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Facsimile Memorandum

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To: Jay Berman

From: Bob Keefe

August 7, 1997

By now, I presume you have had several contacts regarding Sandy Ring. He's a talented young lawyer with trade and political experience who can be detailed from the ITC. Sounds a lot like that girl who's dad owned a liquor store.

But beyond that I want to express myself on your new job. Congratulations are not in order - you have cut out a very difficult assignment for yourself. I can more easily thank you, because you are taking on a most important task which will benefit us all.

A couple of years ago, Michelle Manatt got me thinking about the problem of securing passage of fast track for Chilean NAFTA. I had just concluded the NAFTA fight for the Government of Mexico and was pretty well briefed on the situation in Congress. But by that time the 1994 election had happened and the landscape changed. The new Republicans were not interested in anything international and the remaining Democrats were more beholden to labor interests who were not interested in anything that expanded free trade.

I did a vote count of the remaining members of the Congress, based on their actual NAFTA votes and quickly grabbed the Vodka bottle. The numbers were terrible - as we discovered as we tried to get some momentum for the program.

I became convinced that it was very much in the national interest, in the interest of the Clinton Presidency and in the interest of the Democratic Party to invest some time and effort to change the position of labor on the issue. (Not to mention the substantial interest of Albert Gore, Jr.) If you look at what the 13 or so million members of the AFL-CIO do, it is clear that just a small minority of them have any remote jeopardy to trade related unemployment. In fact, by probably a ten to one margin, the members are more benefited from trade than damaged by it.

The labor movement today is made up mostly of public employees, transportation and communications workers, distribution workers, building trades craftsmen, miners, sailors and the like. Those group of members who are involved in manufacturing is a very small percentage of the total and many of them (like Boeing's Machinist members) are involved in export related jobs that rely on a free trade policy.

All of the members of the unions benefit, as citizens and consumers from the benefits of free trade and from the favorable economic conditions that Chairman Greenspan blames on the competition from the worldwide integration of our economy.

Member



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So - why are the unions the bastions of protectionism? They can have legitimate concerns over unfair labor situations, child labor, and the like. Those are matters of principle for the true believers in the organization of workers. But I would suggest that much of the protectionism is an overhang from the past - when there was a greater threat from foreign trade - when the old guard, the professional anti-Communists and international hard liners ran the AFL-CIO. Unfortunately, the new guard has taken up where the old guard left off.

As I suggested, I looked at all of this two years ago in the context of Chilean NAFTA. When I discovered that the Chilean labor laws are considered among the worst in the world and that Chile is atop the bad guy's list for the ILO crowd, I canned my ideas and watched nothing happen. Now, Chile is a smaller part of the mix and I believe that it would be useful, hopefully beneficial, for a run at 815 16th Street on the issue of trade.

The first thing to do is to develop an analysis of the costs and benefits of trade to union members - not roughly, but very detailed - union by union, almost local by local. The defense will rely on generalities and a myriad of case studies of lost work.

It is important to develop a full economic review of what trade does and what it does not do to combat the union view. Look at Michigan, at Flint and Saginaw. The reduction in automotive jobs has been enormous, but the employment situation in the state and those cities is not bad at all - as good as during high auto employment days. The average wages there are pretty good, I am told - not every welder is now cooking hamburgers.

The information gathering and statistical work is the kind of thing a government can do best. It would be a lot of busy work, but Labor and Commerce have all the information one would need to make the case.

I recognize that such a project may have no immediate pay off. Labor could be a hopeless cause for the time being and hammering at them might take resources which could be better applied elsewhere. But I believe that it is a job that needs to be done sometime and the sooner the better. It might be worth a couple of votes this year.

Anyway, that is a niche in your large effort in which I have particular interest. If I can be helpful to you in any way, please consider me a volunteer.

Again, my thanks - and best regards.

TRADE

White House Cranks Up Push For Renewal of Fast Track

With the balanced-budget battle behind him, President Clinton is ready to engage Congress on another tough challenge: crafting legislation to renew his authority to negotiate multi-lateral trade deals.

He has assembled a team of private-sector, Cabinet and sub-Cabinet officials and charged them with drafting a bill and shepherding it through Congress in September and October. The target date for introducing legislation is the week of Sept. 8; the administration hopes to write a bill that the Republican congressional leadership as well as free-trade Democrats can support, according to an official at the office of the U.S. Trade Representative.

Clinton also has started reaching out to Congress. He invited two dozen Democratic lawmakers to the White House in late July — at the height of negotiations on the budget-reconciliation bills — to discuss the upcoming trade debate.

The negotiating authority, known as fast track, guarantees that once the president submits a trade agreement to Congress, lawmakers cannot amend it and must vote on it within 90 days. Foreign countries are reluctant to begin serious trade negotiations without fast-track legislation in place for fear that, once they finished negotiating with the executive branch, Congress would force a second round of negotiations aimed at winning more concessions.

Fast track expired at the end of 1994 after Congress approved both the North American Free Trade Agreement (NAFTA) with Canada and Mexico and the General Agreement on Tariffs and Trade (GATT), which created the World Trade Organization (WTO). (*1994 Almanac*, p. 123)

"I am calling on the Congress to enact fast-track legislation so we can continue our aggressive drive to open markets to our goods and services and create more high-skilled jobs for the American people," Clinton said July 24, when he announced his appointment of Jason S. Berman, chairman and CEO of the Recording Association of America, to coordinate the administration's efforts.

Leading the effort within the administration will be Trade Representative



Gephardt



Matsui

Charlene Barshefsky, along with White House Chief of Staff Erskine Bowles, Treasury Secretary Robert E. Rubin, Secretary of State Madeleine K. Albright and Commerce Secretary William M. Daley. Those four Cabinet-level officials and Clinton met with congressional Democrats for more than two hours in the White House residence.

"He asked members who are on the fence or uncommitted to keep their powder dry until he unveils his proposal and he has a chance to talk with them again," said Rep. Robert T. Matsui, D-Calif. "You could really feel his commitment to the issue."

More Than Mexico

Barshefsky told reporters that the administration is seeking to put itself in the best position to negotiate a variety of trade agreements with individual countries, as well as groups of countries such as the Asian-Pacific Economic Cooperation (APEC). She played down the idea of using fast track to expand NAFTA to include other countries, perhaps because of the lackluster report released early in July about NAFTA's effects on the U.S. economy.

"Fast track is about a global trade strategy," said Barshefsky. "To say it's about NAFTA belies the global agenda and reduces the debate about where America is headed on trade policy to its relations with Mexico, a developing country with which we share a 2,000-mile border."

Barshefsky outlined three types of trade deals for which the United States needs fast track in order to hold serious discussions:

- WTO agreements in areas including agriculture, government procurement and services.
- Bilateral and multilateral free-trade

agreements, including one with Chile that could be the gateway to a hemispheric agreement known as the Free Trade Area of the Americas, and possible agreements with South Africa, Australia and New Zealand.

• Agreements with APEC in a variety of areas including information technology and biotechnology trade.

Bipartisan Opposition

Despite Clinton's avowed commitment to getting fast track reauthorized, he faces serious obstacles both within the Democratic Party and from Republicans. The House Democratic leader, Richard A. Gephardt of Missouri, and House Minority Whip David E. Bonior, D-Mich., strongly oppose fast-track reauthorization. They say that before setting the stage for new trade agreements, Congress ought to review and perhaps modify the free-trade agreement with Mexico and Canada.

Republicans, who, as a party traditionally have been more supportive of free trade than Democrats, now have significant numbers in their ranks who have never voted on major trade issues. And a greater number of GOP lawmakers come from the South and other regions where free trade has meant job loss in industries such as textile and footwear manufacturing.

Furthermore, even among free traders there are sharp disagreements about whether the new fast-track legislation should include environmental and labor standards as a goal of trade negotiations. Democrats say it should. Republicans oppose including them, arguing that labor and environmental lobbies are trying to win through trade negotiations what they cannot win in Congress. However, GOP lawmakers say they would accept language that allowed the negotiation of trade-related environmental and labor standards — a narrower approach.

There is no compromise yet in sight. On Aug. 14, White House spokesman Mike McCurry said White House and Cabinet staff were still working on it. However, officials on the Hill and in the administration say that it might be possible to sidestep the labor and environment questions, depending on how the scope of fast track is defined. For instance, labor and environmental standards are likely to be a minor part of the WTO-related negotiations and those with the Asian-Pacific Rim countries. However, they are likely to be a more significant issue in negotiations to create a Free Trade Area of the Americas.

By Alissa J. Rubin

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LABOR GROUPS TO KICK OFF CAMPAIGN ON FAST TRACK IN EARLY SEPTEMBER

Date: August 15, 1997 - Inside US Trade -

The president of the AFL-CIO this week said that his organization will pursue a major campaign aimed at ensuring that any extension of fast-track negotiating authority permits agreements on labor and environmental standards. The group is currently using the August recess to assess the positions of individual members of Congress on fast track and will likely launch a concerted lobbying effort in early September, according to informed sources.

"We haven't decided yet what we will be doing, but you can rest assured that we will probably be doing some [public relations] and television work related to our campaign," AFL-CIO President John Sweeney said in an Aug. 11 press conference. "We will continue to oppose any process -- whether the extension of NAFTA or fast-track authority -- that does not include environmental protections, human rights protections and labor standards," Sweeney said.

Sweeney made the comments during the unveiling of a television advertising and grass-roots campaign launched this week aimed at improving the public profile of unions. Although the effort "will have a positive result in terms of all our work," there will be more "specific and directly-related work" during the fast track debate, Sweeney said.

The AFL-CIO is currently assessing support among members of Congress for its stand on fast track, and will not come out for or against anything until the Clinton Administration unveils its own proposal, Sweeney said. The group is taking a "wait-and-see" attitude regarding what it tells members who oppose them on this issue, he said.

Sweeney said the Administration has hinted that it would not support the AFL-CIO position on fast track, and he argued that such a stance would doom the bill in Congress. "I don't think they have the votes," he said.

Although the AFL-CIO has "over 70" affiliates, the United Auto Workers, the Steelworkers, the Teamsters and UNITE are likely to be the "most active" in the fast track campaign, an informed source said. Those groups are part of the current effort to raise the fast track issue in members' districts, the source said.

The Administration's main message to organized labor during the fast track debate will be that "upwards of 70 percent and maybe 90 percent" of the Administration's upcoming trade agenda does not "go to the issues being raised" by organized labor, an Administration official said. The focus of organized labor has been on the impact of bilateral free trade agreements on labor, but only Chile is a candidate for an FTA, so bilaterals are a "very, very small portion" of the Administration's trade agenda, the official said.

Upcoming negotiations include primarily World Trade Organization talks in the areas of government procurement, intellectual property, agriculture and services, as well as a continuation of sectoral agreements, such as the Information Technology Agreement, the Administration official said. The Asia-Pacific Economic Cooperation forum and the Free Trade Area of the Americas need to move forward as well, the official said.

"That would form the bulk of what this President would" pursue under fast track, the official said. "There is nothing threatening [towards organized labor] in the trade agenda, nor is there anything threatening in the context of Chile."

The Administration is now planning to unveil its legislative proposal for fast track the week of Sept. 8,

and has tentatively scheduled a White House announcement, "most likely" including President Clinton, for Sept. 10, according to an Administration official. There was a White House meeting on fast track last week, and the Administration is currently focused on hammering out the final issues related to the substance of its fast track proposal, rather than on ascertaining congressional support for any proposal it might put forward, the official said.

U.S. Trade Representative Charlene Barshefsky hinted last week that the Administration could live with a formulation proposed by House Ways and Means trade subcommittee Chairman Phil Crane (R-IL), but said officials were also considering other options. Crane has proposed that fast track extend only to labor and environment issues which are "directly trade-related," and congressional sources have suggested that the Administration and House Republicans could also use report language to find common ground on the labor-environment issue (*Inside U.S. Trade*, Aug. 8, p. 1).

An Administration official declined to specify when a decision would be made on key substantive issues, including labor and environment, but noted that Barshefsky will not return from vacation until Aug. 25. By the first week of September, the Administration will be "mak[ing] the rounds" with its bill prior to its formal introduction, the official said.

The "directly trade-related" formulation is "promising" but could also serve to create other problems down the road, the official said. For example, putting this language in a fast track bill and then using report language to clarify what labor and environment provisions it could cover could turn the debate over bill language into an equally contentious debate over report language, the official said.

"[Y]ou may have finessed the fundamental question, but people then are going to make an effort in a somewhat related forum to see how they get advantaged or disadvantaged in terms of the definition," the official said.

In addition, such a formulation also runs the risk of creating "a more difficult environment in which to bring back a trade agreement" because of disagreement over the interpretation of fast track legislation, the Administration official said.

"It's promising, but it's not all that clear that it's a silver bullet," he said.

The Administration is also considering ways in which the congressional role in developing trade agreements can be enhanced, according to an Administration official. Such provisions would be aimed at countering the impression that Congress cedes too much authority to the Executive Branch when it grants fast track.

The official hinted that new fast-track authority could call for participation during trade negotiations by members of Congress outside the traditional committees of jurisdiction for international trade. "The fact is, trade agreements per se have become much more complicated and probably do cover a wider swath of jurisdictional issues," the official said. "[T]here probably does need to be a higher degree of consultation."

The Administration has previously signalled its support for the enhanced consultation procedures proposed by Crane, which would bring Congress into the process earlier in the negotiation of new agreements (*Inside U.S. Trade*, Special Report, July 31, p. S-3).

In a related development, House Minority Leader Richard Gephardt (D-MO) this week began a week-long trip to Latin America that will include stops in Chile, Argentina and Brazil. The trip is focused on "various bilateral, regional and multilateral issues the U.S. Congress will face in the future," and will include discussions with local officials, labor and representatives of U.S. business in the region, according to an Aug. 13 press release.

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Best,
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NAFTA EXPANSION

*OFF THE FAST TRACK,
ON THE RIGHT TRACK*



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