INFORMATION

For background on campaign finance issues and allegations, click on the above symbol on the front page of The Post's Web site at www.washingtonpost.com

The Washington Post
FRIDAY, SEPTEMBER 26, 1997

CLOSE HOLD**WHITE HOUSE STAFFING MEMORANDUM**DATE: 9/5/97 ACTION/CONCURRENCE/COMMENT DUE BY: _____SUBJECT: Draft (9/5/97 7 p.m.) "Back to Work" Speech

	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	☐	☐	<u>Berman, J.</u>	☐	☒
MARSHALL	☐	☐	_____	☐	☐
			_____	☐	☐

REMARKS:

RESPONSE:

Staff Secretary
Ext. 6-2702**CLOSE HOLD**

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Draft 9/5/97 7pm

**PRESIDENT WILLIAM J. CLINTON
"BACK TO WORK" SPEECH
AMERICAN UNIVERSITY
WASHINGTON, DC
September 9, 1997**

[*Acknowledgments*] You have come back to school. I have just come back from vacation. And this is a time when all America -- and those of us here in Washington -- are going back to work. It is a moment of genuine hope for our country -- a time of earned optimism for America. I wanted to talk to you, and to the country, about what we must do in the coming months to make the most of this opportunity, to prepare our nation for the world of the 21st Century..

It is now almost six years since I first sought the office of the Presidency. It was a time a time when America seemed to be moving toward the new century with uncertain steps. Dramatic changes in the way we live and work threatened the values by which we live our lives. And from that first day, I said that our mission must be to keep the American dream alive for all who would work for it; to keep America the world's strongest force for peace, freedom, and prosperity; to bring our people together, across all the lines that divide us, as one America. To keep America's oldest and most enduring values -- opportunity for all, responsibility from all, faith and family and community -- strong and vibrant in a new and different time.

Renewing our values and using them to create new times -- that is the secret of America's greatness, the way our nation has remained young and strong for over 220 years. Our nation was not founded on religion or race or geography, but on a set of incandescent ideals. At every moment of challenge and change, we Americans have found a way to keep them not musty words scratched on parchment but living guideposts for each new era.

For 4 ½ years, American has worked to make this time of change work for our generation. We set a bold new economic course, reducing the deficit by over 80% even before the budget agreement, expanding exports, and investing gin our people. We set about establishing American credibility in the post-Cold War world, forging new alliances and standing up for our values from Bosnia to Haiti. And we addressed a generation's accumulation of social problems, bringing work and responsibility to bear on the challenge of welfare and crime. We began to build a new government -- a government neither intent on doing everything, nor content to do nothing, but a government that gives people the tools to make the most of their own lives.

Today, we see the results all around us. Unemployment remains below 5%. We have created nearly 13 million jobs since 1993. Inflation remains stable. Investment growth and consumer confidence are at their highest levels in a generation. And after decades when they remained flat, at last family incomes are beginning to rise again.

Now, America has reached a new pinnacle of progress. In late July, I signed into law the

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first balanced budget in a generation. This was about more than numbers on a ledger. It embodies the single biggest increase in higher education since the GI Bill a half century ago; the single largest investment in health care since the passage of Medicaid in 1965; a giant step toward fixing flaws in last year's welfare reform, and helping move people from welfare to work.

After years in which the deficit dominated our politics and dampened our economy, America finally lifted that burden from the next generation. After years in which the two parties sometimes seemed as tired as punch-drunk fighters, we finally found a way for Democrats and Republicans to work together for the national interest. After years in which our deepest-seated problems seemed impossible to solve, we showed ourselves and the world that America can meet its challenges.

I believe it is now clear that the vast changes underway in technology, trade, even our social makeup -- the very changes that once produced so much doubt and unease -- will turn out to be change for the good. I believe they will produce a nation that the healthiest in decades, and the strongest in the world, as we enter the new century. I believe that the American people are coming to believe this, too.

In all this, we are not merely riding the crest of the latest rise in the economic cycle. The balanced budget is the platform on which we are building our future. It is plain that Americans of this generation are forging and leading a new economy. [Today, more people work in the software industry than in the steel industry; more people work on computers at home than on assembly lines.] And in the cutting-edge industries of the future -- computers, biotech, aerospace -- America leads the world. In this new economy, there will still be ups and downs, recessions or crises that will demand action. But this much has changed: where once the wealth of a people came mainly from the gold in the ground or the abundance of our farmland or the power of our factories, now, more than ever, it will come from the skills of our people and the power of their imagination.

It would be easy to rest, to believe that our work is done, that our greatest challenges have been met. But complacency is not an option for a country on the move. The hard work of the American people has brought our nation to the edge of a new era, stronger and more prosperous than we have been in years. But there is much more to do, to renew our values and strengthen our nation for the 21st Century. So now it is time to take the next steps -- to strengthen our institutions, to renew and rebuild our leadership, so that Americans can realize their dreams in a new century.

First and foremost, we must press on to make opportunity available for every American. Once, we could offer the American Dream by giving our people their own plot of land; today, it can come best by giving them the skills and education to compete. Where once a working person could find security working in a plant that made products for other Americans, today more and more of us will earn our bread making high-quality products to export around the world.

I have said that giving our children the world's best education must be our highest priority. In the new economy, [*fact about % of jobs requiring HS degree*]. We have made enormous progress: This fall, I expect to sign into law the largest increase in Pell Grant scholarships for deserving students in our nation's history, a doubling of funds to put computers in every classroom, and a launching of the America Reads Initiative to teach young children to read. In the earlier grades, performance is up at every level. But we must do more. We have no choice but to set high standards, to challenge our students, our parents, our teachers and our schools to meet them. That is why I have called for high national standards of excellence, and challenged every state to test every 4th grader in reading, every 8th grader in math, to measure their progress. There are some who want to block national standards; they are willing to have horse and buggy schools in a point-and-click age. America cannot take that risk. [*comment on recent congressional action*] I said in my State-of-the-Union Address, and I will say again today: politics must stop at the schoolhouse door.

We must ensure that Social Security and Medicare, the greatest social innovations of this century, are robust and effective in the next century. We have shown that we can put our fiscal house in order while improving services for our elderly; in the future, securing these programs will be the best way we can honor our duty to our parents and to the next generations.

We must ensure that our economy grows without increasing climate changes that threaten our children and grandchildren with environmental calamity. We will work toward a worldwide treaty this December in Kyoto that protects the environment even as it promotes global growth.

And we must ensure expanded opportunity for American working people in a global economy by expanding American exports. The growth of the global economy is one of the inescapable facts of our day. America has only 5% of the world's population. We have no choice but to export to the 95% of the world's consumers who live beyond our borders. And tomorrow, in the East Room at the White House, I will launch my campaign to persuade Congress to continue the traditional ability of a President to break down foreign barriers to American goods and services.

Fiscal discipline, investing in our people, expanding exports -- if we continue with America's successful economic strategy, we can shape the new economy so that it serves all our people.

Second, we must continue to lead the world -- to lead, to advance American interests and values in a very new time. During half a century of Cold War, America led the forces of freedom. Now, we live in a very different world, one we are helping to shape. We have an opportunity to lock in the gains of democracy, stability, and free markets -- and lay the foundation for a new century in which America can thrive.

So far this year, we ratified the Chemical Weapons Convention so our soldiers and citizens will be safer from the threat of poison gas. And we focused intensely on Europe --

working to build an undivided, democratic, peaceful Europe for the first time this century. We invited Poland, Hungary and the Czech Republic to add their strength to NATO. I look forward to working with the Senate to ratify this historic step next year, and I am very pleased that today a group of America's leading citizens endorsed that step. We are forging new partnerships with Russia, Ukraine, and Europe's other new democracies. And we are working with all of our European partners to give the people of Bosnia a chance to share in Europe's democratic future. We stopped the war, turning killing fields into playing fields, bomb shelters into schools. Now, we are redoubling our efforts to build a lasting peace.

In the months to come, America will continue to defend its interests and values, pursuing peace in the Middle East and Northern Ireland, combating rogue states and terrorists, and making sure America's military and diplomacy remain the strongest in the world. But above all, in the remaining months of this year, America must reach out to our Hemisphere and to Asia.

Over the last decade in the Americas, coups, conflicts and command economies have given way to democracies and free markets. When I travel to Venezuela, Brazil, and Argentina next month, I will work to expand trade, fight drugs, and protect the environment. The Americas can become a stronghold for our own security and prosperity.

And this fall, I will welcome Chinese President Jiang to Washington. China is home to 1/4 the world's population. In less than two decades, its dynamic economy may well be the largest on earth. America has a profound interest in seeing a China that is stable, open, and at peace with its neighbors ... that embraces political pluralism and international rules of conduct ... that works with us to build a secure and prosperous future. China will choose its own destiny. But by engaging with China, instead of isolating ourselves from China, we can help influence the path it takes.

President Jiang's visit is an important opportunity -- not for grand statements or dramatic gestures, but for constructive work on common challenges like stability on the Korean peninsula ... protecting the environment ... stopping the spread of nuclear weapons ... expanding the frontiers of free trade. And it is a chance to address candidly, face-to-face, our differences on issues like human rights and religious freedom. Sitting down together across a table is far more likely to produce progress than pointing fingers across the Pacific.

Third, we must strengthen our families for the 21st Century. The new economy puts new pressures on parents, demanding more time away from the children, imposing new demands for affordable child care, and bombarding children themselves with commercial images that make it harder than ever to pass on our values. So we are working to pass a Juvenile Justice Bill, to help keep our children out of gangs and off of drugs. We will host the first-ever White House conference on child care -- to explore ways all sections of society, including the government, can better address one of the greatest problems facing parents today. And we must build on the proposed settlement between tobacco companies and state attorneys general, to find a national solution that focuses, front and center, on the health of children.

Fourth, we must strengthen our democracy -- the inspiration for the world -- so that it enters the new century having earned the trust of the people. The amount of money raised by both political parties has quadrupled every four years. (ck) The campaign finance system is out of control. This is our chance to do something about it. This month, Senators McCain and Feingold will bring their legislation to the floor. For a decade, obstructionists have blocked reform through the filibuster. This year, if they try again, we will make sure they do it in the full glare of public scrutiny. I am determined they will not succeed.

Fifth, we must find new ways to preserve perhaps the most fragile value of all: the bonds of community that bind us together as Americans. In this century, America has absorbed wave after wave of immigrants, drawn here by our abundance and our ideals. And this century has seen unparalleled racial progress, as African Americans and other minorities were welcomed into the American mainstream. Now, those very forces of progress that are propelling us forward can also pull us apart, threatening to isolate us, each with our own web page but linked by few human bonds of community. The age-old dilemma of racial inequality is compounded by the new task of absorbing new immigrant groups into the world's most diverse nation. Within a decade, our largest state will have no majority race; within decades, our entire nation will have no majority race. We know what America will look like in the 21st Century, but what will we be like? The answer is up to all of us.

I have asked the nation to join me in a great conversation about race -- an effort to redress imbalance, root out hatred, and above all, bring Americans of different backgrounds together to face one another honestly across the lines that divide us. I ask you here on this campus and all across America, to shoulder your responsibility, to explore your own prejudices and challenge the rest of us to do better.

Expanding opportunity, through education and trade and health care. Strengthening American leadership in this hemisphere and in Asia. Strengthening our families. Reforming our elections. And coming together as One America. These are leading challenges of this new era. This is America's new agenda. This moment of peace, prosperity, and unity represents our best opportunity in years to build.

I will call on the Members of Congress of both parties to continue the spirit of bipartisan achievement so essential to our budget deal. I will work with them to do the work at hand -- to implement the balanced budget, to confirm the judges and others who await action, and in other areas. We are in uncharted territory; the times demand that we forge a modern majority of people of goodwill to work together for the public interest.

We are now only 843 days away from the new millennium. It is clearer than ever that this new century can bring new progress, new prosperity, new greatness for our nation. It has fallen to us to carry the nation we love into that century. Here at American University 24 years ago, in a world bristling with superpower tension, President Kennedy looked forward and saw a day when the Cold War was a thing of the past. We are now living in the world President Kennedy

imagined. It is up to us to meet the challenges of our time with the determination that brought us to this moment. I ask you help, and that of every American. God bless ...

Dear Esteban:

Thank you for bringing to my attention your observations regarding implementation of the North American Free Trade Agreement (NAFTA).

The expansion of trade associated with NAFTA and other agreements has contributed significantly to the dynamism of our economy over the past several years. Your support for fast track trade negotiating authority will be critical in maintaining that dynamism by tearing down foreign barriers and helping American workers compete abroad.

At the same time, you and I recognize that increased international competition brings challenges for some workers, especially in low-wage, import-sensitive industries. That is precisely the reason we worked hard together to ensure NAFTA includes special provisions to protect the most vulnerable. In assessing the first three years of NAFTA's implementation, I believe these provisions have proven their value. However, as you point out, many challenges remain. I am committed to ensuring NAFTA fulfills its promise for all Americans.

NAFTA is building a solid record on addressing environmental challenges which are unique to the U.S.-Mexico border. Of course, many of the border environmental problems were decades in the making and will take many years to resolve. As you suggest, there are significant obstacles to financing environmental infrastructure, which the North American Development Bank (NADBank) is working to overcome. NADBank is now working closely with the Border Environment Cooperation Commission and federal and state officials on both sides of the border to identify and develop projects in the border region. NADBank is also establishing co-financing mechanisms with the Environmental Protection Agency and other grant programs to provide affordable financing for poor border communities. In addition, the NAFTA process for citizen submissions on environmental enforcement appears to be working effectively. The Commission for Environmental Cooperation has evaluated all submissions and pursued their resolution in accordance with the North American Agreement on Environmental Cooperation.

NAFTA is helping to protect the rights of trade-affected workers. The North American Agreement on Labor Cooperation breaks new ground in providing for oversight of national labor law enforcement. We have achieved a high measure of success in the review of the complaints that have been submitted. In one case, a Mexican labor tribunal granted recognition to the petitioning union, reversing an earlier decision, and afforded a new hearing for workers dismissed for union activity. In other cases, workers were permitted secret ballot elections, a practice not common in Mexico. Mexico has also made important legal advances on labor rights since NAFTA was signed.

Recognizing that some workers require assistance in adjusting to new patterns of trade and production, the NAFTA Transitional Adjustment Assistance (NAFTA-TAA) program provides expanded retraining and income support benefits. Overall, the program is proving its worth. However, concerns have been raised regarding the disproportionate impact on some communities. My Administration is committed to addressing these concerns. Secretary Herman recently travelled to El Paso, Texas to assess the economic impact on this border community. She conveyed to me her assessment that El Paso has strong economic prospects, but needs specialized job retraining for displaced worker.

Both the Transitional Adjustment Assistance (TAA) and NAFTA-TAA programs must be reauthorized before they expire on September 30, 1998. Secretary Herman will work closely with you and other members of the Hispanic Caucus and relevant Committees to make both programs more effective for Latino trade-affected workers. In addition, it is essential that we intensify outreach to trade-affected workers, as well as affected secondary workers, to help them take advantage of existing services.

NAFTA breaks new ground in including financing through NADBank's Domestic Window for communities adversely affected by trade, reflecting concerns raised by the Hispanic Caucus. Although it has taken time to create a viable financial framework for the first U.S.-supported development bank within U.S. borders, NADBank's Domestic Window has been operating in Los Angeles since early 1996 and is now fully operational. Last month, the Department of Treasury announced the designation of 35 sites around the country as eligible for financing, and additional sites should be identified within the next month. In these areas, the NADBank, the Departments of Treasury and Agriculture, and the Small Business Administration are engaged in extensive outreach and marketing to help communities take advantage of loan guarantees, and the Los Angeles Office is working with borrowers interested in direct lending. Treasury plans to convene a public meeting of the Presidential Advisory Committee for Community Adjustment and Investment in El Paso in November to gain greater knowledge of the problems confronting trade-affected communities.

I firmly believe the institutions created by NAFTA are strengthening labor and environmental protections in North America -- and I hope you agree. However, this is a long-term process, requiring perseverance and continual improvement. It will be useful for Secretary Rubin and Secretary Herman to hear your concerns first-hand when you meet next week. I have asked my National Economic Adviser, Gene Sperling, to take the lead from the White House in coordinating Administration-wide efforts *and to work closely with you and other members of the Hispanic Caucus* to address your concerns.

I hope you will work with me in support of future trade agreements that help America compete in the global economy and contribute to improved living standards and environmental protection.

Sincerely,

The Honorable Esteban Torres
Congress of the United States
Washington, D.C. 20510

THE WHITE HOUSE
WASHINGTON

August 29, 1997

ACTION

MEMORANDUM FOR SAMUEL R. BERGER
GENE SPERLING
DANIEL K. TARULLO
MARIA ECHAVESTE
JOHN HILLEY

FROM: LAEL BRAINARD

SUBJECT: POTUS Response to the Hispanic Caucus Regarding
NAFTA and Fast Track Authority

Please find attached a memorandum to the President recommending that he sign a response to correspondence from the Hispanic Caucus expressing their reluctance to grant fast track authority until they are assured that the economic, safety and health interests of their constituents will not be compromised by future trade agreements. Vicki Radd has requested that the letter be finalized by September 4, 1997.

Concurrence by: Bill Danvers, Jim Dobbins, David Sandalow

RECOMMENDATION

That you forward the memorandum attached at Tab I to the President.

Attachments

Tab I

Tab A

Tab B

Memorandum to the President
Response to Sixteen Members of Congress
Incoming Correspondence

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL R. BERGER
GENE SPERLING
DANIEL K. TARULLO
MARIA ECHAVESTE
JOHN HILLEY

SUBJECT: Response to the Hispanic Caucus Regarding NAFTA
and Fast Track Authority

Purpose

To answer a letter from the Hispanic Caucus expressing reluctance to support fast track authority until NAFTA's flaws are remedied.

Background

Members of the Hispanic Caucus, citing a Latino Coalition study, allege that NAFTA has not adequately protected the interests of their constituents. They cite disproportionate job dislocation experienced by Hispanic workers, inadequate assistance under NAFTA-TAA, weak implementation of NADBank's environmental operations, and unacceptable delays in implementation of the NADBank Community Adjustment and Investment Program.

The proposed response details a number of areas where NAFTA has strengthened protections for labor and the environment. However, it acknowledges that improvements are necessary, especially in our community assistance efforts. The response notes that Secretary Herman travelled to El Paso last month and Treasury will hold meetings in El Paso in November to identify improvements to the NAFTA-TAA and NAFTA community assistance programs. The proposed response further notes that you are designating Gene Sperling to coordinate Administration efforts to address the concerns raised by the Hispanic Caucus.

RECOMMENDATION

That you sign the letter at Tab A.

Attachments

Tab A Response to the Hispanic Caucus
Tab B Incoming Correspondence

cc: the Vice President
the Chief of Staff
Mack McLarty

THE WHITE HOUSE

WASHINGTON

Dear Esteban:

Thank you for bringing to my attention your observations regarding implementation of the North American Free Trade Agreement (NAFTA). I am committed to ensuring that NAFTA fulfills its promise for all Americans and applying the lessons learned from NAFTA to future trade agreements.

There is no question that the expansion of trade associated with NAFTA and other agreements has contributed significantly to the dynamism of our economy over the past several years. At the same time, increased international competition brings challenges for some of our citizens, especially workers in low-wage, import-sensitive industries. That is precisely the reason we worked hard together to ensure NAFTA includes special provisions to protect the most vulnerable. In assessing the first three years of NAFTA's implementation, I believe many of these provisions have proven their value. However, as you point out, many challenges remain, which we must work actively to address.

NAFTA is building a solid record on addressing environmental challenges along the U.S.-Mexico border. However, many of the border environmental problems were decades in the making and will take many years to resolve. As you point out, there are significant obstacles to financing environmental infrastructure, which the environmental operation of the North American Development Bank (NADBank) is working successfully to overcome. ^{WITH} NADBank has approved financing for four projects, and three are ^{NAD} under construction. We can already point to a border community ^{Bank} in Texas ~~whose~~ residents have indoor plumbing and clean drinking ^{financing} water for the first time. NADBank is also establishing co-financing mechanisms with U.S. and Mexican grant programs to provide affordable financing for poor border communities: a recent agreement will enable NADBank to combine its loans with up to \$170 million in grants from the Environmental Protection Agency for water and wastewater projects. ⁴ Further, NADBank's Institutional Development Program is providing technical assistance to upgrade the management capacities of local utilities and has already committed roughly \$1.8 million to assist 12 projects. NADBank is also now working closely with its sister organization, the Border Environment Cooperation Commission, and federal and state officials on both sides of the

border. Together, they have identified more than 30 projects with a total cost of \$500 million for their 1997-9 work plan.

The NAFTA process for citizen submissions on environmental enforcement appears to be working as intended: the Commission for Environmental Cooperation has evaluated all submissions and pursued their resolution in accordance with the North American Agreement on Environmental Cooperation. Mexico's enforcement of its environmental laws has also improved under NAFTA: Mexico reports a 72 percent reduction in serious environmental violations in the maquiladora industry and a 43 percent increase in the number of maquiladora facilities in complete compliance.

NAFTA is also making progress on protecting the rights of trade-affected workers. The North American Agreement on Labor Cooperation (NAALC) breaks new ground in providing for oversight of labor law enforcement within each NAFTA country. To date, the U.S. National Administrative Office (NAO) has received seven complaints about Mexico's enforcement of its labor laws, while Mexico has reviewed one complaint against the United States. We have achieved a high measure of success in the review of these cases, in both affording remedies to affected workers and influencing policy changes. In one case, a Mexican labor tribunal granted recognition to the petitioning union, reversing an earlier decision, and afforded a new hearing for workers dismissed for union activity. In other cases, workers were permitted secret ballot elections, a practice not common in Mexico. In addition, the U.S. NAO has received indications that a number of Mexican labor disputes have been settled by companies wishing to avoid the negative publicity associated with the NAFTA review process.

Important legal advancements on labor rights have also taken place in Mexico since NAFTA was signed. In 1996, the Supreme Court of Mexico issued decisions finding state statutes restricting freedom of association unconstitutional. Mexico's Department of Labor has issued recommendations providing for the greater autonomy and professionalism of tripartite labor tribunals and making the union registration process a purely administrative decision. Mexican enforcement of labor laws has also improved under NAFTA: Mexico reports a nearly 250 percent increase in funding for enforcement and a 30 percent reduction in workplace injuries and illnesses.

Recognizing that some workers require assistance in adjusting to new patterns of trade and production, the NAFTA Transitional Adjustment Assistance (NAFTA-TAA) program contains several innovative features to provide expanded retraining and income support benefits. Overall, the program is proving its worth. However, as you point out, concerns have been raised regarding the disproportionate impact on some communities. Secretary Herman recently travelled to El Paso, Texas to investigate what

steps the Department of Labor could take to strengthen its implementation of the NAFTA-TAA and related assistance programs.

My Administration is committed to making sure our retraining and reemployment programs address the needs of trade-affected workers. Both the Transitional Adjustment Assistance (TAA) and NAFTA-TAA programs must be reauthorized before their expiration date of September 30, 1998. Secretary Herman will work closely with the Hispanic Caucus and relevant Committees to make both programs more effective for Latino trade-affected workers. In addition, it is essential that we intensify outreach to trade-affected workers, as well as affected secondary workers, to help them take advantage of existing services.

NAFTA breaks new ground in including financing through NADBank's Domestic Window for communities adversely affected by trade, in large measure reflecting concerns raised by the Hispanic Caucus. It has taken time to create a viable financial framework for the first U.S.-supported development bank to operate within U.S. borders, but NADBank's Domestic Window is now fully operational. The Domestic Window has been operating in Los Angeles since February 1996, with input from a variety of interested organizations. Last month, the Department of Treasury announced the designation of 35 sites around the country as eligible for financing. Additional sites are expected to be identified within the next month. In eligible areas, the NADBank, the Departments of Treasury and Agriculture, and the Small Business Administration are providing extensive outreach and marketing, which should result in the provision of loan guarantees within the next two months, and the Los Angeles Office is working with borrowers interested in direct lending. In addition, Treasury plans to convene a public meeting of the Presidential Advisory Committee for Community Adjustment and Investment in El Paso, Texas in November to gain greater knowledge of the problems confronting trade-affected communities.

I firmly believe the institutions created by NAFTA are strengthening labor and environmental protections in North America. However, this is a long-term process, requiring perseverance and continual improvement. It will be useful for Secretary Rubin, Secretary Herman and Ambassador Barshefsky to hear your concerns first-hand when you meet next week. I have asked my National Economic Adviser, Gene Sperling, to take the lead from the White House in coordinating Administration-wide efforts to address your concerns.

I hope you will work with me in support of future trade agreements that help America compete in the global economy and contribute to improved living standards and environmental protection.

Sincerely,

The Honorable Esteban Torres
Congress of the United States
Washington, D.C. 20510

M E M O R A N D U M

To: Mack McClarty

From: Democratic Leader Gephardt

Subject: Fast Track

Date: August 24, 1997

CC: Sec. Albright, Amb. Barshefsky, Sandy Berger, Erskine Bowles, John Podesta, Jay Berman

Per our recent conversation, I wanted to provide you with a report on my trip to South America: Chile, Argentina and Brazil.

Although it was a quick trip resulting in roughly 2 days of discussions in each country, I was able to meet with a broad cross-section of public and private individuals. The Presidents of each country as well as many of their principal ministers met with me. As well, I met with the American Chamber of Commerce in each country and their labor leaders. I also had lengthy discussions with environmental ministers and NGOs. Finally, in Chile and Brazil I was able to visit local neighborhoods and factories to have discussions with average citizens.

As a first point, Chilean arms sales and the granting of non-NATO ally status to Argentina were part of every discussion I had with the Presidents and the foreign ministers. President Frei was deeply concerned about the status of Argentina – you are well aware of the relations between the two countries. As Ambassador Guerra said, in all of his meetings with President Frei, he had never seen him as direct as when the question of arms sales arose. I know that the Embassy has provided a briefing to the Administration on this issue.

I came away with a much greater appreciation for the vibrancy of South America's markets. Sitting in traffic jams one quickly understands that the markets are growing at a tremendous pace. Traveling through communities, one understands that if their wages and living standards can be improved, there would be tremendous markets for our products and the gradual reduction in the downward wage and job pressures in the U.S.

The trip also highlighted the fragility of the political systems in these countries having rejected military rule only in the recent past. The former political systems did little or nothing to address the deep economic disparities in these countries. Our goal must be to promote and enhance democracy and the equitable distribution of economic growth. We must avoid rapid change that does not allow these countries to adopt transitional policies to ensure that all their people benefit, not just the privileged few.

Mack McClarty
Page 2
August 24, 1997

I also came away with the clear understanding of the tremendous economic difficulties that face the people of these countries. Chile ranks as number two, right behind Brazil, in terms of income inequality in South America. In one of my meetings in Chile, I was told that the top 20% of Chileans control 54% of the GDP; The bottom 20% controls only 4% of the nation's GDP. This is despite the tremendous expansion of trade in the region. It's clear to me that the benefits of more open trade has not trickled down enough to middle class citizens and those struggling to get into the middle class. In many ways, it is analogous to the challenges that we faced during the NAFTA negotiations.

President Frei pointed out that the Chilean-Canadian FTA includes provisions on labor and the environment that are stronger than those contained in the NAFTA. While this language is limited in scope (it only covers child labor, health & safety and the minimum wage), the President appeared willing to include language that required enforcement of domestic laws. This is similar to the discussion I had with President Frei in 1994 at the Blair House which prompted then Congressman Richardson (now U.S. Ambassador to the UN) and I to jointly introduce a Chile-only fast track.

Indeed, President Frei said that the Chilean-Canadian FTA went farther than the NAFTA by allowing the imposition of fines in these two important areas. That is movement in the right direction although the failure of these issues to be included in the core agreement, the arbitrary cap on the level of fines and the failure to have an enforcement mechanism for collection are serious flaws, in my opinion.

I should also point out that the Chilean Labor Minister indicated that the official position of Chile is that labor and trade issues are linked. He said it is "reasonable to develop a road to improvement that is gradual and measurable."

As you well know, prior to entering into negotiations with the U.S. for the NAFTA the United States demanded that Mexico enhance its intellectual property laws. I believe that President Frei's commitment to the package of labor law reforms that he has offered could serve as a similar sign of commitment by Chile to its readiness to engage in trade negotiations with the U.S.

The Argentines were also very supportive of an agenda that included labor and the environment. The pressure of increased competition in the region is putting pressure on them to liberalize their laws. They would welcome, in my opinion, an ability to provide a backstop to their laws so that they can continue to maintain, as well as increase, their standard of living.

The Brazilians appear more focused on deepening Mercosur. They clearly are in the drivers seat in this effort in the region and would prefer to continue to drive the process.

Both Argentina and Brazil want more time to move from Mercosur to the FTAA. They need time to adapt to a more open trading system.

As I indicated to you and the President, I believe that we should discuss the possibility of providing fast track for trade negotiations with Chile alone. If the final agreement includes full

Mack McClarty
Page 3
August 24, 1997

coverage of labor and environmental issues in the core agreement, with full enforcement, I believe that that would serve as a model for future agreements. I would find it difficult to believe that, at the end of the day, Republicans and the business community would oppose the requirement that our trading partners enforce their domestic laws and the development of a growing middle class for our products as well as the protection of the environment. At every American Chamber of Commerce event I attend in other countries, our companies indicate that they are abiding by the same standards in all their worldwide operations -- the provisions that I am arguing for could only stand to enhance, not undermine, their competitive position.

I have now met privately with the President on two occasions to indicate that I want to unite Democrats on this issue. In 1991, I negotiated for many months with President Bush and his Administration to allow him to receive fast track authority. I want to work with President Clinton to give him fast track authority as well.

But, I am unwilling to abandon the principles and outlook that I have developed over my 20 years in Congress. I do not believe that the NAFTA has been a force for progress. We can, and should, do better.

SANDER M. LEVIN

12TH DISTRICT, MICHIGAN

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8/13/97
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Congress of the United States

House of Representatives

Washington, DC 20515

FACSIMILE COVER SHEET

TO: Hon. Charlene Barshefsky
OFFICE: U.S. Trade Representative
PHONE#: (202) 395-6890
FAX#: (202) 395-4549
FROM: Sandy Levin
DATE: Aug. 13, 1997
TOTAL PAGES (including this sheet): 12
RE: _____

MESSAGE: I will appreciate your
transmitted this to the Ambassador.
The original is being sent by
Courier. I can be reached at
any point through my D.C.
office.

Phone #: 202-225-4961

Fax #: 202-226-1033

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Congress of the United States
House of Representatives
Washington, DC 20515

To: Hon. Robert Rubin
Hon. Charlene Barshefsky ✓

From: Sandy Levin S.L.

Date: August 13, 1997

Re: Fast Track

Let me get to the nub of the fast track dynamic in the Congress and the nation, as I see it.

Its high volatility reflects, in my judgment, the confluence of two factors:

1) Despite an exceptionally long period of over-all prosperity in our nation, many families have experienced prolonged wage stagnation, aggravated by widening disparities in income, and despite low unemployment, there has been considerable job insecurity.

2) The euphoria over rising exports has masked a change in our trade patterns toward increasing imports from developing nations. Though the typical American family does not know the over-all figures, they see it in the products they are buying in the stores. They know that these goods from less developed countries are produced with labor that costs a fraction of that in the United States. While rarely well-versed in economics, they sense that these products come from economies where the central government often controls wages, salaries, other conditions of employment, investment policies, etc., in a manner that would never be acceptable in our nation.

Surely there are other factors that will influence the upcoming fast track debate, but I believe they are secondary at best. The fact that fast track gives most of the leverage to

the Administration would not, in and of itself, create formidable Congressional resistance. This delegation of authority is now a tradition. Nor is the Presidential election in 2000 a major issue. Fast track has been granted in the shadow of an upcoming election before. And while the active opposition to fast track by the leadership of the labor movement is surely a factor in Congressional and public opposition, it is clear to me that the restlessness on this issue comes substantially from the bottom up, not the top down. NAFTA is entangled with fast track--after all it was the NAFTA debate that was the first in many years to raise trade as a national concern in any real sense. But for a variety of reasons it is unwise to shape the issue mainly as a judgment on NAFTA. What the American consumer sees increasingly in the stores are not goods coming from Mexico, but products from other developing nations. This seems to be the source of the concern about fast track that is picked up in public opinion polls, such as one recently done by the Wall Street Journal that showed a majority opposed to fast track. It is true that if fast track was intended solely to negotiate new sectoral agreements for services or high tech equipment or to reduce foreign agricultural subsidies, there would be much less contention on Capitol Hill. But these goals are not a primary issue.

The real question facing fast track is the extent to which there is a connection between these two phenomena--continued economic problems for a significant portion of the population and rising imports from developing countries--and what present trends portend for the future. Thus far the Administration's position on these issues in the context of the fast track debate has been unclear.

There seem to be several reasons for this.

- 1) The fast track issue has been substantially mis-framed. It has been discussed as an issue of "labor rights". This frames the issue as a human rights concern, where America's interest is part self-interest but also in a true sense altruistic. But trade negotiations are not about altruism; they are about the pursuit of America's self-interest. Should our self-interest not be defined to include all the rules of competition abroad; be they rules regarding labor markets or state subsidies and control of industries that are important to our economy?

- 2) Republicans oppose negotiating about "labor rights" and since they hold the majority in Congress, there has been a search for an approach to fast track that is satisfactory to them.

- 3) The issue polarizes labor and management in the United States. They

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were together the issue was whether the United States should insist that Europe and Japan be required to have open markets similar to those in the United States. This consensus would likely continue regarding access to markets in developing nations. But questions about whether free market rules similar to those in the United States should prevail in the production of those goods or services in developing countries, are divisive. That has particularly been the case with larger U.S. companies that want to establish production bases in other nations.

4) The economics profession paid relatively little attention to the issue of wage stagnation and growing inequality until the last several years. Since then economists have begun to look at the impact of competition with low wage nations on the U.S. standard of living. I recently worked to put together a roundtable discussion between members of Congress and a number of these economists. There was some agreement that technological change, trade policies, and immigration have impacted the American standard of living, but disagreement as to the order of magnitude of that impact. The studies that have found a trade impact usually talk about a causal relationship between trade and a stagnating standard of living of about 15%, and say the greatest impact has been on those workers in the United States with the least educational attainment and lower skills.

When one reads and listens to these presentations, several features stand out: there has been little interaction between the academic world and decision makers (as is true in many other areas); few decision makers have read these studies and those who have written the studies have spent little time thinking about the policy implications of their findings; and these studies seem somewhat static--they assume that developing nations like China will continue to mainly export low-end goods like toys and shirts.

5) This is clearly not a simple issue. Complexity increases the chances that the fast track debate will fall into the pit of polarization that has marked national discussions over trade in the past. The "free trade vs. protectionism" sloganeering dominated the struggle over U.S. trade policy toward Japan in the 1980's. While a good number of those who dismissed such concerns as "protectionism" still consider the issue inconsequential, a growing number of economists and opinion makers have become more receptive to an activist trade policy regarding access to markets of other industrial nations, and this Administration has certainly said it advocates such an approach to trade.

Because of its complexity, it is somewhat perilous to use anecdotes or to pick out one or another example. But let me include one here as an illustration of my concern about

fast track. The Wall Street Journal recently ran an article about General Motors' plans for developing nations (enclosed herewith). The piece discusses GM's intention to build essentially identical plants in Argentina, Poland, China and Thailand. The company's objective is to take advantage of those nations' low wage rates compared to wages in the United States. It also plans to transfer technical expertise to these developing nations ("no longer are those countries' lower wage rates the sole driver of global expansion; companies are cultivating engineers, research and marketing experts..."). And they are trying to build up a base of suppliers to help meet each nation's local content rules and thus cut back on imported parts ("Already, the number of GM suppliers in North America is dwindling; exports of parts from South America to the U.S. and Europe hit a record \$250 million last year").

The facts in this Wall Street Journal article reflect an increasing trend toward globalization that is part of a larger, irreversible trend that possesses major pluses for the U.S. But does it not also raise some important issues about the impact of this development on the American economy and on American workers and businesses (especially the non-conglomerates) and about America's ability to help shape the nature and impact of these trends? It seems pretty clear this would be the reaction to this article by the owners of a small auto parts supply company and by both salaried and hourly workers in the automotive industry.

When I was in China several months ago, I visited a very modern Delphi plant making harnesses and other auto parts. At that point, 80% of the components used in that facility were imported from the United States. So GM investment in China was beneficial for U.S. workers at that point. But as we talked over matters in the plant, it was clear that over time the American content in their production would shrink or disappear as the Chinese began to find it to their advantage to enforce their own local content law and as GM transferred technology to the plant as required under its agreement with its Chinese joint-venture partner. A similar picture was painted for the joint venture due to start operations in China this year to assemble the Buick Regal, in the plant undoubtedly referred to in the Wall Street Journal article.

There is a similar ring to the reaction expressed in the second article that I am enclosing. It describes the reactions of automotive industry executives to a pending UN treaty that would impose different emission controls in industrialized nations than in industrializing nations. Basically, the auto executives' position is that the United States would not be able to compete under those circumstances and would be forced to shut down plants or move operations to developing countries. A similar sentiment was behind the unanimous vote on this matter in a recent Senate resolution. This again is a

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complex issue but one of the points is that disparate environmental standards can affect competition. Is not the same true of vastly divergent labor market and related market conditions? No one expects comparable business conditions over night. But should there not be a negotiated path that would lead toward a constant narrowing of the gap between the business environment in industrial economies and that in developing economies?

Faced with a difficult issue, there is a tendency to punt. That is what has essentially been behind the search for language in the fast track proposal that can get around these issues. I don't believe that effort will work, and would urge that it would not be a wise outcome.

As relevant as these issues are to fast track, or to several possible uses of it, they loom even larger in relation to China's accession to the WTO. Access to China's market is an important concern. But probably still more vital are the rules under which U.S. companies in China will compete with those of other nations. Will there be any aspects of a free labor market? Will there be any real limits on central control of conditions of employment? On subsidies filtered through the governmental entities, who will be the venture partners of foreign companies? What kinds of transition periods will be allowed? And so forth.

In my judgment it will not suffice to say in response to these concerns that the United States is trying to foster international rule-making through the ILO. The likely outcome there is so tenuous that the argument will not suffice. Nor does it suffice to argue that we should not impose our type of free-market system on that of other nations. That is exactly the purpose of the IMF and WTO with regard to tariffs, rules for business investment, intellectual property, etc. Nor is it persuasive to label "labor rights" as "social issues" as is sometimes done by some members of the Congressional majority.

What, then, are possible options?

1) Try to push through broad fast track authority, leaving these issues unarticulated and hands untied, as true for previous Presidents (and let allies try to smother this issue with other arguments, trying to paint all the opponents as "protectionists" or "old Democrats", hoping to eventually win with a coalition of most of the Republicans and perhaps as few as one-fourth or one-third of the Democrats).

2) Acknowledge the problem to some extent but urge that while it is unclear what might be done in the negotiations, the answer in this area is more effective domestic economic and social programs, including training and education.

3) Indicate that you have analyzed the issues raised in this memo and simply do not feel that there is a solution to these problems. This outcome involves the Administration making the argument that whatever may be the impact on the U.S. standard of living of trade with different economies, there is no indication that trade agreements have any real such impact.

4) Break the fast track issue into pieces and ask for negotiating authority covering sectoral agreements, bilateral arrangements with other industrialized nations, etc.

5) Grab hold of the issue as one part of an over-all Administration economic policy with a goal of raising the American standard of living and closing the wealth and income disparities in America, indicate the relevance of these issues while stating their complexity, express your determination to confront them in any relevant negotiations through fast track and in talks with China of its WTO accession and commit to meaningful consultations with Congress, especially in relation to our response to new trends in trade.

I favor the fifth option. What it would mean for the fast track proposal submitted to Congress is a clear enunciation that the Administration considers the relationship between the standard of living for many Americans and conditions relating to rising competition from developing nations to be important and that the Administration will confront these issues in trade negotiations with developing countries. I believe such articulation could carry more significance than efforts to delineate in advance the exact formula or format to be used in approaching these issues in negotiations.

As to the first approach, I believe that the drawbacks speak for themselves. The trouble with the second is that while it shifts the onus of negative impacts from international trade to domestic programs, the evidence to date is that they will not begin to suffice.

I know that there have been discussions both within the Administration and Congress on the fourth option of splitting fast track into several pieces. It does have some arguments in its favor; but it fails to address the set of issues which are the focus of this memo.

I know that acknowledgment of the relationship of these issues to trade runs against some of conventional thinking about trade policy. I don't underestimate their complexity, which, as I delved into them, increased my awareness both of my shortfall in training in economics and of the timidity of many of those versed in that profession

to delve creatively into the public policy implications of their work.

But I urge that I am far from alone in believing this set of issues needs the kind of serious consideration on substance that is the basis for a sound strategy, beyond the clash of slogans and rhetoric so typical of trade debates and beyond a focus on legislative tactics and whipping for votes. I also consider overdrawn the argument delay on this matter has caused us to lose important ground, but in any event it does not obviate the need for us to decide the appropriate direction in which we should move.

I urge that with almost every week's passing, there is new evidence of a restlessness in America about the economic security of individual families. This might seem ironic in this day of general prosperity. But there are understandable reasons for this paradox. Fast track touches and is touched by this unease.

This memorandum is addressed to you in view of our earlier discussion, in the hope that it might be useful for the mix of deliberations now underway that will lead to the Administration's decision on the shape of the fast track proposal to be sent to Congress. I am also sending a copy to the Vice President pursuant to my brief discussion on this matter with him after the bill signing last Tuesday.

By REBECCA BLUMENSTEIN

Staff Reporter of THE WALL STREET JOURNAL

ROSARIO, Argentina—On the outskirts of this city more than 6,000 miles from Detroit, bulldozers have been running around the clock moving the fertile topsoil to make way for a General Motors Corp. auto-assembly plant of tomorrow.

The state-of-the-art plant, on a remote road in what had been a remote part of the automotive world, is at the center of GM's aggressive shift away from its roots in North America to the developing world. GM is quietly building so many plants in so many corners of the world that the No. 1 auto maker has decided to save money by building essentially the same plant in Argentina, Poland, China and Thailand—simultaneously.

This "four-plant strategy" is GM's biggest international expansion, costing at least \$2.2 billion. The company has designed the plants to look so much alike that engineers may mistake which country they are in. And the assembly lines are being set up so that a glitch in a robot in Thailand, rather than turning into an expensive engineering problem that requires an expert for each machine at each plant, may well be solved by a quick call to Rosario or to Shanghai, China.

Expandable and Efficient

But the significance of GM's new plants extends much further. They are being built to be easily expandable as demand in developing markets grows. And they are being laid out in a giant U-shape so that suppliers can cart in an increasing array of already assembled parts to cut GM's costs, something GM can't do in the U.S. because of union resistance.

The new factories illustrate, more than anything else, how the nature of multinational corporations is changing as today's marketplace turns global. Just a few years ago, GM's South American plants were churning out Chevy Chevettes that hadn't been produced in the U.S. for years. The auto industry viewed the developing world largely as a dumping ground for obsolete technology and outdated models.

Now, the industry is seeking future growth by concentrating its investments in the developing world and turning it into a showcase for the latest in technology and lean manufacturing. And GM is pursuing that global strategy more vigorously than any of its rivals, though every other major auto maker sees the need to tap into emerging markets, and some have a substantial foreign presence. Nobody, however, is building plants on the scale of GM, which recently announced plans for a fifth and even more advanced new plant, in southern Brazil.

Significant Shift

"The goal in the very near term is to have 50% of our capacity outside of North America. It wasn't too long ago that it was more like 80-20," says Mark Hogan, who supervised the initial design of the Rosario plant as head of GM's booming operations in Brazil and Argentina. Those units have paid off handsomely: One analyst estimates that GM do Brasil, which in the past five years has lifted its production to 300,000 units a year from 170,000 by offering a new model every two months, contributed 25% of the parent company's operating profit during that period. Brazilian demand for GM's cars is so high that one plant, at San Jose dos Campos, operates more than 23 hours a day. Mr. Hogan recently returned to Detroit to head the development of common platforms for GM's small cars world-wide, platforms that could be built at any of the new plants with minor adaptations for local markets.

Nevertheless, GM is relying increasingly on its burgeoning expertise abroad to lead the charge. Technical development, once confined to experts in the U.S., is being managed by engineers all around the world. For example, a Delphi Automotive Systems Technical Center in Mexico, operated by GM's parts-making unit, is staffed 24 hours a day to serve markets and plants world-wide. And the less-expensive Mexican engineers are the ones being tapped for new Far East assignments.

In like manner, GM's new plants were designed exclusively by teams from Brazil and Germany, where GM's Adam Opel AG subsidiary is based. GM is trying to build the plants as the next Eisenach, its prized German plant where the company proved in the early 1990s that it could implement the lean-manufacturing lessons it learned from joint ventures with Toyota Motor Corp. The plant is now Europe's most efficient auto-making operation and the best in GM's empire, with a productivity rate at least twice that of most of its assembly facilities in North America.

A Variety of Languages

By contrast, GM's days of building new plants in North America may be over as it confronts labor problems, struggles to shut factories and tries to turn around its declining market share. Among the teams of people setting up the Rosario plant, the only U.S. presence is a few officials from GM's Saturn unit. With all the Spanish, Portuguese and Germans on hand, English seems almost a secondary language.

All this represents a major shift from
Please Turn to Page A4, Column 4

Global Strategy

GM Is Building Plants In Developing Nations To Woo New Markets

To Cut Costs, It Is Adding
Four Similar Facilities;
Using Ideas World-Wide

Lining Up Foreign Suppliers

GM Pushes New Global Strategy

Continued From First Page

GM's old system, in which most of the thinking was done in Detroit, and foreign operations generally carried out manufacturing and marketing plans hatched back at headquarters. GM's executives view its global shift as their top priority and are struggling to convince rank-and-file salaried employees that it is crucial to the company's future.

"We are on our way to becoming a transnational corporation," says Louis R. Hughes, who heads GM's international expansion from Europe. He adds that such a company has become the new model for traditional multinationals serious about global expansion. Some companies, in fact, contend that the new-model global corporation should dispense with any headquarters at all.

At GM, some take pride in the change. "We are talking about becoming a global corporation as opposed to a multinational company; that implies that the centers of expertise may reside anywhere they best reside," says Basil Drussos, president and managing director of GM de Argentina. "I am pleased about that."

Experts say that, at many companies, the transfer of technical expertise to developing nations will continue. No longer are those countries' lower wage rates the sole driver of global expansion; companies are cultivating engineers, research and marketing experts in nations where they hope to build up their business.

To design products suited to developing-world incomes, companies such as GM have to develop their most efficient operations abroad. Under the "four-plant strategy," GM has already saved millions of dollars through bulk purchases of equipment such as automated paint shops.

However, globalization promises no easy answers. At GM, some opposition lingers. If it were up to the company's U.S. unions, GM wouldn't build cars anywhere abroad, but the unions haven't specifically taken on the four new plants. At the Opel subsidiary, people have recently complained about being stretched too thin and being forced to compromise their automotive designs to fit the company's global plans. In addition, many experts warn of vast overcapacity in Asia and South America if auto makers complete even a fraction of already announced plans for new plants in response to rosy predictions of millions of new car buyers. But most acknowledge the advantage of being among the first producers, and GM is aggressively seeking that edge in China, Thailand and Poland.

The impact of GM's diminished emphasis on North America goes far beyond the company itself. As the world's largest industrial buyer, handing out \$70 billion in orders each year, GM works with 30,000 suppliers world-wide. But they aren't enough. In every country where GM sets up shop, it is trying to build up a base of suppliers to help it meet local-content rules and cut back on imported parts. That drive is opening up huge opportunities for suppliers in the developing world, especially as GM tries to standardize its products and buy more parts in bulk purchases.

Already, the number of GM suppliers in North America is dwindling: exports of parts from South America to the U.S. and Europe hit a record \$250 million last year. In addition, GM is working more and more closely with its foreign suppliers; its planned facility in southern Brazil, in fact, will push supplier involvement even further than that at the four plants now under construction. "The stakes are getting much higher for suppliers because the volume is growing," says Harold Kutner, GM's head of purchasing. Many GM executives see the growth of the supplier base as a way to spread capitalism in emerging economies and as a way to build a car-buying middle class.

Mr. Hughes is credited with the idea of building four plants at once to save money and mimic Toyota, whose plants are so much alike that a change in a car in Japan can quickly be replicated around the world. For decades in North America, GM has traditionally struggled with plants designed by autonomous groups of engineers and executives who seldom communicated with one another. The result was a manufacturing empire resistant to change even after years of restructuring.

But now, the sheer logistics of trying to do so much so fast have occasionally been overwhelming. The four-plant plan wasn't hatched until well after GM do Brasil had designed the entire Rosario plant and the bulldozers had started up. In the subsequent weeks of intense negotiations between Brazilian and German engineers, starting in March 1996, each side had to make critical changes.

"Obviously, we had some pretty difficult discussions at times," says Eric Stevens, GM's executive director of lean manufacturing, whom Mr. Hughes put in charge of coordinating construction of the four plants. The Brazilian ideas for the body shop were accepted because of Brazil's record of producing many different vehicles at its plants, but the assembly-line plans were changed considerably because of what had worked well in Eisenach.

Inside the Rosario plant these days, executives and workers rush around in a choreographed frenzy to set up and test the equipment that soon will be producing Corsa sedans and station wagons. Both groups wear the same blue-striped work shirts in an attempt to blur rigid lines of authority and foster a team atmosphere. "There are no white collars here," says Rudiger Gundacker, the plant manager and a former official at Eisenach.

The Rosario plant, in fact, will depend on workers much more than does Eisenach, which is 95%-automated, compared with Rosario's 45%. That is partly to take advantage of low labor costs in the countries where the four plants are located, but it is also to reduce costs of launching the operations in markets where demand initially may not be strong.

The entire Rosario plant is designed to be lean. Its total cost, at \$350 million, is one of the lowest for a new GM plant; \$1 billion had been the rule-of-thumb price tag for a new assembly plant of any size. Moreover, the investment here includes a high-tech stamping machine that will press metal parts more quickly than any other GM press and an engine plant that will deliver to the assembly line engines with air

conditioning, transmission and belts already installed.

Workers will do many tasks, a key principle of lean manufacturing, and will be assigned to teams working autonomously. Every worker will be responsible for an entire process in the assembly operation, including even the cleaning and basic maintenance of machines. In Japan, that is a common approach, but it is inconceivable in a GM plant in the U.S. because of union work rules, which allow only specified categories of skilled workers to repair and maintain machines.

Although the four plants are designed to be as similar as possible, they do have differences, ranging from efforts to protect machines from rusting in Thailand's humid climate to China's poor transportation system. There, Mr. Stevens says, "We are going to have things delivered to our Shanghai plant by bicycle."

Carmakers fear tougher air rules

U.S. auto executives see jobs going overseas, more restrictions on drivers

BY RACHEL KONRAD
Free Press Automotive Writer

TRAVERSE CITY — More environmental regulations would strangle the American auto industry and would move thousands of U.S. jobs to developing nations overseas, top automotive executives said Wednesday at the University of Michigan's annual automotive seminar at Grand Traverse Resort.

Delegates to an upcoming United Nations conference will be pushing for a treaty that sharply limits carbon dioxide

emissions in industrialized nations, including the United States.

If the restrictions become accepted global standards, auto executives say, U.S. manufacturers will be forced to move plants and workers overseas to places such as China, Korea, Brazil and India.

American drivers might also be forced to give up their sport-utility vehicles for fuel-efficient econocars, executives warned. Or they could be faced with blackout days when they would not be allowed to

Please see CONFERENCE, Page 7E

SEMINAR UPDATE

For more on the University of Michigan's weeklong series of seminars on the auto industry, check out www.auto.com on the Internet. Today you'll find a report on Ford Chairman Alex Trotman's appearance at the conference. Trotman said Ford has no immediate plans to sell all or part of its parts-making operation. There's also a Q&A with TRW President Peter Hellman and the complete text of several key speeches.



U.S. carmakers fear tougher air standards

CONFERENCE, from Page 1 E

drive their trucks.

"There's a strong possibility they'll sign a legally binding international treaty on global warming before all the scientific and economic facts are known," said Alex Trotman, chairman of Ford Motor Co.

"Such a treaty could lead to higher energy costs for consumers and businesses, making automobiles and a variety of other products less affordable," he said.

What's gotten so many auto executives in a tither is that many UN delegates want a global law limiting the amount of carbon dioxide and other gases released into the air. At the Conference for Climate Change in Kyoto, Japan, set for December, delegates will propose a return to 1990 emission levels by 2000.

That would mean that auto plants, which are now in the midst of an unprecedented production boom, would have to go back to production rates of 1990 — or find ways to limit emissions. Drivers would have to shorten commutes, carpool, buy smaller vehicles and use less gas.

The Big Three have cleaned up plants. And they have invested millions of dollars in environmentally friendly technology such as natural gas engines, electric cars and fuel cells. They formed the Partnership for a New Generation of Vehicles (PNGV), a public-private group that aims to create an affordable, mid-sized sedan that gets more than 60 miles per gallon.

"PNGV is already an example of



GREG JOHNSTONE/Special to the Free Press

government and industry erasing some of the traditional boundaries that have existed," said Tom Gale, executive vice president of product development at Chrysler Corp. "If it ever turns out that global warming is in fact a reality, then a similar government-industry effort, only on a worldwide basis, would be a smart way to deal with it."

Global warming is indeed a reality, say scientists at the Washington-based World Resource Institute. And one of the best ways to halt the trend is to build cleaner-running cars and trucks.

"Among the most damaging legacies of the industrial age is what we are doing to the earth's atmosphere," researchers wrote on the Institute's Web site (www.wri.org). "Scientists still debate the timing and extent of climate change, but a growing expert consensus holds that all the world's people will bear its painful brunt."

Another reason the U.S. car com-

Alex Trotman, left, chairman of Ford Motor Co., talks with David Cole on Wednesday at the car seminar in Traverse City. Cole heads U-M's Office for the Study of Automotive Transportation.

space.

But since the Industrial Revolution in the early 19th Century, some scientists have expressed concern that average temperatures are increasing. This could kill crops in some regions or cause Arctic snowmelts that could flood coastal cities, they say.

Other scientists disagree. Rising temperatures, they say, do not necessarily spell catastrophe.

More important, many researchers say they have not yet gathered enough evidence to say whether the earth is unnaturally hot. Even with powerful supercomputers, charting world climate changes is difficult.

Thousands of delegates will debate the greenhouse issue at the Kyoto convention. For Takeo Fukui, president of Honda of America Manufacturing, the conference is little cause for concern or fear.

Honda, he said Wednesday, will work to build more environmentally friendly cars regardless of UN regulations. The 1996 Civic was the first car to qualify as a Low Emission Vehicle, according to California vehicle standards. The 1998 Accord will be the first car to win certification as an Ultra Low Emission Vehicle.

"It is all too easy to talk about environmental commitment without taking action where it counts — in the marketplace," Fukui said Wednesday. "We must think about more than just the products we make. We must think about the people who use them and the world in which we live."

FAST TRACK FACT BOOK

TABLE OF CONTENTS

I. Fact Sheets

1. Fast Track: In America's National Interest
2. Basic Facts About Fast Track Trading Authority
3. The Costs of Inaction
4. Fast Track and Key Sectors

Automotive Industry
Civil Aircraft
Energy Equipment
Environmental Technology
Information Technology
Manufacturing
Medical
Pharmaceuticals
Services
Forest Products
Agriculture

5. Myths and Facts About Trade and Fast Track

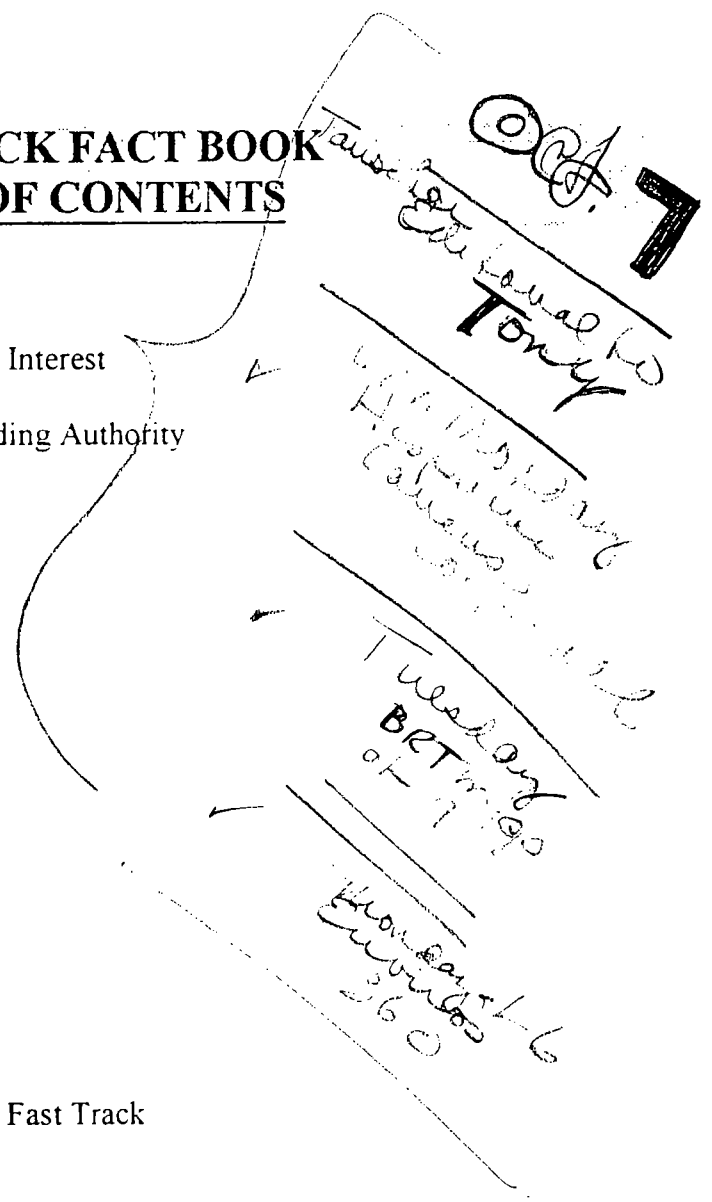
NAFTA
Labor and Environment
The Trade Deficit
Competing with Low Wage Countries
Food Safety

II. Statements About Fast Track

1. Excerpts from Statements by Administration Officials and Prominent Americans.
2. The President's Radio Address to the Nation, August 23, 1997

III. Editorial and Opinion Page Support for Fast Track

1. Excerpts of Editorial and Opinion Page Support.
2. Selected Editorials and Opinion Pieces



FAST TRACK FACT SHEET

FAST TRACK: IN AMERICA'S NATIONAL INTEREST

FAST TRACK MEANS: **IMPROVING OUR STANDARD OF LIVING**

- Keeping the Economy on the Fast Track. The President will use Fast Track authority to continue breaking down trade barriers and creating new jobs -- keeping America's economic expansion on the global fast track.
- The Economy Is Strong. The President's three-part economic strategy of cutting the deficit, investing in education and training, and opening markets abroad is working. America has enjoyed the longest period of sustained growth in a generation— more than 25% coming from overseas trade. The result: 12 million new jobs, unemployment at 5%, inflation the lowest in a generation..
- Our Future Prosperity Depends on Trade. 96% of the world's consumers live outside the US. The global economy will grow at three times the rate of the US economy. America needs fast track to negotiate from a position of strength fair new trade agreements that will keep us competitive, expand our exports, create more jobs, and raise our standard of living.

FAST TRACK MEANS: **CREATING MORE JOBS**

- Breaking Down Barriers. The President, in consultation with Congress, will keep breaking down barriers to our products and services. That strategy is paying off for companies and workers. America is once again the world's largest total exporter, the largest producer of semiconductors, the largest producer of automobiles. Exports support 11 million American jobs, including one in five manufacturing jobs and over the last four years have created 1.4 million new jobs.
- Sectoral Agreements. The President needs the flexibility to negotiate agreements and increase exports in sectors where the United States is most competitive: such as agriculture, medical equipment, telecommunications, and environmental technology.
- Regional Free Trade Agreements. America will also benefit from opening markets in Asia, Latin America, and Africa to US goods and services.
- Free and Fair Trade. The President supports raising labor standards, protecting the environment and expanding worker retraining and educational opportunities to ensure that no American is left out of the global economy.

FAST TRACK MEANS: **MAINTANING AMERICA'S GLOBAL LEADERSHIP**

- Compete or Retreat. As the American people prepare to meet the challenges of the 21st century, we face a critical choice: Embrace the global economy and continue to shape it to America's advantage, or turn back and fail to compete for new business, new contracts, and new jobs.
- Credibility. Fast track gives the US credibility to negotiate tough trade deals. Our partners know any agreement will not be reopened provision-by-provision by the Congress. Fast track preserves for Congress the ultimate decision to vote an agreement up or down. That puts America in a strong position to negotiate trade agreements and maintains a balance that has worked for over 20 years.
- Continued Bipartisanship. Every President since 1974--Republican and Democratic--has had fast track authority. Congress has consistently recognized that the President must have the authority to break down foreign trade barriers, and a bipartisan majority of the United States Congress has consistently supported American leadership in opening markets and creating jobs.

FAST TRACK FACT SHEET

BASIC FACTS ABOUT FAST TRACK TRADING AUTHORITY

What is Fast Track?

- An Expedited Procedure: Fast track is an expedited procedure for Congressional consideration of trade agreements. The two essential features of any fast track authority are: (1) a vote on implementing legislation within a fixed period of time, and (2) an up or down vote, with no amendments.
- Credibility to Negotiate Tough Trade Deals: Fast Track gives the President credibility to negotiate tough trade deals. Our trading partners know that Congress will be required to vote on the agreement quickly, without reopening any of its provisions. At the same time, Fast Track retains for Congress the ultimate power of voting any trade agreement up or down. As a result, Fast Track puts America in the strongest position to negotiate major trade agreements while maintaining a balance between the President and Congress.

How will the President Use Fast Track?

The President has identified three main areas in which new trade agreements would greatly benefit the United States.

- The WTO Agenda: The “built-in” agenda of the World Trade Organization 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 stands to benefit the most from writing the rules of trade.
- Key Sectors of the Future: The President also wants to build 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. The Administration has identified eight additional sectors for future negotiations: ITA II, 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 there is overlapping support for many of the US suggestions. Without fast track, it is very unlikely that this process will go forward.
- Emerging Economies: The President hopes to move forward in 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 US exports remain high. 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.

Why Is Trade Authority So Important to the American Economy?

- The Economy is Strong: The American people have enjoyed the longest period of sustained growth of all our G-7 partners--seven years as of last March. The US economy has created 12 million new jobs, the unemployment rate is 5%, core inflation is at a 30-year low.
- Trade Has Been a Key Part of Our Success: Opening markets to US goods and services has been critical to our economic expansion. America's economic strength and standard of living are linked to breaking down trade barriers, exporting our goods and services, and creating more high-skilled jobs.
 - Over the past four years, more than 25% of our economic growth has come from overseas trade and US exports have created 1.4 million new American jobs.
 - Over the last four years, American manufacturing exports rose by 42%, high technology exports jumped 46%, service exports climbed 33% and farm exports rose 41%.
 - In addition, 11 million total American jobs are supported by exports, including one in five manufacturing jobs--paying an average of 13-16% more for non-management workers than non-trade related jobs.
- Trade is a Key to Our Future Prosperity: Over the next decade, the global economy is expected to grow at triple the rate of the US economy. Growth will be particularly strong in the world's emerging markets, where demand for U.S. goods and services is taking off. The bottom line is that 96% of the world's consumers live beyond America's borders. To make sure American goods and services can compete freely and fairly in the global economy, the President needs Fast Track authority to continue opening markets around the world.

What Does Fast Track Say About American Leadership in the World?

- A Legacy of Leadership: Half a century of determined American leadership has led to a 90-fold increase in global trade and helped bring down global barriers to America's products--falling from an average 40% at the end of World War II to about 5% today. Our leadership of the global economy has served America's interest—and the world's.
- Promoting Stability: The United States has a fundamental national interest in contributing to stability and security around the world. A more prosperous world will be a more peaceful world, more hospitable to American interests and ideals. By opening markets, fast track authority will contribute to global as well as American prosperity—and reinforce the common interest that diverse countries and regions share in sustaining prosperity.
- America's Choice: As the American people prepare for the challenges of the 21st century, we face a critical choice: We can embrace the global economy, write the trade rules, and continue America's economic expansion, or we can turn our back on the world and fail to compete for new markets, new contracts, new business and new job opportunities.

Who Has Trade Negotiating Authority?

- A Balance Between the President and Congress: The Constitution gives Congress exclusive authority to set tariffs and enact other legislation governing international trade. The President has the Constitutional authority to negotiate international agreements. If the President negotiates a trade agreement that requires changes in U.S. tariffs or in other domestic laws, that trade agreement's implementing legislation must be submitted to Congress--or the President must have Congress' advance approval of such changes.

How does Fast Track Work?

- Procedural Safeguards: In exchange for the expedited considerations of implementing legislation, Congress has established a number of procedural safeguards that guarantee it a meaningful role both before and during the negotiating process and, equally important in determining how to implement trade agreements. Requests for fast track have always included extensive notification and consultation requirements, both for Congress itself and for private sector advisory committees. In every trade agreement negotiated under fast track, Congress has been an active participant in identifying negotiating objectives, monitoring the actual negotiations, and drafting implementing legislation.
 - To apply fast track to a trade agreement, whether sectoral, bilateral or multilateral, the President must notify Congress in advance of his intention to sign such an agreement. For most previous grants, the advance notice requirement was 90 days; for the Uruguay Round, because it was such a massive agreement was set at 120 days. Even before the President signals his intention to enter into an agreement, the private sector advisory committees are required to report to both Congress and the President on their views as to whether the agreement meets U.S. negotiating objectives. For bilateral trade agreements, the Congress must be given advance notice of the President's intent to begin negotiations. During the next 60 legislative days, either the House Ways and Means Committee or the Senate Finance Committee can vote to deny fast track for the proposed agreement.
 - Once the negotiations have been concluded and the President has signed it, the Congress and the Administration begin a period of extensive informal discussions on the drafting of the implementing legislation. This process, reflecting the growing complexity of trade agreements, has involved as ever increasing number of committees of jurisdiction and interested Congressional Members. In addition, the President is required to spell out precisely how he intends to use his existing regulatory authority in implementing the agreement. And, of course, Congress retains the right to ultimately vote down an agreement if, after all the consultations, it still finds the package unacceptable.
 - Additional Congressional prerogatives include a special procedures for revoking fast track if the President fails to meet the consultation requirements. Finally, in recent instances where fast track authority has been granted and extensions included, either House has retained the right to disapprove of such extensions provided that either the House Ways and Means Committee or the Senate Finance Committee have reported out an "extension disapproval resolution."

Historical Background to Fast Track

- 60 Years of Cooperation between the President and Congress: For over 60 years, the Congress and the President have recognized that the negotiation and implementation of trade agreements require special cooperation. In the aftermath of the Smoot-Hawley Tariff Act of 1930 and the Depression, both the Congress and the President recognized that only by working closely together could trade barriers be torn down and markets opened to US goods and services. This new attitude was first reflected in the Reciprocal Trade Agreements Act of 1934, giving the President authority to both negotiate tariff cutting agreements and to implement them without further Congressional approval.
- Fast Track has Worked for Over 20 Years: In recent years, as tariffs became less of an obstacle to trade and many of our trading partners sought to protect their domestic markets by erecting non-tariff barriers, the scope of trade negotiations broadened and by agreement between the Nixon Administration and the Congress, fast track was created to accommodate this broader trade agenda. It was first embodied in the Trade Act of 1974 to deal with the Tokyo Round negotiations called for in the GATT. Fast track procedures for approving trade agreements have been renewed by Congress in 1979, 1984, 1988, 1991 and most recently in 1993. As a result, Presidents have had fast track negotiating authority continuously from January 1975 until April 1994, with a brief hiatus for eight months in 1988.

FAST TRACK FACT SHEET

THE DANGERS OF INACTION

AGREEMENTS REACHED WITHOUT US

America's trade agenda has focused on reaching trade agreements focused on opening foreign markets. This agenda has resulted in increased export opportunities to benefit American companies and workers, which has contributed to the economic prosperity America has been experiencing. In addition, by shaping and concluding enduring trade relationships, we promote America's longer-term economic security and the stability in foreign markets that results from increased prosperity and opportunity.

Our failure to participate further in shaping trade arrangements will not stop relationships from forming. To the contrary, as we have been sitting on the sidelines, trade agreements are being negotiated every day without our participation. Our competitors are determined, sophisticated, strategic and focussed. In every region of the world, but particularly Asia and Latin America, the two fastest growing regions of the world, governments are pursuing strategic trade policies and, in some cases, preferential trade arrangements, forming relations around us rather than with us, and creating new exclusive trade alliances. These new alliances are to the detriment of U.S. prosperity and leadership. Examples already abound:

- In South Asia, the seven members of the South Asian Association for Regional Cooperation (SARC) -- India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, and the Maldives -- have set 2001 as the target for the creation of a free trade. SARC now represents only about 1 percent of world trade, but it encompasses roughly 20 percent of the world's population. Indifference to its development can only harm our economic security.
- The nations of the Andean Community have started meeting with member nations of CARICOM and the Central American Common Market to discuss negotiation of free trade agreements.
- The Presidents of Argentina and Brazil have both expressed an interest in a MERCOSUR-ASEAN free trade agreement, a trade alliance that would incorporate more than 600 million people and two of the most important emerging markets in the world. We simply cannot underestimate the impact of these efforts on our global export competitiveness.
- MERCOSUR (Argentina, Brazil, Paraguay, Uruguay) is a developing customs union with a GDP of over \$1 trillion and ambitions to expand to all of South America. MERCOSUR is the largest economy in Latin America and has a population of 200 million. It has struck agreements with Chile and Bolivia, and is discussing agreements with a number of Andean countries (Colombia, Venezuela) as well as countries within the Caribbean Basin. The

MERCOSUR ambition is in part driven by the decades old vision of a Latin American free trade area, but also by a clear strategic objective regarding commercial expansion and a stronger position in world affairs.

- The EU has begun a process aimed at reaching a free trade agreement with MERCOSUR. They have also concluded a framework agreement with Chile that is set up to lead to a free trade agreement.
- China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America. China wants to enhance commercial ties and ensure that key Latin countries are receptive to its broader global agenda as a rising power, both in the WTO and other fora. The Chinese leadership has undertaken an unprecedented number of trips to Latin America in the last two years, and Latin America is its second fastest growing export market.
- Japan has undertaken high level efforts throughout Asia and Latin America to enhance commercial ties through investment and financial initiatives. The Prime Minister of Japan recently visited Latin America seeking closer commercial ties and a greater Japanese commercial presence in all respects.

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

- Countries within this hemisphere are equally aggressive. Mexico wants to be the commercial hub between North and South America, and also serve as a venue in which to enter North, Central and South America from Asia and Europe. It is jointly pursuing a free trade area with Europe and is reaching out to Asia. President Zedillo and his Cabinet have undertaken numerous missions to Asia and have been well received. It has reached trade agreements with Colombia, Venezuela, and Costa Rica and is negotiating with Honduras, El Salvador and Nicaragua. It has initiated talks with MERCOSUR.
- Chile has a similar strategy. It has concluded agreements with MERCOSUR, Mexico, Colombia, Venezuela and Ecuador. It intends to start similar negotiations with Central America and has an eye toward agreements with Asia. Japan is its largest export market, but Chile sees itself as a bridge from MERCOSUR to Asia and back, and is positioning itself with its MERCOSUR neighbors for that purpose.
- In the Asia-Pacific region, competition comes from many sources, all of which have contributed to a declining share of U.S. exports to the region. Competition within Asia is the most intense. Japan has been ahead of the U.S. in East Asia in terms of corporate presence, and especially in the past decade, in terms of the amount of overseas development assistance

(ODA) it is willing to spend to advance its commercial interests. In more recent years, Korean conglomerates have likewise pursued an aggressive strategy to both invest and attain market share in dynamic East Asian economies, ranging from textiles to steel to autos.

COSTS TO U.S. COMPANIES AND WORKERS

Many U.S. firms are experiencing the competitive disadvantage resulting from preferential agreements that do not include us and for which no comparable agreement exists. Our past efforts to level the playing field will prove futile over the long-term if we begin to cede this ground to our competitors. Our companies will either lose export opportunities or have to service these markets from countries other than the U.S., which will cost U.S. jobs.

- **Chile - Canada FTA:** In November 1996 Canada reached a comprehensive trade agreement with Chile that will eliminate Chile's 11% across-the-board tariff starting this year. Canadian firms will now have access to the Chilean market (a U.S. export market larger than Indonesia, Russia or India in 1996) tariff free on a range of goods and services, as well as preferential access to invest in Chile. As a result of this FTA *and other typical competition factors*, Northern Telecom recently won a nearly \$200 million contract over U.S. firms given the nearly \$20 million in cost savings they derive from the elimination of the 11 percent tariff that U.S. goods face.
- **Chile-FTAs:** U.S. apple producers, among others, are concerned about the potential loss of their Latin American markets due to Chile's preferential tariff free, or near tariff free, access to MERCOSUR, Venezuela, Colombia, and other South American markets as a result of its FTAs that have been negotiated (six since 1991). U.S. producers have to absorb the non-preferential tariff cost to enter these growing markets.
- Chilean fresh fruit pays a 2 percent duty when entering Venezuela (due to the Chile-Venezuela FTA), whereas U.S. producers pay a 15 percent tariff. The U.S. Embassy estimates that U.S. market share would grow from its current 39 percent to 67 percent if U.S. producers had equivalent access to the Venezuelan market.
- **MERCOSUR:** Brazil, Argentina, Paraguay and Uruguay comprise the largest market in Latin America (200 million people and a GDP of nearly \$1 trillion). In the context of negotiating this partially implemented customs union Argentina, Paraguay and Uruguay raised their tariff on imported computer products to accommodate Brazil's interests. The net result was that the common external tariff is significantly higher (from zero to 14 percent *ad valorem* in the case of Argentina, the second largest economy in South America) than the original tariff on these items in Argentina et al.

U.S. firms *not located and producing within* MERCOSUR face a competitive disadvantage not only with respect to MERCOSUR producers, but also Chilean and Bolivian producers

through MERCOSUR's association agreements. This puts all U.S. based producers, including agricultural producers which compete with Chilean fruit, MERCOSUR wheat, etc., at a competitive disadvantage in these markets, and the scope of this disadvantage will grow as MERCOSUR expands its association agreements.

- **ANDEAN Pact:** Venezuela, Colombia, Ecuador, Peru and Bolivia comprise a market of 100 million people and a GDP of over \$260 billion (although Peru is now negotiating its withdrawal from the pact). As part of the effort to develop a common external tariff, the import tariff on textile goods, for example, was raised from 5 to 15 percent, thus inhibiting the export of U.S. textiles to this growing market.
- In addition, as part of its integration effort the AND EAN PACT negotiated common intellectual property rights (IPR) disciplines (Decision 344) that have now been utilized to block the Ecuadorian implementation of a bilateral IPR agreement with the United States, thus depriving U.S. IPR owners of the best legal protection possible in Ecuador.
- **ASEAN:** Brunei, Indonesia, Singapore, Thailand, Malaysia, the Philippines have been joined by Vietnam (more countries are joining) thus expanding the number of countries in the most dynamic economic region in the world that are benefiting from tariff preferences in trade with each other. As tariffs come down within ASEAN, more and more U.S. based exporters will face an increasing price based competitive disadvantage in the booming ASEAN market of over 400 million consumers and a GDP over \$700 billion with growth rates that have generally averaged over twice the U.S. growth rate of the U.S.
- **EU - Association Agreements:** EU tariff preferences for Poland and Hungary's pork and poultry allow these countries to gain better access than U.S. exports to these markets. Likewise, U.S. exporters of agricultural equipment and mining equipment have complained that their sales into Central Europe have been adversely impacted.

FAST TRACK FACT SHEET

FAST TRACK AND KEY SECTORS

AUTOMOTIVE INDUSTRY

The automotive industry is one of the United States largest manufacturing industry

- ☐ The industry generates 5.4 percent of GDP.
- ☐ Over 2.3 million workers are directly employed in the automotive industry.

Exports are increasingly important to this traditionally domestic-oriented industry

- ☐ U.S. automotive parts exports, which supply the majority of industry exports, totaled \$40.8 billion in 1996 and are expected to grow 9 percent annually through 2002.
- ☐ Automotive parts exports represent more than one quarter of total parts production.
- ☐ U.S. vehicle exports totaled \$24.4 billion in 1996 and should grow 5 percent annually through 2002. Vehicle exports are a significant share of total U.S. exports.
- ☐ U.S. exports of motor vehicles account for 7.6 percent of worldwide vehicle exports while U.S. parts exports represent 17.5 percent of the worldwide export market.

FTAA and Asian countries are the hot potential growth markets

- ☐ Vehicle unit sales in Asia (excluding Japan) grew 65 percent between 1990 and 1995 and may grow another 60 percent by 2005. FTAA markets also are exploding. Sales in Brazil may grow 55 percent in the next five years.
- ☐ U.S. parts exports to the BEMs (excluding Mexico) are expected to more than triple from the current \$3 billion to \$10 billion in 2010. Exports to FTAA markets will grow from \$1.7 billion to \$5.6 billion. Exports to ASEAN nations are also expected to triple from \$600 million to \$2.1 billion during this period.
- ☐ From 1990-1996, U.S. vehicle exports to the BEMs (excluding Mexico) rose from \$1 billion to \$1.5 billion and are estimated to reach \$6.1 billion by 2010. Export growth to FTAA nations will be stronger and could more than double from \$1.3 to \$3 billion.

The automotive industry is perhaps the world's most highly protected

- ☐ By the turn of the century, the total ASEAN market is expected to exceed 2 million units, and Thailand's production capacity alone will exceed 1.3 million. However, major barriers to entry exist, including local content requirements and tariffs ranging from 35-200 percent with an average of 100 percent.
- ☐ China, Indonesia, and Malaysia have national car programs that discriminate against foreign vehicles and parts, and the Philippines and Vietnam are considering similar regimes.
- ☐ South African tariffs range from 43 percent to 57.5 percent. It also maintains significant non-tariff barriers like local content and export requirements.
- ☐ The MERCOSUR countries anticipate a doubling of demand for automobiles by the year 2000. Brazil maintains a highly restrictive import regime for those companies not invested in Brazil while Argentina provides tariff preferences to encourage local vehicle production.
- ☐ Left intact, these barriers will exacerbate economic distortions in these automotive markets. For example, fragmentation of the ASEAN markets will lead to inefficient economies of scale. Production overcapacity looms in Brazil and Korea.

Fast track to reduce trade barriers and expand international markets will be key to maintain U.S. competitiveness and innovation

- ☐ To combat these problems, U.S. government and industry are attempting to pursue these issues in existing multilateral and regional fora, including the WTO, APEC, ASEAN Dialogue, and by vigorously enforcing U.S. trade laws.
- ☐ The United States is supporting an APEC proposal under consideration that would eliminate tariffs on automotive products.

Competition doesn't wait for U.S. leadership

- ☐ Poland is the fastest growing market in Europe and new passenger car sales could be on the order of 400-500 thousand vehicles per year. Duty rates range to 35 percent, but a larger concern are preferences granted to the E.U. under the E.U. Association agreements.
- ☐ Intra-FTAA country agreements now completed or contemplated also could limit U.S. market access. Chile's trade agreements with Mexico and Canada providing for duty free entry of automotive goods from those countries provides an 11 percent price advantage over U.S. products.

CIVIL AIRCRAFT

Civil aircraft is a vital national industry

- ❑ Civil air industry supports over 450,000 high-wage, highly-skilled jobs.
- ❑ Aerospace workers earn an average of 45 percent more than other manufacturing workers.

Export markets are essential to the civil aircraft industry

- ❑ One out of every two civil aircraft manufactured in the U.S. is exported.
- ❑ U.S. exports grew 18 percent between 1995 to 1996, from \$25 billion to \$29 billion.
- ❑ The industry generated a surplus in civil aircraft, engines, and parts of \$18 billion in 1996.
- ❑ The U.S. share of worldwide orders (excluding the newly independent states of the former Soviet Union) for large, civil aircraft is about 70 percent. Airbus Industrie (European consortium) accounts for about 30 percent.

Developing markets are the fastest growing markets for U.S. producers

- ❑ Asia has become the fastest growing foreign market for U.S. civil aircraft, accounting for about 45 percent of U.S. civil aircraft exports in 1996.
- ❑ U.S. civil aircraft sales to India have more than quadrupled in the last five years.
- ❑ Within ASEAN, there is a large and growing demand for airport and ground support equipment, almost all of which in Thailand must be met by imports. The Philippines has initiated a \$3 billion refleet and modernization program. Singapore is a major purchaser of Boeing aircraft, and six out of every seven dollars of civil aviation sector output in Singapore is in aircraft repair and overhaul operations.
- ❑ Korea is in the midst of a major civil aviation expansion; a ten year procurement program envisions the purchase of 240 aircraft worth \$21 billion.
- ❑ Currently, Poland has the youngest fleet in the world -- largely through purchases and leases with Boeing.

High tariffs and government subsidization are major barriers

- ☐ Most U.S. competitors are heavily subsidized.
- ☐ Many foreign airlines are government-owned or controlled. These airlines are subject to political pressures from governments which support foreign competitors (such as Airbus Industrie) over U.S. manufacturers.
- ☐ Developing country tariffs range from 3 to 40 percent while the U.S. has no tariffs.
- ☐ Offset requirements in South Africa are a problem in major contracts. Aircraft and parts are our fourth and third largest exports to the country.

Fast track to reduce trade barriers and expand international markets will be key to maintain U.S. competitiveness and innovation

- ☐ The United States is supporting an APEC proposal under consideration that would eliminate tariffs on civil aircraft, aircraft engines and aircraft components.
- ☐ A Free Trade Area of the Americas would not only eliminate barriers to U.S. sales, but would provide a powerful incentive to purchase U.S. civil aircraft rather than those of Airbus Industrie.
- ☐ Government procurement talks in the WTO next year offer the opportunity to secure more transparency in foreign government bids, to the benefit of U.S. firms and workers.

Competition doesn't wait for U.S. leadership

- ☐ Canada is competitive in Latin America with 20 percent of the Brazilian import market of \$750 million in 1996. Canada already has an FTA with Chile which will provide a three percentage point tariff advantage over U.S. suppliers by 1997. This tariff differential, 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

The energy industry is the largest industry in the world in terms of revenue

- ☐ The energy industry has growing employment totalling about 350,000 workers.
- ☐ Shipments in 1995 were \$51.6 billion.

The export market is vital to sustained growth in the industry

- ☐ Since 1990, U.S. exports have doubled reaching \$15.5 billion in 1996 with a trade surplus of \$6.5 billion.
- ☐ U.S. exports to the BEMs, China and FTAA countries more than doubled since 1990.
- ☐ As demand in the U.S. has leveled-off, manufacturers are increasingly looking to export markets. Exports account for an estimated 34 percent of the U.S. industry's product shipments. By 2005, energy equipment exports are expected to exceed domestic shipments.
- ☐ The estimated annual future growth rate of shipments for the industry as a whole over the next decade is expected to average 5 percent while the estimated growth rate for energy sector exports is expected to average 12 percent.

The demand for energy in developing countries is expected to grow at more than twice the rate of industrialized countries

- ☐ Developing countries are implementing policies designed to encourage private investment in resource development, such as removing bans on foreign investment. This should translate into more opportunities for U.S. companies in oil and gas exploration, as well as other aspects of energy services.
- ☐ Growing at 4.2 percent per year, Asian energy consumption spurred by strong economic growth will reach 60 percent of that of the industrialized world by 2015.
- ☐ Thailand is expected to invest about \$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 skyrocketing demand.
- ☐ U.S. companies currently supply 66 percent of Indonesia's demand for oil exploration and production equipment.
- ☐ Venezuela may become an increasingly important market as it is opening up its petroleum sector to foreign participation in exploration and production. The sector accounts for 25 percent of GDP and nearly three-quarters of the country's export earnings.
- ☐ The electric power systems market in Korea will continue to grow through economic development and increased consumer demand. The market this year amounts to nearly \$12 billion and is likely to grow 10-20 percent next year.

Non-tariff measures are principal barriers to increased exports

- ❑ Non-transparent procurement procedures, excessively high tariff rates and inadequate regulatory and investment frameworks inhibit exports.

Fast track to reduce trade barriers and expand international markets will be key to maintain U.S. competitiveness and innovation

- ❑ To combat these problems, U.S. government and industry are attempting to pursue these issues in existing multilateral and regional fora, including the WTO, APEC, ASEAN Dialogue, and by enforcing U.S. trade laws.
- ❑ Government procurement talks in the WTO next year offer the opportunity to secure more transparency in foreign government bids, to the benefit of U.S. firms and workers.

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 United States supplies one-third of that. Tariffs range to 24 percent.
- ❑ With U.S., German and Japanese companies providing almost equal shares of energy equipment in world markets (14 percent, 17 percent and 18 percent respectively), any preferential access to developing markets achieved by the U.S. competitors could be seriously detrimental to U.S. exports.
- ❑ The United States is the second largest supplier of electrical power systems to Thailand (behind Japan) and has only about one-sixth of the Philippines imports of electric power system equipment.

ENVIRONMENTAL TECHNOLOGIES

Environmental technologies is one of the fastest growing industry sectors worldwide

- ❑ The U.S. environmental technologies (ET) industry employed about 1.3 million Americans in 1995.
- ❑ More than 25,000 new jobs were created in this sector in the U.S. in 1995.
- ❑ The U.S. environmental technologies industry reached \$180 billion in revenues in 1995, a 4.3 percent increase over 1994.

International markets are increasingly important to the ET industry

- ☐ Revenue generated outside the U.S. accounted for 8.1 percent of the U.S. industry's 1995 total earnings, compared to only 6.7 percent in 1994.
- ☐ U.S. ET exports increased 26 percent from \$11.5 billion in 1994 to \$14.5 billion making the U.S. the world's largest supplier.
- ☐ Exports were responsible for 40 percent of the \$7.5 billion in 1995 ET industry growth, supporting nearly 120,000 jobs.

Access to overseas markets, especially developing countries, are essential to U.S. firms

- ☐ The global market will grow 36 percent from about \$440 billion in 1995 to approximately \$600 billion by the year 2010.
- ☐ A 17 percent growth rate is expected in Asia (exclusive of Japan), and the South American market is expected to grow by 12 percent. By contrast, the Japanese market is expected to grow only 2 percent and Western Europe by 4 percent.

Opportunities abound for U.S. environmental technology

- ☐ While the U.S. enjoys over \$14 billion in environmental exports only 8 percent of the U.S. environmental industry's revenue comes from exports. Major competitors, such as Germany and Japan, export in excess of 20 percent of production.
- ☐ Venezuela expects to spend more than \$1 billion between now and 2001 for water treatment alone. Currently, there are no major import barriers but trade is small. U.S. firms hold about a three-fifths share.
- ☐ Asian countries represent great growth potential for U.S. exporters of environmental technology. The market in Indonesia exceeds \$1.3 billion (of which \$300 million is from the United States). 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 percent per year through 2000.
- ☐ In Korea, a major portion of the rapidly growing environmental technology market (\$1.4 billion in 1996) is supplied by local manufacturers; U.S. exports amounted to less than 10 percent of the market. The market is expected to grow substantially through at least 1998. The tariff rate is 8 percent.

Fast track to reduce trade barriers and expand international markets will be key to maintain U.S. competitiveness and innovation

- Many of the ET opportunities in overseas markets are in public works contracts by foreign governments. However, the vast majority of developing countries have not signed the WTO Government Procurement Code.
- The USG can negotiate government procurement obligations in plurilateral negotiations.
- The United States is supporting an APEC proposal under consideration that would eliminate tariffs on products in this sector.

Competition doesn't wait for U.S. leadership

- Brazilian experts expect \$10 billion in new investment through the year 2000 as Brazil addresses significant environmental concerns. U.S. exports last year amounted to about \$100 million. Tariffs range to 18 percent, although Mercosur partners receive duty free treatment, and other members of ALADI (Latin American Integration Association) receive a 60 percent duty reduction. In some cases, local participation is required for foreign investors.
- Poland has made a significant commitment to environmental clean-up and investments in the sector now account for over one percent of GDP. The pollution control equipment market exceeded \$400 million in 1996, and imports amounted to over three-quarters of that. The most promising areas for U.S. firms include: air pollution control, wastewater treatment, and waste disposal. Duties are in the 9-11 percent range, but European competitors receive significant preferences.

INFORMATION TECHNOLOGY INDUSTRIES

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

- U.S. information technology companies have operations in all 50 states and generate over 3.5 million domestic jobs directly and indirectly; this sector provides predominantly high-wage employment.
- Information technology industries have become the back-bone of the U.S. and global economy. Information technology has become integrated into all modern business transactions and is an engine of growth in global trade.
- In 1996, U.S. shipments for computer hardware, telecom equipment and electronic components was \$166.4 billion.

U.S. manufacturers are global leaders

- Through diligent efforts to improve competitiveness, U.S. industry has taken back leadership in global market share, including: semiconductors, semiconductor manufacturing equipment, and printed circuit board production.
- Computer software alone, is the third largest manufacturing industry in the U.S. economy in terms of value-added and was estimated to be worth approximately \$66.8 billion in 1996.
- In 1996, U.S. telecom equipment shipments were valued at \$56 billion, accounting for one-third of world-wide shipments. One reason that U.S. telecommunications technology is so competitive is that the United States was the first country to open its market to competition in 1984.

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

- U.S. computer hardware, telecom equipment and electronic component companies exported an estimated \$90.9 billion in 1996. Info-tech companies as a whole export over one third of their production.
- Due to dramatic growth in technology markets world-wide, U.S. IT companies are becoming export dependent; thus, exports are vital to U.S. competitiveness.

Access to developing countries is critical to this strategy

- Emerging markets are the engine for future growth. Asia and Latin America technology markets, in particular, will continue to experience double digit growth rates, at least double the rate of U.S. and European markets.
- The fastest growing markets for U.S. information technology products include China, ASEAN, India, Brazil, South Korea, and Mexico.
- Brazil has the largest telecom sector in Latin America with a market worth nearly \$ 8 billion in 1996, however, tariff rates are up to 32 percent.

Tariffs and non-tariff measures block access to emerging markets

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

- Non-tariff measures (NTMs) are the most significant barriers to export growth of U.S. information technology products. The NTMs of principal concern to U.S. industry are:
 - Forced technology transfer requirements;
 - Intellectual property rights protection;
 - Local content requirements;
 - Import licensing quotas;
 - Value-added taxes;
 - Burdensome equipment certification requirements;
 - All discriminatory procurement practices by foreign governments, especially, practices by state-owned enterprises and/or formerly state-owned enterprises which remain subject to de facto state control
- Tariff levels globally for information technology products range from 4-10 percent--with the exception of tariffs of up to 50 percent on imports of satellites and large satellite components for assembly in Ukraine and Russia. Removal of tariffs represents significant savings to all info-tech producers, since margins between production costs and market prices are notoriously slim in most product segments.

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

- To combat these problems, U.S. government and industry are attempting to pursue these issues in existing multilateral and regional fora, including the WTO, APEC, ASEAN Dialogue, and by enforcing U.S. trade laws.
- U.S. info-tech companies place high priority on the implementation of tariff elimination under ITA-I. Additionally, they strongly support new and expanded coverage under ITA-II, such as expansion of product coverage and country signatories, and addressing the removal of NTMs.

Competition doesn't wait for U.S. leadership

- Since the Mercosur countries chose not to join the Information Technology Agreement, the FTAA is very important to U.S. IT companies. U.S. competitors are targeting Latin America as a market priority. Already, the European Union has signed a framework agreement with the Mercosur partners, which could give advantages to European products in the key emerging markets of Latin America.
- **U.S. firms are reporting difficulties in overcoming preferences granted in Central Europe to the European Union under its association agreements. These preferences arise in several countries and the situation could worsen once they are fully phased in. This can be particularly difficult in the technology sector, where for example, tariff preferences can be as high as 15 percent.**

MANUFACTURING

Manufacturing remains a vital component of the U.S. economy

- 18.5 million workers --15.4 percent of the total work force-- are employed in manufacturing in the United States.
- 84 percent of merchandise exports are manufactured goods, up from 78 percent a decade ago.
- Manufacturing accounts for nearly one-fifth of total GDP.

Exports are an essential strategic factor in maintaining U.S. manufacturing employment and high wages

- Exports are essential to continued prosperity. Exports of goods and services has risen from about 4 percent of GDP in the early 1960s to over 13 percent today.
- Eleven million jobs are supported by goods and services exports, and one-third of those are in the manufacturing sector.
- Exports support one in five manufacturing jobs.
- Manufacturing wage rates are higher than those in the overall economy, and wage rates in exporting sectors are higher than in manufacturing. In exporting industries, the wage rate was \$14.35 per hour, a premium of 21 percent over the total economy wage.
- Manufactured exports accounted for nearly 62 percent of total goods and services exports in 1996, up from about 58 percent in the mid-1980s.
- Growth in manufacturing exports has been accelerating and the trade deficit in manufactured goods declining. During the first half of this year, manufactured goods exports increased 12.1 percent from the same period in 1996 while total exports of goods and services were up 9.4 percent.
- Merchandise exports account for 26 percent of goods GDP; durable goods exports account for 42 percent of durable goods GDP.

U.S. manufactured exports are the most competitive in the world; with lower barriers, opportunities are plentiful

- ☐ Developing countries are key markets for U.S. manufactures. Manufacturing exports increased 38% to developed countries from 1992- 1996 but by 48% to developing countries.
- ☐ U.S. exports have grown three times faster than Japan's, five times than Germany's since the mid- 1980s.
- ☐ Exports to the Big Emerging Markets are up 58%.
- ☐ Corporations must look beyond the domestic economy for continued growth: in 1985 domestic sales of Motorola accounted for 75% of revenue; now, more than 65% of its revenue come from international sales.
- ☐ While many barriers to U.S. exports have been reduced, U.S. exporters continue to face barriers as many markets around the world remain closed to U.S. exporters.
- ☐ Major barriers include policies restricting the import of goods and services, government procurement, export subsidies, deficiencies in intellectual property protection, and investment barriers.

Fast track to reduce trade barriers and expand international markets will be key to maintain U.S. competitiveness and innovation

- ☐ The United States is supporting an APEC proposal under consideration that would eliminate tariffs and non-tariff barriers on many manufacturing sectors.
- ☐ A Free Trade Area of the Americas would not only eliminate barriers to U.S. sales, but would provide a powerful incentive to purchase U.S. manufactured products.
- ☐ Government procurement talks in the WTO next year offer the opportunity to secure more transparency in foreign government bids, to the benefit of U.S. firms and workers.

Competition doesn't wait for U.S. leadership

- ☐ Canada is competitive in Latin America with 20 percent of the Brazilian civil aircraft import market of \$750 million in 1996. Canada already has an FTA with Chile which will provide a three percentage point tariff advantage over U.S. suppliers by 1997. This tariff differential, 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.
- ☐ New trade alliances in Asia and in South America have the potential to reduce U.S. export opportunities in the fastest growing export markets.

- Were South Africa and the EU to implement a free trade agreement, \$1.5 billion of U.S. exports of transportation equipment, machinery and information technology products would be at risk. These exports to South Africa by the most competitive U.S. industries represent half of total U.S. exports to South Africa.
- 80 percent of the CEO members of the Council on Competitiveness see their greatest growth opportunities coming from foreign markets, especially in the areas of business services, telecommunications, biomedical products, environmental technology and high end manufacturing. (CEO Magazine, June 1997)
- U.S. firms are reporting increasing difficulties in overcoming preferences granted in Central Europe to the European Union under its association agreements. These preferences arise in several countries and the situation could worsen once they are fully phased in. This can be particularly difficult in the technology sector, where for example, tariff preferences can be as high as 15 percent.
- A rapidly growing mid-sized upholstery fabric manufacturer who has rapidly expanded his labor force because of exports has lost sales to a Canadian competitor in the Chilean market because of tariff preferences granted under the Chile-Canada FTA. Ironically, he regularly beats this competitor in the North American market where there is no tariff preference.

MEDICAL EQUIPMENT

The medical device industry is one of the fastest growing U.S. industries and employs 261,000 high-wage, highly-skilled U.S. workers

- The industry is a top high-tech innovator and serves as an engine of growth for other high-tech sectors such as semiconductors.
- 13 of the 20 largest medical technology companies in the world are U.S. owned.
- The U.S. medical device industry is expected to grow 6 percent annually over the next 5 years. Key to this growth will be our ability to supply the increasing demand in Asia and South America for these products.

Medical device export markets are crucial to the industry

- Total medical device exports reached \$11 billion in 1996, a 14 percent rise from 1995. The sector has a record-high trade surplus of \$5 billion.

- Exports as a share of industry shipments were 20 percent in 1990 but were 25 percent in 1996. By 2005, 30 percent of industry shipments could be bound for export.
- The U.S. has 28 percent of the worldwide market but faces stiff competition from Japan and the EU which together account for 50 percent of the worldwide market.

Access to developing countries are central to increased U.S. exports

- Since 1990, U.S. medical devices exports to China, ASEAN and the other BEMs (excluding Mexico) doubled, reaching \$2 billion in 1996, while U.S. exports to the world increased by only 12 percent at an average annual rate of about 12 percent.
- Health care reform and hospital privatization in many emerging markets will spiral demand for U.S. products.
- Thailand's medical device market exceeds \$600 million, and Indonesia's market has been growing by over 10 percent annually. Malaysia has budgeted \$1.4 billion this year to upgrade health care quality, and Singapore has over \$500 million earmarked for redevelopment projects.
- Brazil's large market for medical equipment and supplies (estimated to be \$1.2 billion in 1996) is expected to continue strong growth as IFI loans (\$715 million) continue to upgrade the sector. Total U.S. exports amounted to over \$250 million in 1996, which accounted for about half of all imports. Tariffs range up to 20% while imports from Argentina and Chile are duty free.

The industry faces tough barriers in developing countries

- Barriers 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 standards regulations which will negatively impact U.S. medical device manufacturers.

Fast track to reduce trade barriers and expand international markets will be key to maintain U.S. competitiveness and innovation

- The United States is supporting an APEC proposal under consideration that would eliminate tariffs on medical equipment.
- Many opportunities in overseas markets are in contracts by foreign governments. However, the vast majority of developing countries have not signed the WTO Government Procurement Code.

- ☐ The USG can negotiate government procurement obligations in plurilateral negotiations.

Competition doesn't wait for U.S. leadership

- ☐ Global demand for U.S. medical products may shift to European and Japanese suppliers if the U.S. fails to negotiate critical trade agreements, such as the APEC sectoral initiative, which will completely eliminate tariffs and reduce regulatory and standards barriers.
- ☐ U.S. competitors are already negotiating trade agreements with developing countries. For example, the EU has signed a framework agreement with the Mecosur partners, which potentially will give European medical device firms an advantage over the United States.
- ☐ Poland's medical budget is 4.6 percent of GDP. Imports accounted for over \$300 million in 1996 -- less than 10 percent of which come from the United States. European competitors receive duty-free treatment while U.S. exports face a 10 percent price disadvantage.

PHARMACEUTICALS

Pharmaceutical manufacturing and research is a key U.S. industry

- ☐ Pharmaceuticals employs over 218,000 workers, and represents about 1 percent of U.S. GDP with total sales of \$80 billion in 1995.
- ☐ The U.S. is the world leader in discovering and developing new medicines. Of the 265 major new drugs developed between 1970 and 1992, almost half originated from U.S. firms.
- ☐ The U.S. pharmaceutical industry is the world center for R&D in pharmaceuticals. In 1996, R&D expenditures represented 16 percent of total industry sales.

Exports are vital to pharmaceutical manufacturers

- ☐ Exports generate close to two-fifths of total pharmaceutical sales.
- ☐ Total U.S. pharmaceutical exports reached \$8.9 billion in 1996, a 11 percent rise from 1995.
- ☐ Exports are expected to increase as demand for better health care accompanies rising living standards throughout the world.
- ☐ Exports are expected to grow between 7 and 9 percent through 2000.
- ☐ Exports as a percentage of shipments has been steadily rising since 1990 and was 11.2 percent in 1995.

Developing countries offer significant growth potential for U.S. pharmaceutical exports

- ☐ U.S. pharmaceutical exports to ASEAN countries (Singapore, Indonesia, Thailand, Malaysia, Philippines, Brunei and Vietnam) increased about 50 per cent since 1993.
- ☐ Korean imports U.S. pharmaceuticals at twice the rate of total imports.
- ☐ Exports to Latin America grew 43 percent.

Fast track to reduce trade barriers and expand international markets will be key to maintain U.S. competitiveness and innovation

- ☐ Adequate patent, trademark, and trade secret protection for pharmaceutical products is essential for the development of new products and is critical for stimulating U.S. pharmaceutical trade and investment in growing markets in Asia, Latin America, Russia and other countries in the Newly Independent States.
- ☐ Additional barriers which need to be removed include discriminatory registration requirements, illicit business and pharmaceutical marketing practices and discriminatory government procurement rules. All of these severely limit US companies ability to compete on a level playing field.
- ☐ Korea does not provide national treatment with respect to reimbursement under its national health insurance system, discouraging end-users from buying imported pharmaceuticals.
- ☐ To maintain competitiveness, the U.S. industry must overcome international obstacles such as the lack of intellectual property protection; international regulatory approval; and lack of legal predictability. For pharmaceutical trade and investment to flourish it must have a business environment that offers a transparent and consistent legal framework.
- ☐ U.S. industry estimates that if trade barriers in the Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela) were removed, U.S. sales could increase in the range of \$100 - \$500 million. This is also true with respect to removal of trade barriers in the Korean market.
- ☐ According to U.S. industry, removal of trade barriers in Argentina could increase U.S. pharmaceutical sales by \$500 million.

Competition doesn't wait for U.S. leadership

- ☐ Brazil is the fourth largest market for pharmaceutical products in the world and is growing at 17 percent per year. Tariffs range from 0 to 14 percent, yet are not applied to Mercosur partner Argentina which has a major drug manufacturing industry.
- ☐ Japan is developing new markets in Europe and Asia and is investing heavily in R&D in a bid to catch up with its foreign competitors.

- Given the steady increase in R&D costs, the ability to develop new drugs and new global markets is expected to play an even greater role in determining the long-term growth of the U.S. pharmaceutical industry. Global harmonization in the approval process of new pharmaceutical products would be particularly beneficial to the U.S. industry.

SERVICES

The services sector is by far the largest component of the U.S. economy

- Four out of five private sector non-farm jobs are in the U.S. economy's service sector - 81 million in 1996.

Exports of services by U.S. firms supported 3.5 million U.S. jobs in 1994

- U.S. service exports have more than doubled over the last ten years, increasing \$135 billion since 1987, and \$84 billion just since 1990.
- In 1995, U.S. services exports accounted for 16 percent of global services exports; our closest competitors that year were France (8 percent), and Germany, Italy, Japan and the U.K. (Between 5 and 6 percent)
- With services exports estimated to reach \$300 billion by 2005 and \$350 billion by 2010, the future growth in services exports are tremendous. With the expanding electronic commerce market, the growth trend in the service sector may easily surpass these estimates.
- Take for example the healthcare 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.

Emerging markets are the fastest growing export markets

- U.S. exports to emerging markets have grown at impressive rates: nearly 30 percent to China, Taiwan and Korea; and over 20 percent to Hong Kong and Argentina.
- United States 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.
- The best prospects in South Africa include financial services and tourism -- with 20 percent growth per year (which will get another boost if the country is awarded the 2004 Olympics).

- ☐ In Korea, transportation services account for over 6 percent of GDP, with growth of over 15 percent annually during this decade.
- ☐ Korea has opened the private sector construction/engineering market and has also opened the public construction and engineering market to foreign company participation. These markets could reach over \$22 billion per year.

Unless negotiated away, barriers can inhibit increased U.S. exports

- ☐ Brazil has restrictive investment laws, lack of transparency in administrative procedures, and limits on foreign capital participation. The Constitution prohibits new foreign entries into the financial sector; the government reserves the right to refuse entry to managers or executives associated with providing a service if they do not provide new technology, increase productivity in Brazil, or attract new investment.
- ☐ In Korea, a number of service sectors remain restrictive to foreign investment, including audio-visual services, insurance, telecommunications, and advertising.
- ☐ Distribution in the domestic market is restricted in Indonesia. Under Thai law, foreigners are prohibited from working in certain professions; and Malaysia maintains restrictions on advertising and radio/tv content.
- ☐ India maintains a variety of restrictions on services operations: investments in insurance are prohibited (except in narrowly defined segments); in banking, they are severely regulated although U.S. firms are active in financial services with domestic firms.
- ☐ South Africa fails to provide adequate intellectual property rights with respect to franchising. The estimated market size of fast food franchising in South Africa is \$300 million.

Fast track to reduce trade barriers and expand international markets will be key to maintain U.S. competitiveness and innovation.

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

FOREST PRODUCTS

America's forest products industry, with annual sales of \$199 billion, employs more than 1.3 million workers

- ☐ The U.S. forest products industry is one of the top ten U.S. manufacturing industries and is among the top ten manufacturing industries in 46 states.

Export markets are increasingly vital to U.S. forest products companies

- ☐ More than 60 percent of the industry's increased output is directly tied to increased exports.
- ☐ From 1986 to 1996, exports grew annually 11.5 percent to \$17.5 billion in 1996. Yet, domestic sales increased less than 2 percent annually.
- ☐ Exports accounted for an estimated 9 percent of the U.S. industry's product shipments in 1996 compared to only 5 percent in 1986.
- ☐ Future growth for the industry over the next five years is expected to be 2 percent in the United States, but 4 percent in U.S. exports of forest products.

Developing countries, particularly the Big Emerging Markets, hold the greatest promise for future economic growth

- ☐ U.S. exports of forest products to the BEMs in 1996 were \$3.7 billion, growing more than twice as fast as exports to the rest of the world.
- ☐ In the ASEAN countries, demand for imports is strong, especially in Indonesia which relies heavily upon paper pulp and waste paper imports (60 percent of which comes from the United States). Yet, Indonesia's wood product sector is heavily protected.
- ☐ South Africa imports about \$125 million per year in wood/paper products. Although the U.S. share is currently small but is expected to increase as the government moves to allow private sector equity participation in the state-owned forestry and forest products company. Tariffs range up to 30 percent. The EU is currently negotiating a preferential trade agreement with South Africa that could further disadvantage these exports.

The future growth in U.S. exports will depend on the further opening of key international markets, including Asian and Latin American countries

- ☐ U.S. producers face considerably higher market access barriers (both tariff and nontariff) in a number of key foreign markets.

- ❑ U.S. exports to India are minuscule (\$2 million), and tariffs are as high as 43 percent on paper/paper products.
- ❑ Developing countries have much higher tariffs than the U.S. average rate of less than 2 percent. For example, the import duty for ASEAN countries and South America averages 12 percent and 15 percent respectively.
- ❑ Prescriptive product standards, especially in developing countries, further inhibit expansion of forest products exports, especially for lumber and solid wood products.

Fast track to reduce trade barriers and expand international markets will be key to maintain U.S. competitiveness and innovation

- ❑ To combat these problems, U.S. government and industry are attempting to pursue these issues in existing multilateral and regional fora, including the WTO, APEC, ASEAN Dialogue, and by enforcing U.S. trade laws.
- ❑ The United States is supporting an APEC proposal under consideration that would eliminate tariffs on wood and paper products.

Competition doesn't wait for U.S. leadership

- ❑ The 13 percent U.S. share of the worldwide export market for forest products could be threatened if major European competitors (Finland and Sweden have 8 percent each of the world market) gain a competitive advantage through negotiation by the EU of preferential trade agreements with developing countries.
- ❑ Brazil is a major producer/exporter of products in this sector, including to the United States. Import tariffs range up to 2-16 percent while imports from Mercosur partners are zero.

THE WHITE HOUSE

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RADIO ADDRESS OF THE PRESIDENT
TO THE NATION

Martha's Vineyard, Massachusetts

THE PRESIDENT: Good morning. Today I want to talk about the tools we need to keep our economy growing in a way that helps all our people to prosper and advances America's leadership in the world as we move into the 21st century.

For nearly five years now, we have pursued a new economic course for America, with three parts: eliminate the deficit, invest in education and training, and open new markets abroad for America's products and services. It is working. The American people are enjoying the longest period of sustained economic growth in a generation -- with 12 million new jobs, unemployment below five percent, core inflation at a 30-year low. Once again, America is the world's number one exporter, the world's largest producer of semiconductors, the world's largest producer of automobiles. Our nation has been ranked the world's most competitive economy for the last five years.

With a strong and prosperous America moving into the 21st century, we must continue our successful economic strategy. In 1993, we passed an economic plan that cut the deficit 75 percent in four years. And now we have a balanced budget with an historic focus on education and incentives to bring jobs to people and places that still don't have them.

But to keep America growing, to keep America leading, we have to continue to create high-wage jobs, and to do that, we must continue to expand American exports. After all, 95 percent of the world's consumers live beyond our borders. Already, over the last four years, more than 25 percent of our economic growth

has come from overseas trade. Now, that's a big reason more than half our new jobs in the last two years have paid above average wages, because export-related jobs pay, on average, about 15 percent more than non-export jobs. And today, our exports support more than 11 million good, high-paying American jobs, including one in five of our manufacturing jobs.

To keep our economy growing and to create these good jobs we must keep tearing down foreign barriers to American goods and services. That's why, next month, I will ask Congress to renew presidential fast track authority to negotiate tough new trade agreements. This is authority that every President from both parties has had since 1974. I will use it to negotiate trade agreements that will keep us competitive, boost our exports, create more good jobs and raise our standard of living.

This fast track authority will do three things. First, it gives the President the flexibility I need to forge strong agreements in sectors where our nation is most competitive -- such as agriculture, information technology, medical equipment and environmental technology. Second, it will strengthen my ability to get worldwide agreements, especially for our nation's farmers, tearing down barriers in the world agricultural market. It will also help to ensure that American companies and workers compete in the global economy in a contest that is open, with a level playing field, with rules that are fair and enforced.

Third, it will help me to negotiate more open markets with specific countries, especially in Latin America and Asia. In the coming century, these emerging markets in Latin America and Asia are expected to grow three times as fast as our own -- and their demand for United States goods and services is already taking off. If we don't seize these new opportunities, our competitors surely will. Already, since 1992, in Latin America and Asia alone, our competitors have negotiated 20 trade agreements that do not include the United States.

To make sure all our people share the fruits of increased prosperity and commerce, I also will continue to promote worker rights and responsible environmental policies with our trading partners. And I'll keep working to strengthen retraining and educational opportunities for workers here. We have to pull together, not apart, to compete and win in the global economy.

For more than two decades now, on a bipartisan basis, Congress has consistently supported initiatives to open markets and create jobs -- including the President's authority to break

down trade barriers around the world. Our workers and our businesses are the best in the world, but they can't compete in the slow lane. I look forward to working closely with Congress to keep American prosperity on the fast track.

END

DRAFT

PAPERS, PUNDITS AND EXPERTS ON FAST TRACK

NATIONAL NEWSPAPERS ENDORSE FAST TRACK

***Washington Post* Said Much Is To Be Gained By Giving The President Fast Track**

Washington Post editorial: "Free trade is good for the U.S. economy. It helps create jobs that tend to be higher-paying than average. Exports have helped revive the U.S. manufacturing sector, which not so many years ago was widely portrayed as terminally rusting. New agreements, if achieved, will increasingly play to U.S. strengths in agriculture, high-technology products and services ranging from insurance to telecommunications. Pursuing such agreements particularly makes sense because the American economy already is so open; little is to be lost, and much is to be gained, from pressuring other countries to approach the U.S. level of openness. That can't happen unless Congress gives Mr. Clinton what's known as 'fast-track' negotiating authority. [*Washington Post*, 4/27/97]

~~In 1994~~ *New York Times* Said President Was Headed in the Right Direction on Trade

A 1994 *New York Times* editorial "A few quick victories could undermine protectionist opposition in Congress. That is important because Congress has so far blocked Mr. Clinton's request for 'fast track' status for future trade negotiations -- the procedure by which Congress agrees to vote on a trade proposal quickly and without amendment. Mr. Clinton needs 'fast track' if he is to secure the trade agreements called for in his economic strategy...Mr. Clinton is headed in the right direction." [*New York Times*, 11/7/94]

***Los Angeles Times* Supported Fast Track Authority For The President**

Los Angeles Times editorial: "Clinton needs so-called fast-track authorization to move on this opportunity to expand hemispheric trade, a goal we support. The time seems right...Congress should grant the president the fast-track authorization he needs to shape a package for Chile and bring it to a vote." [*Los Angeles Times*, 2/28/97]

***Chicago Tribune* Called For Granting Fast Track Fast**

Chicago Tribune editorial entitled "Grant Fast-track Authority Fast": "Congress should move on the president's request [for fast track] at once...Free trade means jobs and opportunity. Why is Congress standing in the way?" [*Chicago Tribune*, 8/26/97]

***Business Week* Said Fast Track Was Vitrally Important**

Business Week editorial entitled "Put Fast-track in the Fast Lane": "There will doubtless be grandstanding about trade with China in coming weeks, and bellyaching about Japan's recent trade gains -- but that will pass. Fast-track authority transcends this political brouhaha, and is vitally important as an instrument to help break down global trade barriers. [*Business Week*, 5/19/97]

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Newsday Said Fast Track Promises Americans New Jobs and Higher Incomes

Newsday editorial: "But in the long run, the issue of expanding trade in the Americas is compelling because it promises Americans new jobs and higher incomes - which is why Congress should grant President Bill Clinton "fast-track" negotiating authority so both Chile and the United States could share the benefits of increased imports and exports as soon as possible." [*Newsday*, 3/6/97]

Houston Chronicle Said It Was "Vital" For Congress To Grant President Fast Track

Houston Chronicle editorial: "Failure to be a major player when these trade agreements are being negotiated and hammered out among countries in regions like Latin America and Asia reduces this nation's ability to expand its exports and increase jobs at home. That is why it is vital for Congress to grant President Clinton fresh fast-track negotiating authority to develop new trade agreements in Latin America and Asia." [*Houston Chronicle*, 3/17/97]

Boston Globe In 1994 Said Fast Track Had Worked For Nearly Half A Century

1994 *Boston Globe* editorial: "The so called 'fast track' method of negotiating international agreements with Congress has worked well for nearly half a century." [*Boston Globe*, 9/16/94]

Sun-Sentinel Said Fast Track Would Give The President Essential Flexibility

Florida *Sun-Sentinel* editorial: "Fast-track...would give the administration essential flexibility in negotiating trade pacts with Chile and other Latin American nations, and with the World Trade Organization as broader accords are discussed...That's why it's critical for Congress to be wise and think ahead, however strange and unusual those characteristics may be within our national legislative body, in moving swiftly but thoughtfully to provide a fast track." [*Sun-Sentinel* (Fort Lauderdale, FL), 7/15/97]

Fresno Bee and Sacramento Bee Said President Clinton Was Right To Seek Fast Track

Editorial in both the *Sacramento Bee* and *Fresno Bee*: "Clinton is right to seek such [fast track] authority, given the advantages new trade pacts could bring to U.S. firms facing growing competition abroad." [*Sacramento Bee*, 4/27/97; *Fresno Bee*, 4/29/97]

Washington Times Said Fast Track Was Essential

Washington Times editorial: "Fast-track authority is essential because otherwise special interests can obstruct deals by attaching killer amendments they know will be unacceptable to our trading partners." [*Washington Times*, 6/24/97]

Rocky Mountain News Said American Workers Will Be Hurt Without Fast Track

Rocky Mountain News editorial: "NAFTA gives Congress ample precedent to approve fast-track legislation. Should Congress tarry, other fast-moving nations will leave their tracks all over American workers' opportunities" [*Rocky Mountain News*, 5/21/97]

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Arizona Republic: President Clinton Needs Fast Track, Without It US Has No Credibility
Arizona Republic editorial: "Before then [the reconvening of the Summit of the Americas in March], Clinton needs fast-track authority from Congress...Without fast track, the United States will not have the credibility it needs to negotiate a delicate agreement involving 34 countries. Detractors of NAFTA oppose fast track, just as they opposed NAFTA. Their arguments are weak and anachronistic." [*Arizona Republic*, 7/10/97]

PUNDITS AND EXPERTS ARGUE FOR FAST TRACK

Glassman Said Fast-Track Is "Vital"

American Enterprise Institute fellow James Glassman: "In order to win agreements with those countries, Clinton needs 'fast-track' negotiating authority, so Congress can't delay the deals or add crippling amendments. Fast track is vital..." [*Washington Post*, 7/1/97]

Dr. Tyson Said Fast Track Would Enable the President to Break Down Trade Barriers

Former economic adviser to President Clinton and current University of California at Berkeley economics and business administration professor Laura D'Andrea Tyson: "With 95 percent of the world's consumers outside our borders, we must focus on breaking down barriers to trade abroad, not building them up at home. This requires that Congress grant President Clinton and his able trade representatives fast-track authority to negotiate tough, enforceable trade agreements." [*Washington Post*, 7/9/97]

Hughes CEO Armstrong Said President Clinton Has Strong Pro-export Record

Hughes Electronics CEO C. Michael Armstrong: "To its credit, the Clinton administration has compiled a strong pro-export policy record..." [*Arizona Republic*, 8/24/97]

Boston Globe's Oliphant Offered Two "Huge" Reasons for Fast Track

Boston Globe's Tom Oliphant: "Africa is now the second huge reason (the more advanced countries of South America are the first) for Congress to grant Clinton so-called 'fast-track' authority this fall to negotiate free trade agreements -- so-called because they must be approved or rejected as negotiated, with no room for congressional tinkering." [*Boston Globe*, 6/24/97]

Brookings' Lustig Said We Risk Falling Off Proverbial Bicycle Without Fast Track

Brookings Institution senior fellow Nora Claudia Lustig: "Now that the rest of the region is ready to move forward with economic integration, it is ironic that the United States, after decades of promoting the principle of free trade, appears hesitant. This image can only be removed if the Clinton administration moves forward with a request for fast-track negotiating authority and -- together with its two partners -- soon negotiates with Chile its accession into NAFTA. Going with free trade could well be like learning to ride the proverbial bicycle: Either we keep moving forward or we risk falling off." [*Brookings Policy Brief* No. 20, "NAFTA: Setting the Record Straight," 6/97]

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PPI Backgrounder Called For Granting The President Fast Track

Rebecca Reynold Bannister in a Progressive Policy Institute backgrounder and based on a PPI study: "The United States needs to extend the principles embodied in NAFTA to its trade with the rest of the hemisphere. NAFTA partners Canada and Mexico are already doing so...To do this, Congress must give the President the tool that all previous presidents have had to continue to assert U.S. leadership in the world marketplace -- fast-track negotiating authority."

[*"NAFTA: A Progressive Look at a Landmark Agreement after Three Years"* by Rebecca Reynold Bannister (based on a forthcoming PPI Policy Report), 7/97]

Trade Expert Baer Said U.S. Would Lose Leverage Without Fast Track

Delal Baer, a trade expert with deep experience in the South America: "Without fast-track you have no leverage...The balance of power in terms of negotiating leverage is shifting from the United States to the southern cone because we don't bring anything to the table." [Copley News Service, 5/21/97]

Denying President Fast Track Would Be No Small International Embarrassment

Journal of Commerce senior correspondent Richard Lawrence: "But there's hope. Congress may actually do something exciting in 1997. After years of hesitation, it may enact 'fast-track' legislation, giving the president broad trade negotiating authority for which he has long longed...[T]he president must have broad new negotiating authority. For Congress to give less would be no small international embarrassment -- to both Democrats and Republicans." [*Journal of Commerce*, 8/15/97]

KC Starr's McClanahan: Without Fast Track, Other Countries Will Steal Our Markets

In his Op-Ed piece entitled "Fast-track follies: U.S. will lose lucrative markets if it doesn't move quickly," *Kansas City Starr* editorial staff member E. Thomas McClanahan wrote, "If the free-trade agenda stalls, we're going to wake up some day and discover that other countries have quietly stolen our markets -- not because of better products or more productive workers, but because too many people in our national capital couldn't be bothered. Make no mistake. If that happens, the cost will be both economic -- and political." [*Kansas City Star*, 7/29/97]

de Tocqueville Institution's Sobel Said Fast Track Necessary; Gives President Credibility

Alexis de Tocqueville Institution's Chairman of the Board Clifford M. Sobel: "First, the most important reason why fast track is necessary is that it gives the President of the United States the credibility to negotiate with foreign countries in good faith. Without fast track, it would be far more difficult for the President to conclude additional trade agreements..." [Sobel's testimony before Joint Hearings on Fast Track Negotiating Authority (as transcribed by the Federal News Service), 5/17/95]