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Fast Track Strategy/Planning

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September 3, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: CHARLENE BARSHEFSKY

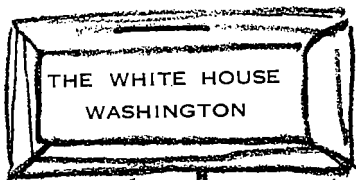
SUBJECT: Fast Track

John Hilley, Jay Berman and I will meet today with Messrs. Archer and Dreier on the fast track bill. Our chief objectives in this initial meeting are (1) to establish an underlying degree of trust; (2) to test Republican flexibility, if any, on key points; and (3) to agree on the need to move a bill quickly. No final substantive decisions will emerge from this initial meeting. Rather, this is intended as a listening session. John, Jay and I will report the results of the meeting to the principals' group that Erskine has assembled, which will convene at 5pm today to consider and recommend next steps in light of the initial consultation.

There are four issues as to which Republican flexibility will be tested: (1) "trade related" labor and environment; (2) the scope of permissible implementing legislation; (3) the duration of the fast track authority; and (4) congressional notice and consultation requirements. As to labor and environment, we intend to explore the bounds of Archer's "trade related" framework. Were we to accept such a framework, we must ensure that we would retain the ability to replicate essentially the NAFTA and its supplemental agreements so as not to prejudice our ability to move forward on key labor and environmental issues. We will also test whether there is Republican flexibility beyond this point, but we are not at all sanguine.

On the scope of permissible implementing legislation, we will assess the extent of Republican opposition to the broad, historic formulation, which provided fast track procedures for legislation "necessary or appropriate" to implement the trade agreement. Mr. Archer's most recent formulation is significantly more restrictive; he believes that the fast track process was abused in 1994 by the inclusion in implementing legislation of extraneous matters. Again, while we are not sanguine that they will be particularly flexible, neither Republicans nor Democrats can afford implementing legislation that is so restrictive as to undermine the ability to pass trade agreements when presented. Whether this realization results in practical, rather than ideological, discussions remains to be seen.

We also intend to discuss the duration of the fast track authority and the congressional notice and consultation requirements with which the Administration must comply to qualify for fast track procedures. We have latitude in these areas, and our initial interest will be to determine the Republicans' minimum expectations.



Aspire Wt8.

In terms of the
overall effort -
not having a decision
not that painful -
just helpful if there
had been a strong
target -

- But we do need to
make some decision
now so that drafting
and stakeholder review
is wholehearted

Vocateurs - need to do it
THE WHITE HOUSE
WASHINGTON

- we can't let 9/10
slip

- time frame -
even more at mercy of
Rep. leadership

- we need to mobilize
protest force - so that
there is both left and
right

- Dan Tammello
Policy options
Charlene



THE WHITE HOUSE
WASHINGTON

- Legislative restrictions
are side agreements
- Meier: will do it
- POTUS - cooperative
agreement
- How to avoid prescription
by Congress
how? 301?
- Necessary & appropriate

THE WHITE HOUSE
WASHINGTON

Trade Related
{ Pros - Challenge
Cons -

Don
challenge
Orin 2

Trade
related

Not now
when?

THE WHITE HOUSE
WASHINGTON

Game - can it be
structured in regard
to Silents

Don - Chile only -
- does it end the
labor + environment -
- no!

Chairman -

Six Issues
Two for the Pros

labor and environment
Whip Group - recommenda two

{
 TAA
 plant closing
 UT

THE PRESIDENT WAS SEEN
7-24-97

THE WHITE HOUSE
WASHINGTON

do + on
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as much of

El Paso

- poster
chill

July 23, 1997

like
Tahoe

MR. PRESIDENT:

On the fast-track decision memo I sent you last night, I inadvertently left Bob Rubin's name off of the list of supporters of Option 1 under the "views" section of my cover memo.

Bob's name is listed on the underlying NSC/NEC memo, but he is not listed on my cover memo. He wanted to make sure you knew he supported Option 1 regarding the labor/environment issue.

* trade
 * related
 Chile

Gene
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 on the

Phil Caplan

copied
 Berger
 Sperling
 Tarullo
 Hilley
 COS

John H.
 wrote on of his
 Sept 3 - 1997

change
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Executive authority
 - Chile will sign NAFTA & etc
 - no trade launch
 - clean see not an option
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 had a lot of... → a lot was
 in early of NAFTA

② scope
 - Chile...
 - paid...
 - how to add to
 Chile -
 whip... no vote;
 connect; deny...
 - who else

③ Dem... can't be fixed
 minimize...
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 retail -
 duration -
 Chile... only

- independent
 Swiss...

→ one sell - two

Free notes
 Alex

THE WHITE HOUSE
WASHINGTON

July 23, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN *Phil*

SUBJECT: Fast Track

The attached Berger/Sperling/Tarullo/Hilley memo makes a recommendation on two issues with regard to our fast track campaign: 1) our message regarding the use of fast track authority; and 2) our opening position on the labor/environment issue. *There is agreement among your advisors on message/use, and disagreement on our labor/environment posture. However, you do not need to make a decision now. We've been asked to get the memo to you this evening so you can be familiar with the issues during your meeting tomorrow with Members of Congress.*

Uses. The issue here is on which of your four primary trade initiatives -- Free Trade Area of the Americas (FTAA)/Latin America; APEC/Asia; Africa; Multilateral organizations (GATT/WTO) -- should the fast track campaign focus. Your advisors agree that the case should be built upon the FTAA and continued Latin American trade expansion, but that we must emphasize that fast track will also help advance the other initiatives. Opponents will seek to make this a referendum on NAFTA, and the campaign could be seen as not far-reaching enough as only one Free Trade Area (FTA) is likely to be concluded before you leave office (Chile). Principals have discussed the possibility of identifying other bilateral FTA candidates, but negotiations are not far along, so we will indicate we are considering other candidates, but only after thorough analysis.

Labor/Environment. The memo recommends taking only a preliminary position to serve as a basis for consultations on the Hill, although there is disagreement among our advisors on which position to take. There are two parts to this issue: 1) what we commit to do outside of any free trade agreements; and 2) what labor/environment provisions should be included within any agreement.

Outside: Principals believe we should negotiate side agreements as appropriate, regardless of what can be included in the agreement itself, as this would reaffirm our commitments made during NAFTA. The approach will vary for each country, but we will maintain that side agreements can be reached through executive authority and would not require legislation. If asked, we would state our willingness to enforce them through trade sanctions similar to those in the NAFTA agreements. Principals feel making side agreements a precondition of new trade agreements, would restrict our ability to reach overall agreements in the U.S. interest -- different countries warrant different approaches. *There is no disagreement among your advisors on this issue.*

Inside: Principals believe the position held by Rep. Gephardt -- include the agreements fully and make them enforceable through sanctions -- is not realistic, could not be negotiated and would receive no support from the GOP or business. Therefore, three options are presented: *Option 1:* accept a position offered by Rep. Archer that would allow provisions to be in the bill that are "specifically related to trade," a term that was almost the basis for agreement between Archer and Ambassador Kantor in 1994. Archer's definition of the term is narrow, i.e., less labor/environment provisions would be included. Under this option, we would accept his term but leave the definition more open-ended. *Option 2:* accept Archer's term but more broadly define it. This approach would specify a fairly far-reaching definition. For example, the types of provisions that were in the NAFTA side agreements would be included in basic trade agreements, and these provisions would be subject to normal dispute settlement, with the possibility of sanctions. *Option 3:* support a clean bill that makes no reference to labor/environment, theoretically permitting any labor/environment provisions because there is no limiting language.

Views. *Option 1 is supported by USTR, NSC, NEC, Commerce, State, Mack McLarty, Jay Berman and Vicki Radd.* They feel it is best to start at a position close, though not identical to, the position of the coalition you are likely to need. Supporters of this option believe taking a more postured and explicit position (*Option 2*) will cause parties to lock into positions and divide the coalition. *Option 2 is supported by John Hilley, Rahm, John Podesta and CEQ.* They feel we are better positioned if we stake out a tougher position, show solidarity with Democratic concerns and give opposing Dems less running room. Supporters of this option think *Option 1* makes us too dependent on Republican support and signals that we have thrown in our lot with the GOP. They recognize we may need to move off of this position, but would be better served if we took the *Option 2* approach at the outset as a negotiating posture. *There is no support for Option 3.* Although this option will permit us to argue it's the same authority granted by President Bush, distinguish us from Archer and avoid a negotiation with him over his definition of terms, it will unite opposition over ambiguity, fueled by lingering distrust from past negotiations.

Option 1 _____ Option 2 _____ Option 3 _____ Discuss _____



THE WHITE HOUSE

WASHINGTON

July 23, 1997

17 JUL 23 1997

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM:

SAMUEL BERGER *SB*
GENE SPERLING *GS*
DANIEL K. TARULLO *DT*
JOHN HILLEY *JB/JH*

SUBJECT:

Fast Track

We continue to use the July-August period to organize our efforts and prepare for a more visible Congressional and public campaign in September. We also need to finalize our position on two key substantive issues: 1) the negotiations for which we will use fast track authority; and 2) our opening position on the labor/environment issue. This permits us to sharpen our message and begin some quiet, limited Hill consultations before the August recess -- and to prepare for your Thursday meeting with Members.

Uses of Fast-Track Authority

Although we will continue to refine our message framework and develop the most cogent presentation possible, our broad message regarding the uses of fast-track authority clearly should build on three points. First, trade expansion has been a key element of the Clinton economic strategy that has created 12 1/2 million jobs, brought core inflation to a 30-year low and created sustained economic growth. Second, as we enter the 21st Century, we need to be in front of world trade opening efforts, not lagging behind and losing market opportunities. Third, fast track will advance a coherent trade strategy built around four Presidential initiatives:

FTAA/Latin America: As the hemisphere integrates, the United States must not be left behind. Negotiating free trade with Chile is key to exerting American leadership in the FTAA process, to be launched during your April 1998 trip to Santiago.

cc: Vice President
Chief of Staff

APEC/Asia: We should build on APEC's success by negotiating sectoral agreements in key areas that are springboards to global market opening (in the same way that the 1996 APEC Information Technology Agreement led to the global agreement).

Africa: We would build on our Africa trade and investment initiative by indicating our readiness to begin free trade talks with South Africa when it is ready.

Multilateral: We would continue a 50-year record of American leadership in the GATT/WTO that has substantially lowered global trade barriers and contributed to a 90-fold increase in world trade. Upcoming WTO talks in key areas like agriculture, services, intellectual property rights and government procurement create significant opportunities to reduce foreign barriers.

The Principals recognized that talk of Latin trade can be used by fast-track opponents, who seek to make this debate a referendum on NAFTA. Despite this sensitivity, the Principals felt we must forthrightly make the case for the FTAA and continued Latin American trade expansion, as it is an integral part of our agenda and buttresses our broader themes of global leadership and market opening. However, our hemispheric message is leavened by the fact that the only Latin FTA likely to be concluded during your term is Chile.

A focus principally on Chile and sectoral agreements may cause some Members to question whether this agenda is sufficiently far-reaching to be worth the fight. Principals discussed the possibility of identifying additional bilateral FTA candidates. However, discussions with other countries are not sufficiently advanced, and we would need to know that they helped, rather than hurt, political prospects for fast track. Thus we propose to indicate that we would consider a limited number of additional bilateral FTAs in your second term which could advance U.S. trade policy aims in APEC or elsewhere, but only after thorough analysis and consultations. (For your information, USTR has been thinking of Australia, New Zealand, and possibly others, but there are still questions about them.)

Labor/Environment

We need to settle on our labor/environment position so Charlene can consult quietly on the Hill before the August recess, permitting a quick rollout in September. Our position should be seen only as preliminary, subject to revision after consultation with the Hill. Ultimately, the Administration may need to broker a deal between Republicans and swing Democrats. If past trade

legislation is any guide, swing Democrats and others may want to include other provisions (e.g., worker retraining, general trade law reform) going beyond labor/environment. We will not initiate these at the outset, but we should anticipate them.

There are two parts to the labor/environment issue: 1) what we commit to do outside (parallel to) any free trade agreements; and 2) what labor/environment provisions should be included within any free trade agreement.

Outside the Trade Agreement: The Principals believe we should negotiate labor/environment side agreements as appropriate, regardless of what can be included in the trade agreement. This would reaffirm our promotion of worker rights and the environment consistent with our NAFTA record. We would argue no one approach fits all countries, so the need for agreements and the terms may vary by country (e.g., New Zealand v. Brazil). Side agreements essentially equivalent to those for NAFTA could be reached through executive authority and would not require legislation. If asked, we would state our willingness to enforce side agreement through trade sanctions similar to those in the NAFTA side agreements (i.e., sanctions imposed only to collect "fines" assessed against a country's failure to enforce its labor/environment laws), while eschewing a broader use of trade sanctions. Some in the business community may oppose even this, but others may not and we feel it is essential to persuade swing Democrats of our ongoing labor/environment commitment.

Some have suggested labor/environment side agreements should be a precondition of new trade agreements. The Principals felt this would unduly restrict our capacity to reach agreements in the U.S. interest (and which may, on their own, promote better labor/environmental practices.) Also, countries vary: Australia and New Zealand do not warrant the same approach as Mexico. Although a country's labor/environment record would not be a precondition, it would, of course, be an informal consideration (i.e., we are unlikely to negotiate with a country having a bad environmental record and showing no willingness to address its problems).

You should be aware some will argue this approach steps back from your NAFTA position because you are not insisting on full NAFTA-like side agreements for every country. Again, we can argue that different countries justify different approaches.

Within the Trade Agreement: The second, and more controversial, issue is the extent to which labor/environment provisions can be included within fast-track trade agreements. Gephardt insists they be fully included and enforceable through trade sanctions, perhaps even through privately initiated actions. The Principals believe this would be neither feasible to negotiate nor, in the

view of many, desirable. It would likely lose most Republicans and the business community, making it impossible to assemble a coalition for passage.

Representative Bill Archer favors allowing on the trade bill labor/environment provisions that are "specifically related to trade," a formulation that was almost the basis for agreement between Ambassador Kantor and Archer in 1994. The phrase has some appeal: it makes sense that only trade-related provisions would be in a trade agreement. However, Archer's definition is quite narrow (e.g., sanctions apply against a country enacting environmental protections that are really disguised barriers to trade, a definition that, if anything, limits environmental protection). The definition could be broader (e.g., country reduces export costs by failing to enforce its labor/environment laws), but Republicans and the business community are rallying around the term, narrowly defined.

You should be aware Charlene believes we will ultimately end up with a fairly narrow definition of "trade-related" coupled with a commitment by the Administration to negotiate side agreements when appropriate. For this reason, she believes it is important you be comfortable with accepting this formulation eventually. If so, the choice between the options below may heavily be a tactical question of the best place to start. There are three options:

Option 1: Trade-Related "Plus": We would essentially accept Archer's "specifically related to trade" term, but leave the definition a little more open-ended. This would permit us to seek a broader definition, but not put us in opposition to a term -- and a fairly narrow definition -- that Charlene believes is likely ultimately to prevail. We could correctly present the term as one we embraced in 1994. No matter how the term ultimately is defined, we would state our intention to negotiate labor/environment side agreements when appropriate.

Option 2: "Trade-Related" Broadly Defined: Instead of leaving ambiguous the breadth of the definition of "trade-related", this approach would specify a fairly far-reaching definition. So, for instance, the provisions on persistent failure to enforce labor or environmental laws that were included in the NAFTA side agreements could be included as provisions in a basic trade agreement, so long as this failure was related to trade (i.e., affected imports or exports). These provisions would be subject to normal dispute settlement under the trade agreement, with the possibility of trade sanctions/fines if a country did not comply with a dispute settlement panel's ruling. In addition, we would articulate some threshold criteria indicating which countries we would choose to negotiate with. We would also seek to set up some informal review mechanism by Congress before entering

{ Criteria & Procedures

two only
Option 2

negotiations with any one country. Again, we would negotiate labor/environment side agreements, when appropriate.

Option 3: Clean Bill: The bill would make no reference to labor/environment, theoretically permitting any labor/environment provisions (because there is no limiting language). This permits us to argue it is the same authority granted President Bush, distinguishes our position from Archer's, and avoids a thorny negotiation over Archer's definition of "trade-related." However, this may be only a short-term position, since Republicans and the business community will unite in opposition to ambiguity, fueled by lingering distrust over past negotiations. It will probably quickly drive us into a debate over "trade-related" or some variant or cause us to forswear labor/environment provisions in trade agreements. For these reasons, no Principals favor this option.

USTR, Treasury, NSC, NEC, Commerce, State, Mack McLarty and Jay Berman favor Option 1. They feel it is best to start at a position close, though not identical to, the position of the coalition you are likely to need (many Republicans, the business community, some swing Democrats). They feel the more explicit Options 2 position will cause parties to lock into positions from which agreement will be more difficult, divide our coalition rather than uniting it and grind progress to a halt. The business community, which will be an important engine behind this effort, will refuse to be active until this issue is resolved. Those on the left will push for more an even more aggressive labor/environment stance than the postured position. Therefore, we will be caught in a two front war, with little support. Eventually, we will need to move off our position, which will only hurt us with swing Democrats. They believe if our goal is to secure fast track in 1997 or early 1998, Option 2 makes it virtually impossible.

John Hilley, CEQ and John Podesta favor Option 2. They feel we are better positioned if we stake out a tougher position, show solidarity with Democratic concerns and give opposing Democrats less running room substantively to oppose our opening position. They believe Option 1 makes us too dependent on Republican support and that Option 1 will signal to Democrats that we have thrown in our lot with the Republicans, making it difficult to secure more than a core 20-40 Democratic votes. They believe other approaches may place passage of the bill at risk. With so few Democratic votes for the bill, and Republican support possibly topping out at 170-180 votes, the bill may fail. A related danger is that a clear, early signal that the bill will be passed by Republican votes gives us little leverage to shape the bill, further threatening Democratic support. They recognize we may need to move off this opening position, but believe we would be better served if we took this approach at the outset.

Those favoring Option 1 are concerned about the establishment under Option 2 of threshold criteria and informal Congressional review mechanisms before negotiations with a country begin. They fear starting down this road would result in Congress enacting rigid, statutory criteria and a Congressional vote before we could begin any negotiations, hobbling our trade agenda and damaging bilateral relations.

Under either Option 1 or 2, if you eventually accept a more narrow definition of "trade-related" some will argue you are backtracking on your NAFTA approach by not insisting labor/environment provisions be included in the trade agreement itself. Your October 1992 Raleigh speech on NAFTA references that labor/environment provisions were "serious omissions" from the Bush-negotiated NAFTA. (There is no discussion of future trade agreements.) We think you can argue that a "trade-related" approach does envision inclusion of some provisions in the trade agreement and, as in NAFTA, side agreements may be sufficient to achieve our labor/environment objectives. This argument may persuade some, but probably not environmental groups.

Again, this should be seen as a starting position, subject to revision based on Hill consultations. In particular, we need to get the impressions of Democratic supporters (Matsui) and key swing Democrats (Rangel), who are critical to a successful coalition.

RECOMMENDATION

USTR, Treasury, NSC, NEC, State, Commerce, Berman and McLarty favor Option 1.

John Hilley, CEQ and Podesta favor Option 2.

Option 1 _____

Option 2 _____

Option 3 _____

Let's Discuss _____

POTUS Briefing 8/7

{ Bill
starts
Recess

Mr. President since the July 23rd options memo, Charlene and I have had a number of meetings with House Democrats including the fast track whip group, some ways and means members and both of us have spoken to Vic; Susan and I met with Cong. Gephardt and yesterday we had a very helpful discussion with the Senate Minority Leader's staff.

On Tuesday, a somewhat small group than this met with Edhine and after a prolonged discussion I think we reached a consensus on what I will call Option I Plus -- but the plus is a great deal more than just "trade-related" and that raises a number of technical issues that require decisions.

Before Dan and Charlene on the line w/pt these are I want to say a word about timing and process. Having waited this long, not having a bill before recess was a good strategic move but in order to begin detailing our proposal on September 3, we need to begin now to make the decisions that ^{we} can start the drafting and

supporting materials -- and give everyone a final look on September 2nd.

There is a note of caution and that is that this process needs to remain an internal one -- both in policy and political reasons.

In terms of process, we need to have a bill introduced the week of Sept 8 and that bill needs to walk a very fine line -- it needs to have the weight of fork hook supporters behind it and still give our Democratic members a reason not to be against it from the start. In other words, the bill needs to be the starting point of debate -- not the end.

Say something positive about fork hook this time around -- why under almost any circumstance this bill would be narrower than any other: fork hook is a great device for consensus on issues not contentious ones.

Jsy:

7 issues like

- 1) ^{Promising to} Victory Team Act
- 2) Money in our
FY 1999 Budget
(What we propose)
- 3) Administrative Action / Exec Orders

are types of Things That
we control and can keep in
our pocket

Gene

Most current

July 28, 1997

DRAFT

1430 7/29

ACTION

MEMORANDUM FOR SANDY BERGER
GENE SPERLING
DANIEL K. TARULLO /s/
JOHN HILLEY

FROM: ROBERT D. KYLE /s/

SUBJECT: POTUS Fast Track Meeting with House Members

Attached is a memo for the President for his meeting with House Democratic Members (Tab I) on Fast Track on Thursday, July 31. Talking points are also included (Tab A), as well Qs and As (Tab B) and a list of participants (Tab C).

Concurrence by: Bill Danvers /s/

RECOMMENDATION

That you forward the attached memo to the President.

Attachments

Tab I Memo for the President
Tab A Talking Points
Tab B Qs and As
Tab C List of Participants

*Fast Track
Strategy - Planning*

FAST TRACK MEETING WITH
SELECTED MEMBERS OF THE HOUSE

DATE: July 31, 1997
LOCATION: Yellow Oval Room
TIME: 6:30 - 7:30 p.m.

FROM: SAMUEL BERGER

GENE SPERLING

DANIEL K. TARULLO /S/

JOHN HILLEY

I. PURPOSE

To make our affirmative case for fast track to undecided Democratic House members and to encourage them to keep an open mind during the August recess.

II. BACKGROUND

This is the second small group meeting you are holding with House Democrats on fast track prior to the August recess. This second group contains Democrats who we feel can be persuaded, plus some supporters. As with the first meeting, we recommend your message be built around three themes.

1. Optimism/Future v. Pessimism/Past: This issue is at the center of our national debate about our future: whether we will meet the challenge to compete and win, or whether we will convince ourselves -- against the evidence -- that we should not move forward. Trade expansion has been a key element of a forward-looking economic strategy that has created 12 1/2 million jobs, brought core inflation to a 30-year low and created sustained economic growth.

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

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

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

As at the first meeting, we do not recommend you foreshadow our approach on labor/environment issues; it likely would leak and would make it even more difficult for Members to stay neutral during August. Instead, we suggest you reaffirm your commitment to these issues and indicate we will set forth an approach in September.

III. PARTICIPANTS

See Tab C.

IV. PRESS PLAN

White House Photographer

V. SEQUENCE

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

Attachments

Tab A Points to be Made

Tab B Q's and A's

Tab C Participants

Hill Participants

Representative James Moran
Representative Vic Fazio
Representative Silvestre Reyes
Representative Charles Stenholm
Representative Peter Deutsch
Representative Zoe Lofgren
Representative Tom Barrett
Representative Norm Dicks
Representative Jay Johnson
Representative Chris John
Representative Adam Smith
Representative David Minge
Representative Nita Lowey
Representative Bill Luther
Representative Vic Snyder
Representative Lee Hamilton
Representative Martin Meehan
Representative Michael McIntre
Representative David Price
Representative Floyd Flake
Representative Bob Clement
Representative Jane Harman
Representative Bob Etheridge
Representative Ike Skelton
Representative Ellen Tauscher
Representative Harold Ford, Jr.
Representative John Murtha
Representative Bob Menendez
Representative Carolyn McCarthy
Representative Donald Payne
Representative Joseph Kennedy
Representative Julian Dixon
Representative Lloyd Doggett

Administration Participants

The President
Vice President
Secretary Rubin
Secretary Glickman
Secretary Dailey
Secretary Herman
Administrator Browner
Ambassador Barshefsky
Under Secretary Eizenstat
Erskine Bowles
Sandy Berger
Daniel K. Tarullo
Gene Sperling
John Hilley
Mack McLarty
Jay Berman
Vicki Radd
Susan Brophy
Bob Kyle
Bill Danvers
John Podesta/Sylvia Mathews

POINTS TO BE MADE FOR MEETING ON
FAST TRACK

Introduction

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

Optimism/Future v. Pessimism/Past

- This issue is at the heart of our effort to define America's future. It tests whether we will confidently meet the challenge to compete and win in the global economy, or whether we will convince ourselves -- against the evidence -- that we should not move forward. As President, I have tried to adopt a forward-looking economic strategy that guides our country into the 21st Century. And it is clear to me that international trade is central to that strategy:
 - Over the next decade, the global economy is expected to grow at three times the rate of the U.S. economy. Over the past four years, one-quarter of our economic growth came from trade. In a world where over 96 percent of the world's consumers live outside the U.S., we must export to sustain growth at home.
- Our strategy has made the American economy the envy of the world. We are perfectly positioned to seize these trade opportunities.
 - We have enjoyed the longest period of sustained growth of all of our G-7 partners - seven years as of last March. We have created 12 million net new jobs, more than all of the other G-7 countries combined. The unemployment rate was 5 percent in June, the lowest in over 23 years.
 - We are once again the world's largest exporter, the largest producer of semiconductors, the largest producer of automobiles. Independent studies have found America to be the most competitive economy in the world for the past five years. No country in the world is better positioned to compete.

Global Leadership

- To continue that record, I need the authority to continue opening markets. Without it, America will not maintain its leadership position in world trade and a critical part of our economic expansion will stall. We must be in front of market opening efforts, not lagging behind and losing opportunities.
- Let's not kid ourselves -- if we don't act, others will.
 - Since 1992, in Latin America and Asia alone, other countries have reached more than 20 preferential trade agreements without us.
 - Today every major economy in this hemisphere has a preferential trade deal with Chile, except the United States. Chile has an 11 percent across-the-board tariff that these countries are eliminating for their products. That means every time an American company competes to sell to Chile, it will face an immediate 11 percent cost disadvantage compared to its Canadian competitor. Canada's Northern Telecomm won a \$180 million telecommunications contract over three U.S. companies in part because it could avoid paying \$20 million worth of tariffs.
 - The EU, China and others are on the move. The EU has begun a process to reach a free trade agreement with Brazil, Argentina and other MERCOSUR countries. President Chirac has declared "the future of the region rests with Europe, not the United States." China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America.

Significant Market Opportunities

- The potential gains are great, if we seize them. If you give me the authority, we will attack foreign trade barriers on a number of fronts:
 - Sectoral Agreements: We would negotiate agreements in sectors where the United States is most competitive. The recent Information Technology Agreement, for example, eliminated tariffs and unshackled \$500 billion of trade in semiconductors, computers, telecommunications equipment and software, amounting to a \$5 billion tax cut in tariffs on American exports. With fast track authority, I can tear down more barriers in areas like medical equipment and environmental technology, where America leads the world.

- Latin America/Caribbean: This area was the fastest growing market for U.S. exports in 1996. If trends continue, Latin America and the Caribbean will exceed the EU as a destination for U.S. exports by 2000 and exceed Japan and the EU combined by 2010. We remain committed to the Free Trade Area of the Americas process. Chile would be our first step in this process.
- Asia: Contains the fastest growing economies in the world, with nearly 3 billion people. Forecasters expect real growth of 6-7 percent annually for the next 15 years. In APEC, we are working to reach agreements in key sectors that could open these markets to America's most competitive products. Without fast track, that process will come to a halt.
- Africa: Working with Congress, I recently launched an Africa trade initiative. Africa's nations are joining the march toward freedom and open markets -- and we should encourage it. Sub-Saharan Africa alone has 700 million people, but we supply only 7 percent of Africa's imports. We want to explore negotiations with South Africa when it is ready.
- Global: Over 50 years of persistent American leadership has helped bring down global tariffs from an average of 40 percent at the end of World War II to about 5 percent today, leading to a 90-fold increase in global trade. Upcoming WTO talks on agriculture can help us cut barriers and subsidies in the \$526 billion global farm market. We can eliminate barriers to services trade, a \$1.2 trillion global market, where U.S. firms had a surplus of \$74 billion in 1996.

Conclusion

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

QUESTIONS AND ANSWERS
FAST TRACK MEETING

NAFTA

Q: NAFTA is relevant to fast track. Critics argue that NAFTA has cost us over 400,000 jobs. Our trade surplus has turned into a deficit. If NAFTA was a failure, why should we extend it to the rest of the hemisphere and beyond?

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

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

Q: What will you do about labor/environment in future trade agreements?

A: I share your concerns about labor and environmental issues. We must remain committed to promoting worker rights and ensuring that economic growth is not at the expense of the environment. In the fall, I will set forth a proposal addressing these concerns. In the meantime, I ask you to keep an open mind.

But failing to engage these countries will not improve their worker rights or the environment. These countries will advance economically, whether or not we negotiate trade agreements with them -- and other countries won't be as concerned about their labor or environmental protection. By leading the world, we have a far better opportunity to promote our values than by disengaging.

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

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

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

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

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

- Our competitors would like nothing better than to have us rehash the NAFTA debate for four years, while they seize new market opportunities.
- Inaction will simply let foreign barriers stand. When we reach these trade agreements, we give up very little, while other countries give up far more. When the Uruguay Round is phased in, our tariffs will average only 2.8 percent. Other countries are far higher: India (31 percent); Thailand and Turkey (26 percent); Chile and Indonesia (11 percent). Becoming mired in a debate about NAFTA won't level the playing field.

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

A: No. U.S. foreign direct investment in Mexico averaged \$3.1 billion in 1994-96, little changed from the \$2.5 billion the year before NAFTA took effect. The \$3.1 billion was less than 0.3 percent of gross private fixed investment in the United States in

1996. The Big 3 invested \$39 billion in the U.S. economy in the last three years, only \$3 billion in Mexico.

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

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

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

Trade Generally

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

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

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

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

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

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

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

Hill Participants

Representative James Moran
Representative Vic Fazio
Representative Silvestre Reyes
Representative Charles Stenholm
Representative Peter Deutsch
Representative Zoe Lofgren
Representative Tom Barrett
Representative Norm Dicks
Representative Jay Johnson
Representative Chris John
Representative Adam Smith
Representative David Minge
Representative Nita Lowey
Representative Bill Luther
Representative Vic Snyder
Representative Lee Hamilton
Representative Martin Meehan
Representative Michael McIntre
Representative David Price
Representative Floyd Flake
Representative Bob Clement
Representative Jane Harman
Representative Bob Etheridge
Representative Ike Skelton
Representative Ellen Tauscher
Representative Harold Ford, Jr.
Representative John Murtha
Representative Bob Menendez
Representative Carolyn McCarthy
Representative Donald Payne
Representative Joseph Kennedy
Representative Julian Dixon
Representative Lloyd Doggett

Administration Participants

The President
Vice President
Secretary Rubin
Secretary Glickman
Secretary Dailey
Secretary Herman
Administrator Browner
Ambassador Barshefsky
Under Secretary Eizenstat
Erskine Bowles
Sandy Berger
Daniel K. Tarullo
Gene Sperling
John Hilley
Mack McLarty
Jay Berman
Vicki Radd
Susan Brophy
Bob Kyle
Bill Danvers
John Podesta/Sylvia Mathews

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THE WHITE HOUSE

WASHINGTON

July 23, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN *Phil*

SUBJECT: Fast Track

The attached Berger/Sperling/Tarullo/Hilley memo makes a recommendation on two issues with regard to our fast track campaign: 1) our message regarding the use of fast track authority; and 2) our opening position on the labor/environment issue. *There is agreement among your advisors on message/use, and disagreement on our labor/environment posture. However, you do not need to make a decision now. We've been asked to get the memo to you this evening so you can be familiar with the issues during your meeting tomorrow with Members of Congress.*

Uses. The issue here is on which of your four primary trade initiatives -- Free Trade Area of the Americas (FTAA)/Latin America; APEC/Asia; Africa; Multilateral organizations (GATT/WTO) -- should the fast track campaign focus. Your advisors agree that the case should be built upon the FTAA and continued Latin American trade expansion, but that we must emphasize that fast track will also help advance the other initiatives. Opponents will seek to make this a referendum on NAFTA, and the campaign could be seen as not far-reaching enough as only one Free Trade Area (FTA) is likely to be concluded before you leave office (Chile). Principals have discussed the possibility of identifying other bilateral FTA candidates, but negotiations are not far along, so we will indicate we are considering other candidates, but only after thorough analysis.

*Re: FTAA 2/1/98
Meeting
with
Hilley*

Labor/Environment. The memo recommends taking only a preliminary position to serve as a basis for consultations on the Hill, although there is disagreement among our advisors on which position to take. There are two parts to this issue: 1) what we commit to do outside of any free trade agreements; and 2) what labor/environment provisions should be included within any agreement.

Outside: Principals believe we should negotiate side agreements as appropriate, regardless of what can be included in the agreement itself, as this would reaffirm our commitments made during NAFTA. The approach will vary for each country, but we will maintain that side agreements can be reached through executive authority and would not require legislation. If asked, we would state our willingness to enforce them through trade sanctions similar to those in the NAFTA agreements. Principals feel making side agreements a precondition of new trade agreements, would restrict our ability to reach overall agreements in the U.S. interest -- different countries warrant different approaches. *There is no disagreement among your advisors on this issue.*

Inside: Principals believe the position held by Rep. Gephardt -- include the agreements fully and make them enforceable through sanctions -- is not realistic, could not be negotiated and would receive no support from the GOP or business. Therefore, three options are presented: *Option 1:* accept a position offered by Rep. Archer that would allow provisions to be in the bill that are "specifically related to trade," a term that was almost the basis for agreement between Archer and Ambassador Kantor in 1994. Archer's definition of the term is narrow, i.e., less labor/environment provisions would be included. Under this option, we would accept his term but leave the definition more open-ended. *Option 2:* accept Archer's term but more broadly define it. This approach would specify a fairly far-reaching definition. For example, the types of provisions that were in the NAFTA side agreements would be included in basic trade agreements, and these provisions would be subject to normal dispute settlement, with the possibility of sanctions. *Option 3:* support a clean bill that makes no reference to labor/environment, theoretically permitting any labor/environment provisions because there is no limiting language.

Views. *Option 1* is supported by USTR, NSC, NEC, ^{Treasury,} Commerce, State, Mack McLarty, Jay Berman and Vicki Radd. They feel it is best to start at a position close, though not identical to, the position of the coalition you are likely to need. Supporters of this option believe taking a more postured and explicit position (*Option 2*) will cause parties to lock into positions and divide the coalition. *Option 2* is supported by John Hilley, Rahm, John Podesta and CEQ. They feel we are better positioned if we stake out a tougher position, show solidarity with Democratic concerns and give opposing Dems less running room. Supporters of this option think *Option 1* makes us too dependent on Republican support and signals that we have thrown in our lot with the GOP. They recognize we may need to move off of this position, but would be better served if we took the *Option 2* approach at the outset as a negotiating posture. There is no support for *Option 3*. Although this option will permit us to argue it's the same authority granted by President Bush, distinguish us from Archer and avoid a negotiation with him over his definition of terms, it will unite opposition over ambiguity, fueled by lingering distrust from past negotiations.

Option 1 ____ Option 2 ____ Option 3 ____ Discuss ____

What does it get you Dems?
What does it do re Reps?

THE WHITE HOUSE
WASHINGTON

July 23, 1997

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER *SB*
GENE SPERLING *GS*
DANIEL K. TARULLO *DT*
JOHN HILLEY *JB/JS*

SUBJECT: Fast Track

We continue to use the July-August period to organize our efforts and prepare for a more visible Congressional and public campaign in September. We also need to finalize our position on two key substantive issues: 1) the negotiations for which we will use fast track authority; and 2) our opening position on the labor/environment issue. This permits us to sharpen our message and begin some quiet, limited Hill consultations before the August recess -- and to prepare for your Thursday meeting with Members.

Uses of Fast-Track Authority

Although we will continue to refine our message framework and develop the most cogent presentation possible, our broad message regarding the uses of fast-track authority clearly should build on three points. First, trade expansion has been a key element of the Clinton economic strategy that has created 12 1/2 million jobs, brought core inflation to a 30-year low and created sustained economic growth. Second, as we enter the 21st Century, we need to be in front of world trade opening efforts, not lagging behind and losing market opportunities. Third, fast track will advance a coherent trade strategy built around four Presidential initiatives:

FTAA/Latin America: As the hemisphere integrates, the United States must not be left behind. Negotiating free trade with Chile is key to exerting American leadership in the FTAA process, to be launched during your April 1998 trip to Santiago.

cc: Vice President
Chief of Staff

APEC/Asia: We should build on APEC's success by negotiating sectoral agreements in key areas that are springboards to global market opening (in the same way that the 1996 APEC Information Technology Agreement led to the global agreement).

Africa: We would build on our Africa trade and investment initiative by indicating our readiness to begin free trade talks with South Africa when it is ready.

Multilateral: We would continue a 50-year record of American leadership in the GATT/WTO that has substantially lowered global trade barriers and contributed to a 90-fold increase in world trade. Upcoming WTO talks in key areas like agriculture, services, intellectual property rights and government procurement create significant opportunities to reduce foreign barriers.

The Principals recognized that talk of Latin trade can be used by fast-track opponents, who seek to make this debate a referendum on NAFTA. Despite this sensitivity, the Principals felt we must forthrightly make the case for the FTAA and continued Latin American trade expansion, as it is an integral part of our agenda and buttresses our broader themes of global leadership and market opening. However, our hemispheric message is leavened by the fact that the only Latin FTA likely to be concluded during your term is Chile.

A focus principally on Chile and sectoral agreements may cause some Members to question whether this agenda is sufficiently far-reaching to be worth the fight. Principals discussed the possibility of identifying additional bilateral FTA candidates. However, discussions with other countries are not sufficiently advanced, and we would need to know that they helped, rather than hurt, political prospects for fast track. Thus we propose to indicate that we would consider a limited number of additional bilateral FTAs in your second term which could advance U.S. trade policy aims in APEC or elsewhere, but only after thorough analysis and consultations. (For your information, USTR has been thinking of Australia, New Zealand, and possibly others, but there are still questions about them.)

Labor/Environment

We need to settle on our labor/environment position so Charlene can consult quietly on the Hill before the August recess, permitting a quick rollout in September. Our position should be seen only as preliminary, subject to revision after consultation with the Hill. Ultimately, the Administration may need to broker a deal between Republicans and swing Democrats. If past trade

legislation is any guide, swing Democrats and others may want to include other provisions (e.g., worker retraining, general trade law reform) going beyond labor/environment. We will not initiate these at the outset, but we should anticipate them.

There are two parts to the labor/environment issue: 1) what we commit to do outside (parallel to) any free trade agreements; and 2) what labor/environment provisions should be included within any free trade agreement.

Outside the Trade Agreement: The Principals believe we should negotiate labor/environment side agreements as appropriate, regardless of what can be included in the trade agreement. This would reaffirm our promotion of worker rights and the environment consistent with our NAFTA record. We would argue no one approach fits all countries, so the need for agreements and the terms may vary by country (e.g., New Zealand v. Brazil). Side agreements essentially equivalent to those for NAFTA could be reached through executive authority and would not require legislation. If asked, we would state our willingness to enforce side agreement through trade sanctions similar to those in the NAFTA side agreements (i.e., sanctions imposed only to collect "fines" assessed against a country's failure to enforce its labor/environment laws), while eschewing a broader use of trade sanctions. Some in the business community may oppose even this, but others may not and we feel it is essential to persuade swing Democrats of our ongoing labor/environment commitment.

Some have suggested labor/environment side agreements should be a precondition of new trade agreements. The Principals felt this would unduly restrict our capacity to reach agreements in the U.S. interest (and which may, on their own, promote better labor/environmental practices.) Also, countries vary: Australia and New Zealand do not warrant the same approach as Mexico. Although a country's labor/environment record would not be a precondition, it would, of course, be an informal consideration (i.e., we are unlikely to negotiate with a country having a bad environmental record and showing no willingness to address its problems).

You should be aware some will argue this approach steps back from your NAFTA position because you are not insisting on full NAFTA-like side agreements for every country. Again, we can argue that different countries justify different approaches.

Within the Trade Agreement: The second, and more controversial, issue is the extent to which labor/environment provisions can be included within fast-track trade agreements. Gephardt insists they be fully included and enforceable through trade sanctions, perhaps even through privately initiated actions. The Principals believe this would be neither feasible to negotiate nor, in the

view of many, desirable. It would likely lose most Republicans and the business community, making it impossible to assemble a coalition for passage.

Representative Bill Archer favors allowing on the trade bill labor/environment provisions that are "specifically related to trade," a formulation that was almost the basis for agreement between Ambassador Kantor and Archer in 1994. The phrase has some appeal: it makes sense that only trade-related provisions would be in a trade agreement. However, Archer's definition is quite narrow (e.g., sanctions apply against a country enacting environmental protections that are really disguised barriers to trade, a definition that, if anything, limits environmental protection). The definition could be broader (e.g., country reduces export costs by failing to enforce its labor/environment laws), but Republicans and the business community are rallying around the term, narrowly defined.

You should be aware Charlene believes we will ultimately end up with a fairly narrow definition of "trade-related" coupled with a commitment by the Administration to negotiate side agreements when appropriate. For this reason, she believes it is important you be comfortable with accepting this formulation eventually. If so, the choice between the options below may heavily be a tactical question of the best place to start. There are three options:

Option 1: Trade-Related "Plus": We would essentially accept Archer's "specifically related to trade" term, but leave the definition a little more open-ended. This would permit us to seek a broader definition, but not put us in opposition to a term -- and a fairly narrow definition -- that Charlene believes is likely ultimately to prevail. We could correctly present the term as one we embraced in 1994. No matter how the term ultimately is defined, we would state our intention to negotiate labor/environment side agreements when appropriate.

Option 2: "Trade-Related" Broadly Defined: Instead of leaving ambiguous the breadth of the definition of "trade-related", this approach would specify a fairly far-reaching definition. So, for instance, the provisions on persistent failure to enforce labor or environmental laws that were included in the NAFTA side agreements could be included as provisions in a basic trade agreement, so long as this failure was related to trade (i.e., affected imports or exports). These provisions would be subject to normal dispute settlement under the trade agreement, with the possibility of trade sanctions/fines if a country did not comply with a dispute settlement panel's ruling. In addition, we would articulate some threshold criteria indicating which countries we would choose to negotiate with. We would also seek to set up some informal review mechanism by Congress before entering

negotiations with any one country. Again, we would negotiate labor/environment side agreements, when appropriate.

Option 3: Clean Bill: The bill would make no reference to labor/environment, theoretically permitting any labor/environment provisions (because there is no limiting language). This permits us to argue it is the same authority granted President Bush, distinguishes our position from Archer's, and avoids a thorny negotiation over Archer's definition of "trade-related." However, this may be only a short-term position, since Republicans and the business community will unite in opposition to ambiguity, fueled by lingering distrust over past negotiations. It will probably quickly drive us into a debate over "trade-related" or some variant or cause us to forswear labor/environment provisions in trade agreements. For these reasons, no Principals favor this option.

USTR, Treasury, NSC, NEC, Commerce, State, Mack McLarty and Jay Berman favor Option 1. They feel it is best to start at a position close, though not identical to, the position of the coalition you are likely to need (many Republicans, the business community, some swing Democrats). They feel the more explicit Options 2 position will cause parties to lock into positions from which agreement will be more difficult, divide our coalition rather than uniting it and grind progress to a halt. The business community, which will be an important engine behind this effort, will refuse to be active until this issue is resolved. Those on the left will push for more an even more aggressive labor/environment stance than the postured position. Therefore, we will be caught in a two front war, with little support. Eventually, we will need to move off our position, which will only hurt us with swing Democrats. They believe if our goal is to secure fast track in 1997 or early 1998, Option 2 makes it virtually impossible.

John Hilley, CEQ and John Podesta favor Option 2. They feel we are better positioned if we stake out a tougher position, show solidarity with Democratic concerns and give opposing Democrats less running room substantively to oppose our opening position. They believe Option 1 makes us too dependent on Republican support and that Option 1 will signal to Democrats that we have thrown in our lot with the Republicans, making it difficult to secure more than a core 20-40 Democratic votes. They believe other approaches may place passage of the bill at risk. With so few Democratic votes for the bill, and Republican support possibly topping out at 170-180 votes, the bill may fail. A related danger is that a clear, early signal that the bill will be passed by Republican votes gives us little leverage to shape the bill, further threatening Democratic support. They recognize we may need to move off this opening position, but believe we would be better served if we took this approach at the outset.

Those favoring Option 1 are concerned about the establishment under Option 2 of threshold criteria and informal Congressional review mechanisms before negotiations with a country begin. They fear starting down this road would result in Congress enacting rigid, statutory criteria and a Congressional vote before we could begin any negotiations, hobbling our trade agenda and damaging bilateral relations.

Under either Option 1 or 2, if you eventually accept a more narrow definition of "trade-related" some will argue you are backtracking on your NAFTA approach by not insisting labor/environment provisions be included in the trade agreement itself. Your October 1992 Raleigh speech on NAFTA references that labor/environment provisions were "serious omissions" from the Bush-negotiated NAFTA. (There is no discussion of future trade agreements.) We think you can argue that a "trade-related" approach does envision inclusion of some provisions in the trade agreement and, as in NAFTA, side agreements may be sufficient to achieve our labor/environment objectives. This argument may persuade some, but probably not environmental groups.

Again, this should be seen as a starting position, subject to revision based on Hill consultations. In particular, we need to get the impressions of Democratic supporters (Matsui) and key swing Democrats (Rangel), who are critical to a successful coalition.

RECOMMENDATION

USTR, Treasury, NSC, NEC, State, Commerce, Berman and McLarty favor Option 1.

John Hilley, CEQ and Podesta favor Option 2.

Option 1 _____

Option 2 _____

Option 3 _____

Let's Discuss _____

THE WHITE HOUSE

WASHINGTON

July 23, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN *Phil*

SUBJECT: Fast Track

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THE WHITE HOUSE
WASHINGTON

July 23, 1997

ACTION

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GENE SPERLING *GS*
DANIEL K. TARULLO *DT*
JOHN HILLEY *SH*

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Multilateral: We would continue a 50-year record of American leadership in the GATT/WTO that has substantially lowered global trade barriers and contributed to a 90-fold increase in world trade. Upcoming WTO talks in key areas like agriculture, services, intellectual property rights and government procurement create significant opportunities to reduce foreign barriers.

The Principals recognized that talk of Latin trade can be used by fast-track opponents, who seek to make this debate a referendum on NAFTA. Despite this sensitivity, the Principals felt we must forthrightly make the case for the FTAA and continued Latin American trade expansion, as it is an integral part of our agenda and buttresses our broader themes of global leadership and market opening. However, our hemispheric message is leavened by the fact that the only Latin FTA likely to be concluded during your term is Chile.

A focus principally on Chile and sectoral agreements may cause some Members to question whether this agenda is sufficiently far-reaching to be worth the fight. Principals discussed the possibility of identifying additional bilateral FTA candidates. However, discussions with other countries are not sufficiently advanced, and we would need to know that they helped, rather than hurt, political prospects for fast track. Thus we propose to indicate that we would consider a limited number of additional bilateral FTAs in your second term which could advance U.S. trade policy aims in APEC or elsewhere, but only after thorough analysis and consultations. (For your information, USTR has been thinking of Australia, New Zealand, and possibly others, but there are still questions about them.)

Labor/Environment

We need to settle on our labor/environment position so Charlene can consult quietly on the Hill before the August recess, permitting a quick rollout in September. Our position should be seen only as preliminary, subject to revision after consultation with the Hill. Ultimately, the Administration may need to broker a deal between Republicans and swing Democrats. If past trade

legislation is any guide, swing Democrats and others may want to include other provisions (e.g., worker retraining, general trade law reform) going beyond labor/environment. We will not initiate these at the outset, but we should anticipate them.

There are two parts to the labor/environment issue: 1) what we commit to do outside (parallel to) any free trade agreements; and 2) what labor/environment provisions should be included within any free trade agreement.

Outside the Trade Agreement: The Principals believe we should negotiate labor/environment side agreements as appropriate, regardless of what can be included in the trade agreement. This would reaffirm our promotion of worker rights and the environment consistent with our NAFTA record. We would argue no one approach fits all countries, so the need for agreements and the terms may vary by country (e.g., New Zealand v. Brazil). Side agreements essentially equivalent to those for NAFTA could be reached through executive authority and would not require legislation. If asked, we would state our willingness to enforce side agreement through trade sanctions similar to those in the NAFTA side agreements (i.e., sanctions imposed only to collect "fines" assessed against a country's failure to enforce its labor/environment laws), while eschewing a broader use of trade sanctions. Some in the business community may oppose even this, but others may not and we feel it is essential to persuade swing Democrats of our ongoing labor/environment commitment.

Some have suggested labor/environment side agreements should be a precondition of new trade agreements. The Principals felt this would unduly restrict our capacity to reach agreements in the U.S. interest (and which may, on their own, promote better labor/environmental practices.) Also, countries vary: Australia and New Zealand do not warrant the same approach as Mexico. Although a country's labor/environment record would not be a precondition, it would, of course, be an informal consideration (i.e., we are unlikely to negotiate with a country having a bad environmental record and showing no willingness to address its problems).

You should be aware some will argue this approach steps back from your NAFTA position because you are not insisting on full NAFTA-like side agreements for every country. Again, we can argue that different countries justify different approaches.

Within the Trade Agreement: The second, and more controversial, issue is the extent to which labor/environment provisions can be included within fast-track trade agreements. Gephardt insists they be fully included and enforceable through trade sanctions, perhaps even through privately initiated actions. The Principals believe this would be neither feasible to negotiate nor, in the

view of many, desirable. It would likely lose most Republicans and the business community, making it impossible to assemble a coalition for passage.

Representative Bill Archer favors allowing on the trade bill labor/environment provisions that are "specifically related to trade," a formulation that was almost the basis for agreement between Ambassador Kantor and Archer in 1994. The phrase has some appeal: it makes sense that only trade-related provisions would be in a trade agreement. However, Archer's definition is quite narrow (e.g., sanctions apply against a country enacting environmental protections that are really disguised barriers to trade, a definition that, if anything, limits environmental protection). The definition could be broader (e.g., country reduces export costs by failing to enforce its labor/environment laws), but Republicans and the business community are rallying around the term, narrowly defined.

You should be aware Charlene believes we will ultimately end up with a fairly narrow definition of "trade-related" coupled with a commitment by the Administration to negotiate side agreements when appropriate. For this reason, she believes it is important you be comfortable with accepting this formulation eventually. If so, the choice between the options below may heavily be a tactical question of the best place to start. There are three options:

Option 1: Trade-Related "Plus": We would essentially accept Archer's "specifically related to trade" term, but leave the definition a little more open-ended. This would permit us to seek a broader definition, but not put us in opposition to a term -- and a fairly narrow definition -- that Charlene believes is likely ultimately to prevail. We could correctly present the term as one we embraced in 1994. No matter how the term ultimately is defined, we would state our intention to negotiate labor/environment side agreements when appropriate.

Option 2: "Trade-Related" Broadly Defined: Instead of leaving ambiguous the breadth of the definition of "trade-related", this approach would specify a fairly far-reaching definition. So, for instance, the provisions on persistent failure to enforce labor or environmental laws that were included in the NAFTA side agreements could be included as provisions in a basic trade agreement, so long as this failure was related to trade (i.e., affected imports or exports). These provisions would be subject to normal dispute settlement under the trade agreement, with the possibility of trade sanctions/fines if a country did not comply with a dispute settlement panel's ruling. In addition, we would articulate some threshold criteria indicating which countries we would choose to negotiate with. We would also seek to set up some informal review mechanism by Congress before entering

negotiations with any one country. Again, we would negotiate labor/environment side agreements, when appropriate.

Option 3: Clean Bill: The bill would make no reference to labor/environment, theoretically permitting any labor/environment provisions (because there is no limiting language). This permits us to argue it is the same authority granted President Bush, distinguishes our position from Archer's, and avoids a thorny negotiation over Archer's definition of "trade-related." However, this may be only a short-term position, since Republicans and the business community will unite in opposition to ambiguity, fueled by lingering distrust over past negotiations. It will probably quickly drive us into a debate over "trade-related" or some variant or cause us to forswear labor/environment provisions in trade agreements. For these reasons, no Principals favor this option.

USTR, Treasury, NSC, NEC, Commerce, State, Mack McLarty and Jay Berman favor Option 1. They feel it is best to start at a position close, though not identical to, the position of the coalition you are likely to need (many Republicans, the business community, some swing Democrats). They feel the more explicit Options 2 position will cause parties to lock into positions from which agreement will be more difficult, divide our coalition rather than uniting it and grind progress to a halt. The business community, which will be an important engine behind this effort, will refuse to be active until this issue is resolved. Those on the left will push for more an even more aggressive labor/environment stance than the postured position. Therefore, we will be caught in a two front war, with little support. Eventually, we will need to move off our position, which will only hurt us with swing Democrats. They believe if our goal is to secure fast track in 1997 or early 1998, Option 2 makes it virtually impossible.

John Hilley, CEQ and John Podesta favor Option 2. They feel we are better positioned if we stake out a tougher position, show solidarity with Democratic concerns and give opposing Democrats less running room substantively to oppose our opening position. They believe Option 1 makes us too dependent on Republican support and that Option 1 will signal to Democrats that we have thrown in our lot with the Republicans, making it difficult to secure more than a core 20-40 Democratic votes. They believe other approaches may place passage of the bill at risk. With so few Democratic votes for the bill, and Republican support possibly topping out at 170-180 votes, the bill may fail. A related danger is that a clear, early signal that the bill will be passed by Republican votes gives us little leverage to shape the bill, further threatening Democratic support. They recognize we may need to move off this opening position, but believe we would be better served if we took this approach at the outset.

Those favoring Option 1 are concerned about the establishment under Option 2 of threshold criteria and informal Congressional review mechanisms before negotiations with a country begin. They fear starting down this road would result in Congress enacting rigid, statutory criteria and a Congressional vote before we could begin any negotiations, hobbling our trade agenda and damaging bilateral relations.

Under either Option 1 or 2, if you eventually accept a more narrow definition of "trade-related" some will argue you are backtracking on your NAFTA approach by not insisting labor/environment provisions be included in the trade agreement itself. Your October 1992 Raleigh speech on NAFTA references that labor/environment provisions were "serious omissions" from the Bush-negotiated NAFTA. (There is no discussion of future trade agreements.) We think you can argue that a "trade-related" approach does envision inclusion of some provisions in the trade agreement and, as in NAFTA, side agreements may be sufficient to achieve our labor/environment objectives. This argument may persuade some, but probably not environmental groups.

Again, this should be seen as a starting position, subject to revision based on Hill consultations. In particular, we need to get the impressions of Democratic supporters (Matsui) and key swing Democrats (Rangel), who are critical to a successful coalition.

RECOMMENDATION

USTR, Treasury, NSC, NEC, State, Commerce, Berman and McLarty favor Option 1.

John Hilley, CEQ and Podesta favor Option 2.

Option 1 _____

Option 2 _____

Option 3 _____

Let's Discuss _____

5049

THE WHITE HOUSE
WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

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

SUBJECT: Fast Track

We continue to use the July-August period to organize our efforts and prepare for a more visible Congressional and public campaign in September. We also need to finalize our position on two key substantive issues: 1) the negotiations for which we will use fast track authority; and 2) our opening position on the labor/environment issue. This permits us to sharpen our message and begin some quiet, limited Hill consultations before the August recess -- and to prepare for your Thursday meeting with Members.

Uses of Fast-Track Authority

Although we will continue to refine our message framework and develop the most cogent presentation possible, our broad message regarding the uses of fast-track authority clearly should build on three points. First, trade expansion has been a key element of the Clinton economic strategy that has created 12 1/2 million jobs, brought core inflation to a 30-year low and created sustained economic growth. Second, as we enter the 21st Century, we need to be in front of world trade opening efforts, not lagging behind and losing market opportunities. Third, fast track will advance a coherent trade strategy built around four Presidential initiatives:

FTAA/Latin America: As the hemisphere integrates, the United States must not be left behind. Negotiating free trade with Chile is key to exerting American leadership in the FTAA process, to be launched during your April 1998 trip to Santiago.

cc: Vice President
Chief of Staff

*needs to be
speeded up
Substantive
campaign
does not need
to wait*

2

APEC/Asia: We should build on APEC's success by negotiating sectoral agreements in key areas that are springboards to global market opening (in the same way that the 1996 APEC Information Technology Agreement led to the global agreement).

Africa: We would build on our Africa trade and investment initiative by indicating our readiness to begin free trade talks with South Africa when it is ready.

as soon as

Multilateral: We would continue a 50-year record of American leadership in the GATT/WTO that has substantially lowered global trade barriers and contributed to a 90-fold increase in world trade. Upcoming WTO talks in key areas like agriculture, services, intellectual property rights and government procurement create significant opportunities to reduce foreign barriers.

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legislation is any guide, swing Democrats and others may want to include other provisions (e.g., worker retraining, general trade law reform) going beyond labor/environment. We will not initiate these at the outset, but we should anticipate them.

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*How Congress involved
of Purcell*

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USTR, Treasury, NSC, NEC, Commerce, State and Mack McLarty and Jay Berman favor Option 1. They feel it is best to start at a position close, though not identical to, the position of the coalition you are likely to need (many Republicans, the business community, some swing Democrats). The more postured positions will cause parties to lock into positions from which agreement will be more difficult, divide our coalition rather than uniting it and grind progress to a halt. The business community, which will be an important engine behind this effort, will refuse to be active until this issue is resolved. Those on the left will push for more an even more aggressive labor/environment stance than the postured position. Therefore, we will be caught in a two front war, with little support. Eventually, we will need to move off our position, which will only hurt us with swing Democrats. If our goal is to secure fast track in 1997 or early 1998, the postured position makes it virtually impossible.

WH Legislative, [CEQ], Ron Klain and John Podesta favor Option 2. They feel we are better positioned if we stake out a tougher position, show solidarity with Democratic concerns and give opposing Democrats less running room substantively to oppose our opening position. Option 1 makes us too dependent on Republican support. They believe Option 1 will signal to Democrats that we have thrown in our lot with the Republicans, making it difficult to secure more than a core 20-40 Democratic votes. They recognize we may need to move off this opening position, but would be better served if we took this approach at the outset.

Those favoring Option 1 are concerned about the establishment under Option 2 of threshold criteria and informal Congressional review mechanisms before negotiations with a country begin. They fear starting down this road would result in Congress enacting rigid, statutory criteria and a Congressional vote before we could begin any negotiations, hobbling our trade agenda.

Under either Option 1 or 2, if you eventually accept a more narrow definition of "trade-related" some will argue you are backtracking on your NAFTA approach by not insisting labor/environment provisions be included in the trade agreement itself. Your October 1992 Raleigh speech on NAFTA references that labor/environment provisions were "serious omissions" from the Bush-negotiated NAFTA. (There is no discussion of future trade agreements.) We think you can argue that a "trade-related" approach does envision inclusion of some provisions in the trade agreement and, as in NAFTA, side agreements may be sufficient to achieve our labor/environment objectives. This argument may persuade some, but probably not environmental groups.

Again, this should be seen as a starting position, subject to revision based on Hill consultations. In particular, we need to get the impressions of Democratic supporters (Matsui) and key swing Democrats (Rangel), who are critical to a successful coalition.

RECOMMENDATION

USTR, Treasury, NSC, NEC, State, Commerce, Berman and McLarty favor that you support Option 1.

WH Legislative, [CEQ], Klain and Podesta favor Option 2.

Option 1 _____

Option 2 _____

Option 3 _____

Let's Discuss _____

5109

THE WHITE HOUSE
WASHINGTON

DRAFT

MEETING WITH
SELECTED MEMBERS OF THE HOUSE

DATE: July 24, 1997
LOCATION: Yellow Oval Room
TIME: 10:00 a.m. - 11:00 a.m.

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

I. PURPOSE

To make our affirmative case for fast track to undecided Democratic House members, and to encourage them to keep an open mind during the August recess.

II. BACKGROUND

We continue to use the July-August period to organize our efforts for a more visible Congressional and public fast track effort in the fall. Efforts during this period include building the White House and agency team (Jay Berman is now fully on board), sharpening our message, building our coalition through outreach to business, agriculture, state/local officials and others, laying a foundation of support with the press and elites and developing a communications and legislative strategy for the fall.

We also need to ensure that we avoid attrition on the Hill during the August recess, when we expect our opponents to mount a significant communications and lobbying effort. To that end Ambassador Barshefsky has met with approximately 170 Members of Congress over the past few months to solicit their opinions and gather information; Legislative Affairs at the White House, NSC Legislative Affairs, USTR and various Agencies have made staff level calls to all of the House offices; the Cabinet has been informed that they need to be available to participate in satellite interviews, press conference calls and in-state visits to approximately 35 supportive, yet undecided, member districts during the month of August; we have offered Cabinet members and Administration officials to various House and Senate Caucuses, Sub-caucuses and Committees.

This meeting is an important part of that effort. The purpose is to make the affirmative case for fast track and, at a minimum, persuade them to remain neutral until we set forth legislation (including a labor/environment approach) in the fall. We recommend your message be built around three themes:

1. Optimism/Future v. Pessimism/Past: This issue is at the center of our national debate about our future: whether we will meet the challenge to compete and win, or whether we will convince ourselves - against the evidence - that we should not move forward. Trade expansion has been a key element of a forward-looking economic strategy that has created 12 1/2 million jobs, brought core inflation to a 30-year low and created sustained economic growth.

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

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

Members are likely to be interested in our approach on labor and the environment. (We have separately sent you a decision memo on this subject.) However, we do not recommend you foreshadow our approach at this meeting; it likely would leak, and would make it even more difficult for Members to stay neutral during August. Instead, we suggest you reaffirm your commitment to these issues and indicate we will set forth an approach in September.

III. PARTICIPANTS

See Tab C.

IV. PRESS PLAN

None

V. SEQUENCE

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

Attachments

Tab A Points to be Made

Tab B Q's and A's

Tab C Participants

POINTS TO BE MADE FOR MEETING ON
FAST TRACK

Introduction

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

Optimism/Future v. Pessimism/Past

- This issue is at the heart of our effort to define America's future. It tests whether we will confidently meet the challenge to compete and win in the global economy, or whether we will convince ourselves - against the evidence - that we should not move forward. As President, I have tried to adopt a forward-looking economic strategy that guides our country into the 21st Century. And it is clear to me that international trade is central to that strategy:
 - Over the next decade, the global economy is expected to grow at three times the rate of the U.S. economy. Over the past four years, one-quarter of our economic growth came from trade. In a world where over 96 percent of the world's consumers live outside the U.S., we must export to sustain growth at home.

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

- We have enjoyed the longest period of sustained growth of all of our G-7 partners - seven years as of last March. We have created 12 million net new jobs, more than all of the other G-7 countries combined. The unemployment rate was 5% in June, the lowest in over 23 years.
- We are once again the world's largest exporter, the largest producer of semiconductors, the largest producer of automobiles. Independent studies have found America to be the most competitive economy in the world for the past five years. No country in the world is better positioned to compete.

Global Leadership

- To continue that record, I need the authority to continue opening markets. Without it, America will not maintain its leadership position in world trade and a critical part of our economic expansion will stall. We must be in front of market opening efforts, not lagging behind and losing opportunities.
- Let's not kid ourselves - if we don't act, others will.
 - Since 1992, in Latin America and Asia alone, other countries have reached more than 20 preferential trade agreements without us.
 - Today every major economy in this hemisphere has a preferential trade deal with Chile, except the United States. Chile has an 11% across-the-board tariff that these countries are eliminating for their products. That means every time an American company competes to sell to Chile, it will face an immediate 11% cost disadvantage compared to its Canadian competitor. Canada's Northern Telecom won a \$180 million telecommunications contract over three U.S. companies in part because it could avoid paying \$20 million worth of tariffs.
 - The EU, China and others are on the move. The EU has begun a process to reach a free trade agreement with Brazil, Argentina and other MERCOSUR countries. President Chirac has declared "the future of the region rests with Europe, not the United States." China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America.

Significant Market Opportunities

- The potential gains are great, if we seize them. If you give me the authority, we will attack foreign trade barriers on a number of fronts:
 - Sectoral Agreements: We would negotiate agreements in sectors where the U.S. is most competitive. The recent Information Technology Agreement, for example, eliminated tariffs and unshackled \$500 billion of trade in semiconductors, computers, telecommunications equipment and software, amounting to a \$5 billion tax cut in tariffs on American exports. With fast track authority, I can tear down more barriers in areas like medical equipment and environmental technology, where America leads the world.

- Latin America/Caribbean: This area was the fastest growing market for U.S. exports in 1996. If trends continue, Latin America and the Caribbean will exceed the EU as a destination for U.S. exports by 2000 and exceed Japan and the EU combined by 2010. We remain committed to the Free Trade Area of the Americas process. Chile would be our first step in this process.
- Asia: Contains the fastest growing economies in the world, with nearly 3 billion people. Forecasters expect real growth of 6-7% annually for the next 15 years. In APEC, we are working to reach agreements in key sectors that could open these markets to America's most competitive products. Without fast track, that process will come to a halt.
- Africa: Working with Congress, I recently launched an Africa trade initiative. Africa's nations are joining the march toward freedom and open markets - and we should encourage it. Sub-Saharan Africa alone has 700 million people, but we supply only 7% of Africa's imports. We want to explore negotiations with South Africa when it is ready.
- Global: Over 50 years of persistent American leadership has helped bring down global tariffs from an average of 40% at the end of World War II to about 5% today, leading to a 90-fold increase in global trade. Upcoming WTO talks on agriculture can help us cut barriers and subsidies in the \$526 billion global farm market. We can eliminate barriers to services trade, a \$1.2 trillion global market, where U.S. firms had a surplus of \$74 billion in 1996.

Conclusion

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

QUESTIONS AND ANSWERS FAST TRACK MEETING

DRAFT

NAFTA

Q: NAFTA is relevant to fast track. Critics argue that NAFTA has cost us over 400,000 jobs. Our trade surplus has turned into a deficit. If NAFTA was a failure, why should we extend it to the rest of the hemisphere and beyond?

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

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

Q: What will you do about labor/environment in future trade agreements?

A: I share your concerns about labor and environmental issues. We must remain committed to promoting worker rights and ensuring that economic growth is not at the expense of the environment. In the fall, I will set forth a proposal addressing these concerns. In the meantime, I ask you to keep an open mind.

But failing to engage these countries will not improve their worker rights or the environment. These countries will advance economically, whether or not we negotiate trade agreements with them - and other countries won't be as concerned about their labor or environmental protection. By leading the world, we have a far better opportunity to promote our values than by disengaging.

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

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

- From 1993 to 1996, Mexico increased its budget for enforcement of labor laws by 250%.
- The overall rate of occupational injuries and illnesses fell from 47 per thousand in 1994 to 33 per 1000 in 1996.

- Mexico has seen the number of environmental violations dropping; with a 72 % reduction in serious violations in the maquiladora industry from 1993 to 1996; and a 43 % increase in the number of maquiladora facilities in complete compliance.
- The NAFTA institutions financing border cleanup projects have certified 16 projects, including infrastructure projects costing nearly \$230 million.

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

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

- Our competitors would like nothing better than to have us rehash the NAFTA debate for four years, while they seize new market opportunities.
- Inaction will simply let foreign barriers stand. When we reach these trade agreements, we give up very little, while other countries give up far more. When the Uruguay Round is phased in, our tariffs will average only 2.8 %. Other countries are far higher: India (31 %); Thailand and Turkey (26 %); Chile and Indonesia (11 %). Becoming mired in a debate about NAFTA won't level the playing field.

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

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

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

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

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

Trade Generally

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

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

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

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

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

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

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

Hill Participants

Representative Robert Matsui
Representative Cal Dooley
Representative Nita Lowey
Representative Vic Fazio
Representative Robert Menendez
Representative E.B. Johnson
Representative Charles Rangel
Representative Tom Sawyer
Representative Ron Kind
Representative Wm. Jefferson
Representative Ben Cardin
Representative Jim Davis
Representative Charles Stenholm
Representative Howard Berman
Representative Earl Blumenauer
Representative David Skaggs
Representative Ed Markey
Representative Tim Roemer
Representative Barbara Kennelly
Representative Karen Thurman
Representative Nick Lampson
Representative Richard Neal
Representative Solomon Ortiz
Representative Anna Eshoo
Representative Steny Hoyer
Representative Earl Pomeroy
Representative Karen McCarthy
Representative Leonard Boswell
Representative Jim McDermott
Representative Floyd Flake
Representative Darlene Hooley
Representative David Price

Administration Participants

The President
Vice President
Secretary Rubin
Secretary Glickman
Secretary Dailey
Secretary Herman
Administrator Browner
Ambassador Barshefsky
Under Secretary Eizenstat
Erskine Bowles
Sandy Berger
Daniel K. Tarullo
Gene Sperling
John Hilley
Mack McLarty
Jay Berman
Vicki Radd
Susan Brophy
Bob Kyle
Bill Danvers
John Podesta/Sylvia Mathews

POINTS TO BE MADE FOR MEETING ON FAST TRACK

- I want to talk with you today about why I feel it is in our nation's interest to renew fast track trade negotiating authority. Before I begin, let me introduce Jay Berman, who I have brought into the White House to lead our effort. His presence underscores the high priority I attach to this issue. It is one of the most important votes you will cast this year. In fact, when we look back, I think it will be one of the most important decisions we will make this decade.
- This issue is at the heart of our effort to define America's future. It tests whether we will confidently meet the challenge to compete and win in the global economy, or whether we will convince ourselves - against the evidence - that we should not move forward. As President, I have tried to adopt a forward-looking economic strategy that guides our country into the 21st Century. And it is clear to me that international trade is central to that strategy:
 - Over the next decade, the global economy is expected to grow at three times the rate of the U.S. economy. Growth will be particularly powerful in the emerging markets - the fastest growing markets of the world.
 - Over the past four years, one-quarter of our economic growth came from trade - and exports created 1.4 million new jobs.
 - In a world where over 96 percent of the world's consumers live outside the U.S., we must export to sustain growth at home.
- The strategy we have pursued has made the American economy the envy of the world. We are perfectly positioned to seize these trade opportunities. We have nothing to fear.
 - We have enjoyed the longest period of sustained growth of all of our G-7 partners - seven years as of last March.. We have created 12 million net new jobs, more than all of the other G-7 countries combined. The unemployment rate was 5% in June, the lowest in over 23 years.
 - We are once again the world's largest exporter, the largest producer of semiconductors, the largest producer of automobiles. Independent studies have found America to be the most competitive economy in the world for the past five years. No country in the world is better positioned to compete.
- To continue that record, I need the authority to continue opening markets. Without it, America will not maintain its leadership position in world trade and a critical part of our economic expansion will stall. We must be in front of market opening efforts, not lagging behind and losing opportunities. Let's not kid ourselves - if we don't act, others will.

- Since 1992, in Latin America and Asia alone, other countries have reached more than 20 preferential trade agreements without us.
- Today every major economy in this hemisphere has a preferential trade deal with Chile, except the United States. Chile has an 11% across-the-board tariff that these countries are eliminating for their products. That means every time an American company competes to sell to Chile, it will face an immediate 11% cost disadvantage compared to its Canadian competitor. Canada's Northern Telecom won a \$180 million telecommunications contract over three U.S. companies in part because it could avoid paying \$20 million worth of tariffs.
- If you're worried about U.S. companies moving to Brazil or Thailand, that problem is made worse if they have eliminated the tariffs in their region but products made in the U.S.A. still face tariffs often as high as 20%.
- Ten years ago, the question was whether there would be regional market opening efforts. Today it is clear that will happen - the only question is whether we will participate, or sit on the sidelines. We talk about leveling the playing field in international trade, but these countries are already busy leveling the playing field. And they will move ahead, with or without us.
- The potential gains are great, if we seize them. If you give me the authority, we will attack foreign trade barriers on a number of fronts:

WTO -
Ag
==
/

- Sectoral Agreements: We would negotiate agreements in sectors where the U.S. is most competitive. The recent Information Technology Agreement, for example, eliminated tariffs and unshackled \$500 billion of trade in semiconductors, computers, telecommunications equipment and software, amounting to a \$5 billion tax cut in tariffs on American exports. With fast track authority, I can tear down more barriers in areas like medical equipment and environmental technology, where America leads the world.
- Latin America/Caribbean: This area was the fastest growing market for U.S. exports in 1996. If trends continue, Latin America and the Caribbean will exceed the EU as a destination for U.S. exports by 2000 and exceed Japan and the EU combined by 2010. We remain committed to the Free Trade Area of the Americas process. Chile would be our first step in this process.
- Asia: Contains the fastest growing economies in the world, with nearly 3 billion people. Forecasters expect real growth of 6-7% annually for the next 15 years. In APEC, we are working to reach agreements in key sectors that could open these markets to America's most competitive products.
- Africa: Working with Congress, I recently launched an Africa trade initiative. Africa's nations are joining the march toward freedom and open markets - and we

no proper
WFO

Larry Clinton
Coulter
Lofgren
Horn
Kucinich
Fe

should encourage it. Sub-Saharan Africa alone has 700 million people, but we supply only 7% of Africa's imports. We want to explore negotiations with South Africa when it is ready.

- Global: Over 50 years of persistent American leadership has helped bring down global tariffs from an average of 40% at the end of World War II to about 5% today, leading to a 90-fold increase in global trade. Upcoming WTO talks on agriculture can help us cut barriers and subsidies in the \$526 billion global farm market. We can eliminate barriers to services trade, a \$1.2 trillion global market, where U.S. firms had a surplus of \$74 billion in 1996.
- Some want to make this debate a referendum on NAFTA. I think NAFTA's been good for this country. But no matter what you think, this is not about NAFTA.
 - Our competitors would like nothing better than to have us rehash the NAFTA debate for four years, while they seize new market opportunities.
 - Inaction will simply let foreign barriers stand. When we reach these trade agreements, we give up very little, while other countries give up far more. When the Uruguay Round is phased in, our tariffs will average only 2.8%. Other countries are far higher: India (31%); Thailand and Turkey (26%); Chile and Indonesia (11%). Becoming mired in a debate about NAFTA won't level the playing field.
- I share your concerns about labor and environmental issues. We must remain committed to promoting worker rights and ensuring that economic growth is not at the expense of the environment. In the fall, I will set forth a proposal addressing these concerns. In the meantime, I ask you to keep an open mind.
 - But failing to engage these countries will not improve their worker rights or the environment. These countries will advance economically, whether or not we negotiate trade agreements with them - and other countries won't be as concerned about their labor or environmental protection. By leading the world, we have a far better opportunity to promote our values than by disengaging.
- We face a critical choice. We can recognize that the American economy is the model for the world, continue to open foreign markets and seize the initiative. Or we can convince ourselves that we are on the wrong track, that we cannot succeed and that we should not move forward. Years from now, we will either proudly recognize that we saw our opportunities and we took them. Or we will have become paralyzed by indecision, squandered our strong competitive advantage and let others seize the initiative. The choice is that clear - and that important. I ask you to support me on this critical issue.

Response Person
Jake Siewert

**PROPOSED WHITE HOUSE
WORKING GROUP**

White House Officials

* Susan Brophy - Legislative
* Emily Bromberg - Intergovernmental
Mike Feldman - Vice President's Office
Sherry Carter - Public Liaison
Peter O'Keefe - Public Liaison
David Johnson - Communications
Linda Moore - Political
* Steve Silverman - Cabinet Affairs
(needs one support staff as well)

(Jake Siewert - NEO)
Andrew Friendly - Mack's office
Steve Ronnel - Mack's office
Bob Kyle - Policy

Agency Detailees (154)

Department of Justice +
Two special assistants (all-purpose) - Karen, Steve

✓ One secretary -

One communications person - Bennett Freeman
(good writer for Hill and general communications)

One policy assistant

Ken Freiburger
Karen Johnson - Policy

David Levy
DSC

JB
Vicki
Susan
Karen?
Steve - talk to Goody
Bennett - ?

Malcolm Lee

Kevin
Moore

Andy
Policy
Sandy Stewart

Adm. office's to look for
Chastene - Bile
Stu

Wynne Moore
etc

Karen Johnson
Malcolm Lee
Karen Johnson

FAST TRACK

Small Group

- ✓ Erskine Bowles
- John Podesta
- Sylvia Mathews
- Vicki Radd
- Dan Tarullo
- Bob Kyle
- ✓ Gene Sperling
- Sandy Berger
- Jim Steinberg
- Secretary Rubin
- ✓ Mack McLarty
- Susan Brophy
- ✓ Ambassador Barshefsky
- Ron Klain
- Rahm Emanuel

Larger Group

- Deputy Secretary Summers
- Secretary Albright
- Deputy Secretary Talbott
- Assistant Secretary Dan Larson (has attended most of our meetings)
- Administrator Browner
- Secretary Herman
- Secretary Daley
- Frank Raines
- Leon Fuerth
- Don Baer
- Katie McGinty
- Mike McCurry
- Joe Lockhart

FAST TRACK ORGANIZATION

I. Berman Issues

- ✓ A. Complete legal vetting process (G. Canter)
- ✓ B. Resolve starting date based on 130-day limitation
- { C. Any remaining Chief of Staff issues (e.g. meeting with President, title, salary, etc.)
- D. Plan announcement (w/President, press release, press briefing)

II. Internal Organization

- * A. Determine space for J. Berman, staff (J. Podesta)
- B. Determine dedicated staffing needs
 - 1. Staff assistant (CoS budget or "borrowed" from White House)
 - 2. Special assistant(s) (agency representatives)
 - 3. Communications person (?)
- C. Establish White House and Administration working groups
 - 1. Core White House strategy group:
 - 2. Administration strategy group:
 - 3. Daily working group:
 - 4. Interagency policy group:
 - 5. *Linker to Outside Support Groups*
 - 6. *Linker to Outside Lobbyists*

✓ III. Initial White House Meetings

- ✓ A. Sandy Berger (Tuesday, time tbd)
 - ✓ B. Dan Tarullo
 - ✓ C. Gene Sperling
 - ✓ D. Mack McLarty
 - E. Charlene Barshefsky
 - F. Bob Rubin
 - ✓ G. Ron Klain
 - H. Susan Brophy
 - I. Bob Kyle
 - J. Katy McGinty
 - K. John Podesta
 - L. Others: Maria Echaveste, Mickey Ibarra, Don Baer, Ann Lewis, Craig Smith, Goody Marshall
- John H. H. H.*

IV. Initial Administration Meetings

- ✓ A. Bill Daley
 - B. Alexis Herman
 - C. Carol Browner
 - D. Madeleine Albright (Talbot/Larson)
- Bill Clinton*

- E. Dan Glickman
- V. Congressional Initial Meetings
(Review Brophy memorandum)
- VI. Constituency Initial Meetings
 - A. Tom Donahue - Chamber of Commerce
 - B. Ann Wexler
 - C. Other business community leaders
 - D. Foreign policy elites
 - E. Republican strategists (Duberstein, Weber?)
 - F. Small business outreach
 - G. Sectoral initiatives outreach
 - H. Think tanks (DLC, AEI, Heritage, Brookings, etc.)
- VII. Labor and Environmental Outreach
 - A. Develop strategy
 - B. Fast-track and other Administrative initiatives
- VIII. Communications Strategy
 - A. Develop overall action plan for July-September
 - 1. Presidential schedule of meetings, events, etc.
 - a. Two congressional meetings in July
 - b. September kick-off event
 - 2. Administration officials' schedule
 - 3. Editorial board/press outreach
 - 4. Secure and deploy validators
 - 5. Labor/environmental concerns
- IX. Policy Development
 - A. Finalize substantive positions (uses of fast track; labor/environment; sectoral initiatives; form of legislation)
 - B. Sharpen affirmative and defensive arguments
 - C. Develop anecdotes and state-by-state data
- X. Intergovernmental/Political Outreach
 - A. Strategy for assistance of governors, mayors, other elected officials
 - B. Organizational statements of support
 - C. Grassroots/district efforts

USES OF FAST TRACK AUTHORITY

Our broad message regarding the uses of fast track authority should be built around three themes. First, trade expansion has been a key element of the Clinton economic strategy that has created 12 1/2 million jobs, brought core inflation to a 30-year low and created sustained economic growth that makes the United States the envy of the world. Second, as we enter the 21st Century, we need to be in front of world trade opening efforts, not lagging behind and losing market opportunities. Fast track is the critical tool allowing the President to pursue U.S. interests. Third, fast track will advance a coherent trade strategy built around four Presidential initiatives:

FTAA/Latin America: As the hemisphere integrates, the U.S. must not be left behind. Negotiating free trade with Chile is key to exerting American leadership in the FTAA process.

APEC/Asia: We should build on APEC's success by negotiating sectoral agreements in key areas that are springboards to global market opening (in the same way that the 1996 APEC Information Technology agreement led to the global agreement).

Africa: We would build on our Africa trade and investment initiative by indicating our readiness to begin free trade talks with South Africa when it is ready.

Multilateral: We would continue a 50-year record of American leadership in the GATT/WTO that has substantially lowered global trade barriers and contributed to a 90-fold increase in world trade. Upcoming WTO talks in key areas like agriculture, services, intellectual property right and government procurement offer large opportunities to reduce foreign barriers, creating opportunities for American companies and workers.

The Principals also addressed other issues relating the uses of fast track:

Emphasis on Latin America: Despite NAFTA sensitivities in Congress, the Principals felt we must forthrightly make the case for the FTAA and continued Latin American trade expansion, as it is an integral part of our agenda and buttresses our broader themes of global leadership and market opening. However, they recognized that talk of Latin trade can be used by fast track opponents, who seek to make this debate a referendum on NAFTA. Our message therefore might present less controversial negotiations first (e.g., sectoral agreements, which do not raise labor/environment issues), then emphasize Latin American and other regional initiatives.

Additional Bilateral Free Trade Agreements (FTA's): Beyond Chile, Principals felt we should not signal intention to conclude other Latin American FTA's during your Administration. This will alleviate concerns about more controversial FTA's (e.g., Brazil) but, since it risks having our agenda appear small, underscores the need to present Chile as part of a broader, hemispheric process. Regarding Asia, the Principals do not favor negotiating free trade agreements, preferring to focus on sectoral liberalization in APEC. Most countries would be too controversial and/or are not ready for such talks (China, Japan, Korea). Australia and New Zealand have the advantage of not presenting labor/environment problems, and Singapore has a relatively high per

capita income and is a gateway to ASEAN. However, Australia and New Zealand could draw opposition from U.S. agriculture interests (e.g., dairy, sugar) and Singapore could draw human/labor rights opposition. Therefore, we would indicate we have no present intention of pursuing these talks. Of course, we would leave some flexibility for you to pursue negotiations not presently envisioned, after Congressional consultation.

August Help

Lowey
Price
K. McCarthy
Boswell
Fazio
Sawyer
Hoyer
Kind
J. Johnson
Davis
Stenholm
Skaggs
Hooley
Pomeroy
Lampson
Etheridge
John
McIntyre
A. Smith
Snyder
DeGette - *Shueker*
Tanner
Tauscher
Farr
Sherman
Capps
Gordon
Minge
Sanchez
Sandlin
Roemer
Dooley
Berry
C. McCarthy
Turner

Luther
Boyd
Goode
J. Maloney

Eskine
Medline
Charlene
Brouner
Daly
Ghetwan
Herman
Rubin
Beizer
Donna

Spentberg
Tanello
Eizusta

See other list

Agriculture

- ✓ Richard Romenger, Deputy Secretary
- ✓ Gus Schumacher, Acting Administrator Farm and Foreign Agriculture--Nominated for Under secretary for Farm and Foreign Agriculture Service
- ✓ Michael Dunn, Acting Under Secretary for Under secretary for Marketing and Regulatory Reform
- ✓ Jim Schroeder, Deputy Under Secretary for Farm and Foreign Agriculture Service
- Dallas Smith, Acting Under Secretary for Farm and Foreign Agriculture Service
- Paul Drazek, Special Assistant to the Secretary for Trade

Commerce

Tim Hauser, Acting Under Secretary
Frank Vargo, Acting Assistant Secretary, MAC
Regina Vargo, Deputy Assistant Secretary, Western Hemisphere, MAC
Marge Searing, Acting Director General, US/FCS
Michael Copps, Deputy Assistant Secretary, Basic Industries, TD
Ellis Mottur, Acting Assistant Secretary, TD

Defense

Frank Cramer, Assistant Secretary for International Security Affairs

EPA

William Nitze, Assistant Administrator for International Affairs

Labor

NSC

Dan Tarullo, Assistant to the President for International Economic Policy
Bob Kyle, Special Assistant to the President and Senior Director for International Economic Affairs

State

Stuart Eizenstat, Under Secretary for Economics
Al Larson, Assistant Secretary for Economics
Dave Marchek, Deputy Assistant Secretary for Trade, Promotion and Policy.
Tim Stater, Office of Developing Countries and Trade

Treasury

Larry Summers, Deputy Secretary
David Lipton, Under Secretary-designate for International Affairs
Meg Lundsager, Deputy Assistant Secretary for International Trade (currently Assistant Secretary)
Tim Geither, Assistant Secretary-designate for International Affairs (currently Deputy Assistant Secretary)

USTR

Ambassador Jeffrey Lang, Deputy U.S. Trade Representative
Sue Esserman, General Counsel
Bob Novick, Counselor to U.S. Trade Representative

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF THE CHIEF OF STAFF



Please Deliver To:

Jay Berman

Number of Pages (Including Cover Sheet):

11

Fax Number:

(202) 775-7253

Sender:

Erskine Bowles

Date:

7/9/97

Message:

Note: The information contained in this facsimile message is CONFIDENTIAL and intended for the recipient ONLY. If there are any problems with this transmission, please call (202) 456-6798.

FAST TRACK GAME PLAN

Phase One: Present -September

Summary: Our goals during this period are to: 1) establish a ^{control center} ~~virtual war room~~, including a White House coordinator and supporting resources; 2) finalize our substantive positions, particularly regarding the uses of fast track and labor/environment; 3) implement an aggressive, early outreach effort to staunch further attrition on the Hill; 4) work with key constituencies (e.g., business, agriculture) to organize their efforts and push back against early opposition efforts; 5) lay the groundwork for broader support among the press, state/local officials, think tanks, validators and others; 6) develop a communications and legislative game plan for September and beyond.

The first step is to develop an interim organizational structure. Until a coordinator is chosen, Sperling/Tarullo/Steinberg, working closely with Ambassador Barshefsky, should convene regular Virtual Warroom meetings to assess progress and give overall direction, particularly as to non-policy aspects of the effort. The coordinator would assume chairmanship of this group once he is on board. A separate NSC/NEC Principal or Deputies group would address policy issues and continue to operate even after the coordinator is chosen. (This follows the organizational structure of the NAFTA effort.) Below these umbrella groups, we would form three interagency working groups (Legislative, Communications/Outreach and Policy) to meet at least weekly. USTR would be the lead agency in the effort.

The White House staff team should consist of officials largely dedicated to this effort from the following disciplines: legislative, communications, policy, public liaison, political, Vice President's office, McLarty's office, intergovernmental and cabinet affairs. In addition, we would assemble a group of 4-5 agency detailees that would assist the effort generally and assist the coordinator once he is on board. We will provide Erskine with proposed lists.

We also need to sharpen our message. USTR has produced a solid foundation, as reflected in its main message document, substantial Q&A's, a defense of NAFTA and the NAFTA side agreements and other documents. However, we need to resolve fundamental questions relating to the scope of the agreements we would seek and labor/environment positions. (This needs to be done soon to permit some quiet Hill consultations in late July, leading to a roll-out in early September.) We also need to dramatize key arguments (e.g., the costs of inaction, the size and extent of foreign trade barriers), develop better anecdotes, and build the geographic and sectoral data to prove the case for expanded trade.

We also should use this period to assemble our coalition. The business community needs to step up their fundraising efforts (they are raising \$2-3 million; \$3-5 million was raised for the Uruguay Round fight, \$10 million for NAFTA), broaden their coalition, create a grass roots operation (including district efforts in August), mount an August advertising campaign and develop a fall strategy. We should also engage the agriculture community, which became more active on China MFN. Governors, local leaders, Hispanics, opinion leaders, validators and others also need to be engaged.

Citizens
Committee
Regime
Workers

Chief of Staff

Small Business
Lawyer

Pres.
Speech

Perhaps the most immediate challenge is to avoid losing more Hill votes during this interim period. The President should hold one or two meetings with targeted House members prior to the August recess, various Cabinet members should be active (both inside and outside Washington), and the business community should be energized to launch an ad campaign to counter an expected opposition campaign in August/September.

*identify
have*

Administration/Internal

- Start regular meetings (Ongoing)
 - NEC/NSC Principals or Deputies policy meetings (as needed) (NSC/NEC)
 - Regular WH Virtual War Room meetings (NEC/NSC/USTR)
 - Weekly Interagency Working Group meetings
 - Legislative (Brophy/Arky)
 - Communications/Outreach (D. Johnson?/Ziegler)
 - Policy (Kyle/Novick)
- Secure WH fast track coordinator (WH COS/USTR)(end of July)
- Assemble White House team (WH COS/NEC) (July 15) (proposed list being provide to Erskine)
- Retain 4-5 agency detailees to assist effort (WH COS/NEC/NSC)(end of July) (proposed list to be provided to Erskine)
- Develop plan for broader Cabinet role (WH Cabinet Affairs/USTR) (July 20)

Policy

- Finalize substantive positions (Tarullo/Barshesky/Kyle)
 - Uses of fast track (July 18)
 - Labor/Environment (July 18)
 - List of sectoral initiatives (July 18)
 - Form of proposed legislation (notional plan by July 18; legislation by late July)
 - Administration Statement of Intent (late July)
- Sharpen affirmative arguments (NEC/USTR/WH Communications)(July 25)
 - Costs of Inaction
 - Foreign barriers high than U.S. - *trade y*
 - Other key arguments
- Sharpen key defensive arguments (NEC/USTR/WH Communications (July 25)
 - Defense of NAFTA
 - Defense of NAFTA side agreements
 - Develop additional labor/environment border achievements
 - Sharpen key Q&A's
 - Other key defenses
- Develop anecdotes/data for use in effort (USTR/Commerce/NEC) (end of July)
 - Sharpen state-by-state data
 - Develop anecdotes (including Council of America examples)
 - Other data/examples

Communications

- Develop overall communications action plan for July-September (USTR/NEC/NSC) (July 11)
- Sharpen main message (Sperling/Baer/USTR) (July 25)
- Coordinate other trade activities with fast track (NEC/USTR)
 - NAFTA Report (Week of July 7)
 - Section 108 (FTA Report) (USTR/NEC) (To be released in the fall)
- Develop list of other events that might have impact on fast track and monitor (USTR) (July 20)
- Develop speaking calendar for Administration officials (USTR/NSC Communications) (July 15)
- Develop rapid response capability (USTR/NSC Communications) (July 15)
- Outreach to key reporters/editorial board writers to reinforce message and commitment (USTR/NSC) (Ongoing)
- Begin validator outreach (USTR/NSC) (Ongoing; secure many by fall kick-off)
 - Former Presidents
 - Former Secretaries of State, Treasury, Commerce, USTR and NSC Advisors (respective agencies responsible for securing)
 - Other validators (Communications group to determine)
- Explore September POTUS kick-off event (NEC/WH Communications) (August)
- Develop action plan for fall communications campaign (Sperling/Baer/USTR)
- * - Develop strategy for responding to anticipated AFL-CIO August/fall ad campaign (NEC/WH Communications/USTR) (July 25)

Legislative

(Provided separately by WH Legislative)

Outreach

- Business
 - Meeting with senior Administration officials and Business Roundtable CEO's (Sperling/Other Cabinet officials) (Week of July 14)
 - Other Cabinet calls to CEO's, as appropriate (NEC/USTR) (by late July)
 - Encourage desired business activity (USTR/WH Public Liaison) (late July):
 - Raise sufficient funds
 - Retain outside advisors (Wexler already retained)
 - Organize grassroots efforts
 - Start advertising campaign
 - Share information on Congressional effort
 - * - Develop small business participation (McLarty office/WH Public Liaison) (end of July)
 - Attend weekly meetings of business fast track coalition (USTR/NEC)
 - Counter August/Labor Day labor advertising campaign (USTR/WH Communications/NEC) (Plan by July 25)
 - Secure industry support for sectoral initiatives (USTR) (July 30)
- Agriculture
 - Gain full support of all groups (USTR/Agriculture) (late July)

- Encourage organizational efforts (USTR/Agriculture) (Ongoing)
- Think Tanks/Policy Organizations (USTR) (Ongoing)
 - Council of the Americas
 - Inter-American Dialogue
 - Heritage Foundation
 - DLC/PPI
 - Citizens for a Sound Economy
 - AEI
 - Brookings
 - Others
- State/Local Officials/Hispanics (WH Intergovernmental/WH Political/USTR) (Ongoing)
 - Develop expressions of support (governors, mayors, etc.)
 - Develop broader plan for their assistance in this effort
 - Manage various policy issues affecting these interests (e.g., Massachusetts Burma sanctions legislation)
- Labor/Environmental Groups (USTR/Podesta/McGinty) (Ongoing)
 - Continue consultations, as appropriate
 - * - Consider other Administration initiatives responsive to labor/environmental concerns

Africa —

Alexis - labor/stock council

Lessons from
Daley

July 9, 1997

MEMORANDUM FOR: Erskine Bowles

FROM: Susan Brophy

RE: Fast Track

The purpose of this memorandum is to provide you with a congressional strategy for the next three months, with the greatest emphasis on July and August. We will provide a more specific plan for September, October and November based upon the outcome of our activities over the summer.

The objectives of the congressional strategy over the course of the next several months should be twofold. First, we need to continue to set the foundation by providing a broader understanding on the Hill about the elements of fast track and why it is necessary. Second, on a working-level we need to be in a position to transmit a bill the first of September upon Congress' return from the August recess. While continuing to educate Members we have not yet reached, we must go back to key Members over the summer in order to prepare and negotiate our proposal.

To plan and implement these efforts, two legislative working groups have been formed, both of which will be managed by me. A small working group within the Executive Office of the President will develop strategies, consisting of representatives from the White House, NSC, USTR Congressional Affairs and the Office of the Special Envoy for the Americas (SEA). A large interagency group will focus on implementation, consisting of representatives from NSC, USTR, Treasury, State, Commerce, USDA, DOD, Labor, EPA, HHS, and SEA.

I. Congress -- Educational Efforts on Fast Track and the Trade Agenda

Ambassador Barshefsky has already met with approximately 170 Members and has honed an effective argument for the needs and uses of fast track. As part of this effort, Members have been provided with a better sense of the trade agenda, the accomplishments of the Clinton Administration and basic elements of the multilateral trading system. Members have appreciated the oral briefings and the materials we have provided, although additional requests have been made for information on the NAFTA (which will be satisfied by the NAFTA report) and basic information about trade and the history of fast track (a "primer"). Members have also requested talking points that could be used to explain the trade agenda and fast track to their constituents. These materials should be developed before Members return to their districts in August. In addition to providing materials, it should be noted that there is no substitute for Member to Member and Principal to Member contact to reinforce our message.

We should continue efforts with House Members who voted 1). yes NAFTA; 2). Freshman/Sophomores in districts where the previous member voted for NAFTA; 3). Freshman/Sophomores in district where the previous member voted against NAFTA; 4). yes on GATT, no on NAFTA.

We will meet with Members individually as well as in small and large groups. Whenever Chairman Archer believes it is the appropriate time (probably in the fall), Cabinet Members will begin meeting with House Republicans in groups (e.g., Freshmen). We have been informed by Democratic leadership that at some point, probably in the fall, an Administration official will be asked to appear before the House Democratic Caucus. Some of the larger groups with which we will meet are as follows:

Large Groups

Senate Finance Committee

Senate Freshmen

House Freshmen

House Democratic Whip Group (particularly on the NAFTA report)

House Ways and Means Democrats

Other Committees' Democrats where appropriate, such as, House Small Business and Banking Committee Democrats (who offered)

Black Caucus

Hispanic Caucus

New Democrats

Blue Dogs

Democratic Study Group

State Delegations

On both public and congressional outreach, in addition to Ambassador Barshefsky who is already fully engaged, we should enlist Administration officials Albright, Daley, Rubin, Glickman, Cohen, Berger, Shalala, Herman, Browner and McLarty in the effort to meet with Members to make the case for fast track. Sub-cabinet Members will be asked to assist where appropriate. In early July, staff calls will be made to every Congressional office on an interagency basis, in order to get a very preliminary whip list developed.

There is no substitute for Presidential involvement prior to the recess, most effectively captured in a few group meetings with Members. This list would include approximately 30-50 Members, particularly those Democrats who will be targeted by labor in August. This group should include some of the Democratic whip group, such as Matsui, Moran, Dooley, McCarthy (Dooley and McCarthy are targeted); key players in the caucus who we want to be part of the whip effort such as Rangel, Fazio and Murtha; Ways and Means Democrats such as Kennelly; and freshmen such as Boswell and Kind who want to be with us but will be torn because of labor. We especially need to step up outreach to the Senate.

→ *McCarthy*
Thomas

II. Possible Bill Progression Schedule

Generally, when we made the decision to postpone transmission of the bill until September we received indications from Leadership that they expect to be able to move the bill expeditiously

once the bill is transmitted. The House is scheduled to return from the August recess on Wednesday, September 3rd and the Senate returns on Tuesday the 2nd. The schedule will obviously be determined by the relevant Committees and Leadership, but we can assume the following:

Ways and Means Trade subcommittee markup could occur during the second week of September with full Committee markup either the third or fourth week of September. The proposed bill could reach the House floor by the first or second week in October. The Senate Finance Committee held a hearing on June 3rd and could potentially mark up during mid-September so that the Senate could act on the bill that comes over from the House in early to mid October. Senator Lott noted that the Congress intends to adjourn by November 14th and Thanksgiving at the latest. Please keep in mind the fact that this bill will not proceed under the Fast Track. It will have to pass the House and Senate, go to Conference and pass the House and Senate again. We will not be able to prevent Amendments from being added in the Senate.

It is critical that by the third week of July, we must come to decisions on key policy issues such as duration, scope, labor and environment in the legislation. Before Members leave for the August recess we should have a good sense of where they are on these issues as well so that final negotiations can take place upon their return in September. The first week of September we will finalize consultations, begun prior to recess, with a broad range of Members. The goal is to transmit a bill the first week of September, although it may be more realistic to expect transmission the second week of September, so that it could be introduced in both Houses the second week of September.

It should be noted that while the committees of primary jurisdiction are Ways and Means and Finance, depending on how the bill is written, the Rules Committees may have jurisdiction as well. In addition, because of the interest in the issue, multiple other committees will certainly hold hearings as well (which was our experience with NAFTA).

III. Bill Preparation

In order to be in a position to transmit a bill in September, we must meet again with a number of key Members, individually and in groups. From a substantive and tactical perspective, the first groups should include Democrats who will form the whip group, and the Ways and Means Democrats. Substantively, the Democratic whip group can provide an indication of what language could garner the most votes, specifically with respect to labor and environment. The Ways and Means Democrats must be consulted on the same issues (as promised), and tactically this should occur in early to mid-July. We need to identify a core group of Democrats to join the whip effort and who are willing to do so early, in the face of labor opposition; this list would include Rangel, Matsui, Berman, Murtha, Dingell, Hoyer, Fazio, Gejdenson, Hamilton, Markey, Eshoo, Roemer, Moran, McCarthy, Davis and Tauscher. There may be a few of these who the President should phone and request their assistance (Murtha) or other cabinet members should

*McCarthy
Commence*

approach (Rubin call/meet with Rangel).

Once meetings with selected Democrats have taken place, meetings with key Republican House staffers should take place so that meetings may occur with the key Republican leaders the third and fourth weeks of July. These key Members include Gingrich, Arney, Archer, Crane, Dreier, DeLay, Hastert, Boehner, Kaisich and Paxon.

At the same time, we need to have similar meetings on the Senate side -- with key Senators such as Lott, Daschle, Roth, Moynihan, Grassley, Rockefeller, Baucus and Breaux -- in close proximity to House meetings. An objective should be to ensure the creation of a Senate whip operation. It should be noted that Senate Finance Committee staffers are meeting this week to begin drafting their own language. This process can be helpful to our own and we should work closely with them.

Reps & Dems

IV. Public Agenda: Public Affairs Planning

It is important to ensure that there is a nexus between the public affairs and congressional strategies. The public affairs activities should be targeted to Members and their districts; we should create the impetus in their districts that leads Members to the conclusion that they must do the right thing and vote for the legislation.

The fast track talking points provide a more positive and aggressive cut on the trade agenda and should be distributed to all members of the Cabinet that may become involved in discussion of trade issues (see attached package); these materials have been provided to some friendly House Democrats at their request. We will refine points, and develop new ones as issues are identified, so that we can provide Q&A information to be reviewed by principals this week. During this month we will have an opportunity to begin Cabinet outreach outside Washington, and inform key reporters, editorial boards, and opinion writers about the trade agenda. We also need to begin active involvement with the business community so that they can effectively communicate with their constituencies about fast track and the trade agenda.

July and August: The Lead-Up to Fast Track Introduction

As part of the overall strategy, while Members are in town during July, our efforts should be devoted to base-building and opinion leader outreach in July. We will focus on hands-on discussions with all Members to get a baseline of support and to identify where our opportunities for support lie. During July we should devote efforts to outreach in these Members' districts through op-eds, talk-radio and satellite feeds.

In August, to solidify support among Members and offset the massive television campaign planned by the AFL-CIO, several cabinet officials should travel to key areas of the country, provide satellite feeds and do talk radio in targeted congressional districts as well. Outreach

would focus on Democratic and Republican vote-rich areas that benefit from trade; these targets may change over time as we see where Members are lining up. Several cabinet members would be involved in the trips and many will be responsive to Member interest and requests. The trips should highlight at least a couple of different sectors including agriculture, manufacturing, high-technology and services. The following is a list of potential media markets (this list will undoubtedly expand once targets are finalized):

Northeast -- New York City, Albany, Hartford, Baltimore, Boston

Midwest -- Detroit, Lansing, Akron, Indianapolis, Milwaukee, LaCrosse, Green Bay, Bismarck, Des Moines

Southeast -- Nashville, Little Rock, Memphis, Raleigh, New Orleans, Tampa, Tallahassee, Atlanta, Dallas, El Paso

West -- Los Angeles, Santa Ana, Sacramento, Seattle, Portland, Phoenix, Denver

September: Bill Introduction

As stated above, the events surrounding the introduction of the bill will be determined in conjunction with the Committee and Leadership. We will expand this section once we know more about the make-up of the bill as well as the sense of the congress once the bill is about to be introduced.

CODELs

It has been suggested by McLarty and others that a CODEL to South America would be helpful to the effort. Our recommendation is that we let the Hill know we are available but let requests come from the Hill.

WEEK-TO-WEEK PLAN**Week of July 7th**

- o Finalize plan of action for July, August and September
- o Finalize message documents
- o Begin staff level interagency calls to all Congressional offices to create preliminary whip list
- o Schedule principal meetings for month of July: Senate Finance; Senate Freshmen; Democrats whips; W&M Democrats; key Republicans; various large and small groups
- o Transmission of NAFTA report; ensure Congressional, business and opinion maker validators; plant seeds for supportive Dear Colleague letters
- o Contact staffs to House Democrats who would form core whip group and W&M trade staff to ensure support and seek bill language guidance
- o Contact Senate Finance staff re. their bill
- o Cabinet Member and Administration official meetings with key opinion leaders in the press/editorial boards, constituency leaders and business groups -- list determined by legislative targets.

Week of July 14th

- o Complete interagency calls to create preliminary whip list
 - o Possible W&M NAFTA Hearing on 16th
 - o Senate Commerce NAFTA Hearing on 16th (no Admin. witnesses)
 - o Organize positive Dear Colleagues on NAFTA Report
 - o Cabinet Member meetings should be sought with Dems whip group and W&M Dems first; individual, small and large group meetings as they can be scheduled
 - o Targeted cabinet member meetings/calls (e.g., Rubin and Rangel)
 - o Prepare fast track "primer" and talking points for Members
 - o Meet with staffs to key Republicans re. bill language
 - o Meet with Senate Finance staff re. bill language
 - o Cabinet Member and Administration official meetings with key opinion leaders in the press/editorial boards, constituency leaders and business groups
- [end of week target for completion of tax and spending bill conferences]

Week of July 21st

- o Key internal decisions on scope, timing, etc. must be made in order to produce the bill in a timely fashion
- o Cabinet Member and Administration official meetings continue
- o Seek Senate Finance Committee Executive Session
- o Seek meetings with key House Republican Members and Senate leadership re. bill language

- o POTUS calls to selected Dems to join whip effort (e.g., Murtha)
- o POTUS meeting with 30-50 House and Senate Dems
- o Cabinet Member and Administration official meetings with key opinion leaders in the press/editorial boards, constituency leaders and business groups

Week of July 28th

- o Preliminary base-touching with key Members on substance of the bill
- o Cabinet Member meetings continue
- o Second POTUS meeting with House and Senate Dems
- o Follow-up meetings with House and Senate key staff re. bill language
[end of week target for completion of action on tax and spending bills]

August Outreach

- o Cabinet Members and Administration officials begin outreach in targeted areas around the country through travel, satellites, op/eds, talk radio
- o Business community begins outreach on importance of the trade agenda
- o Editorial and opinion leader outreach to continue

FAST TRACK MEETING -- Tuesday, July 29, 10:00 am
RM 180

1. Overall

- ✓ - Jay Berman
- ✓ - Victoria Radd

2. Legislative

- Susan Brophy
- ✓ - Jeff Forbes
- ✓ - Bill Danvers (NSC)

3. Policy

- ✓ - Bob Kyle (NEC/NSC)
- ✓ - Lael Brainard (NEC)

4. Communications

- ✓ - David Leavy (NSC)
- ✓ - Tony Blinken (NSC)
- Bob Boorstin (Treasury)
- Jonathan Prince (State)
- Jake Siewart (NEC)

5. Cabinet

- ✓ - Steve Silverman

6. Public Liaison

- ✓ - Cheri Carter
- ✓ - Peter O'Keefe

7. Intergovernmental

- ✓ - Emily Bromberg

8. Political

- ✓ - Linda Moore

9. Vice President

- Kay Casstevens *n/a*
- ✓ - Rick Gonzalez

10. Special Envoy

- Andrew Friendly *n/a*
- Steve Ronnel *n/a*

11. USTR

- Nancy Leamond

Those who worked
NAPTA
suggestions

Strategic Calendar

Sept 10
Republican

monitor
2 districts
in an ad
leadership
training

3pm
Charlene
2200

Chamber of Commerce

Beate
Frank
Dem

✓- Bob Novick

12. CEQ
- David Sandalow *n/a*

13. Press
- David Johnson (tentative - talking to Sberger)

14. Staff
✓- Kevin Moran
- Staci Blevins

John -

There are the
two most urgent
issues - ✓

I. Reporting Authority

-- within Chief of Staff Office

-- decision-making group?

need to
decentralize
limited #

-- salary issue

II. Office Space

-- Jay Berman (tomorrow)

217 likely to be
empty next week
(3. Prince).

-- additional office for agency representatives

Task
Force

III. Personnel

-- communications: Bennett Freeman (State); ~~Bob Doornik (Treasury)~~; David Leavy
(NSC) Jonathan Prince

-- staff assistant: Kevin Moran (communications)

-- policy: Bob Kyle; Lael Brainard

-- legislative: Karen Hancox (State/UN) as agency representative

-- all-purpose: Kari Donne (Commerce) as agency representative

John?

need
help
w/
John
Eustice

~~Sandy - David Leavy~~
~~Dan - Lael Brainard~~
~~Stik-Stu - Bennett Freeman~~
~~Treasury - Boorstin~~

Title - Special Counselor
 Salary - below \$9,000
 Announcement -
 start clock -
 space - FAST TRACK WORKING GROUP
 2 offices Evidence's office for interview

1. Overall -- Jay Berman
 Victoria Radd

2. Legislative -- Susan Brophy
 Bill Danvers (NSC)
 Karen Hancox

3. Policy -- Bob Kyle (NEC-NSC)
 Lael Brainard (NEC) - good on analysis is policy
 Malcolm Lee (NEC) -

4. Communications & Rapid Response -- Bennett Freeman (State) - or - Bob Boorstin (Treasury)
 David Leavy (NSC) - press (climate change)
 Jake Stewart (NEC) - strategy

5. Press -- David Johnson (NSC) - contact - daily -

6. Cabinet -- Steve Silverman

7. Public Liaison -- Cheri Carter
 Peter O'Keefe

8. Intergovernmental -- Emily Bromberg

9. Political -- Minyon Moore - or - Karen Skolten - or - Linda Moore

10. Vice President -- Mike Feldman

11. Special Envoy -- Andrew Friend
 Steve Ronnel

12. USTR -- Nancy Lemond
 Bob Novick

13. Special Assistants -- Kari Doherty (Commerce)
 Susanna Valdez (State)

14. Staff Assistant -- Kevin Moran (or agency representative)
 Ann Lewis

cannot w/og: climate
 fast track
 what do we want -
 anything in August -
 new ideas/news -

1 meeting
 2 meeting
 3 meeting
 4 meeting
 5 meeting

1) JB + Kevin Moran
 2) Assets

Nelson W. Cunningham

07/23/97 03:09:14 PM

Record Type: Record

To: Victoria Radd/WHO/EOP

cc:

Subject: Interagency memo

Here is the draft Task Force memo.

I included a couple of alternatives on the composition of the leadership of the Task Force -- whether the leadership will consist of Jay alone, or will include the Cabinet Officers most directly involved. I don't know where the thinking is on this right now, so I included alternatives.

Let me know what changes you'd like, or any other help I can offer.



FTTF.MM1

July __, 1997

MEMORANDUM FOR [The Cabinet Secretaries?
or just selected ones?]

FROM: ERSKINE B. BOWLES
CHIEF OF STAFF TO THE
PRESIDENT OF THE UNITED STATES

Subject: Free Trade Interagency Task Force

As you know, one of the President's principal goals for his second term is to secure and expand the benefits of free and fair trade for the American people. The first step is to introduce "fast track" legislation in the Congress, and to win its passage.

To demonstrate his personal commitment to free and fair trade, the President has appointed Jay Berman to the position of Special Counselor to the President. Serving within the White House, it is Jay's responsibility to coordinate the Administration's efforts seeking passage of fast track authority.

To assist in the coordination process, the President has asked me to convene a Free Trade Interagency Task Force. This Task Force will be based in the White House and will be headed by Jay Berman. Its mission will be to lead, to coordinate, and to galvanize the Administration's efforts.

[Vicky -- the following alternative paragraph is designed to fold in the Cabinet officers who will be most directly involved (and to properly channel their energies):

To assist in the coordination process, the President has asked me to convene a Free Trade Interagency Task Force. This Task Force will be based in the White House and will be headed by Jay Berman in coordination with the Cabinet officers who will be most directly involved with fast track: United States Trade Representative Charlene Barshefsky, Commerce Secretary Bill Daley, and Presidential Counselor Mack McLarty. Its mission will be to lead, to coordinate, and to galvanize the Administration's efforts.]

Rabin

In order to ensure proper support and coordination for the Task Force, I am asking you by this memo to provide appropriate staff to serve as agency representatives on the Task Force. Depending on the Task Force's needs and on your department or agency's mission, these agency representatives may be required to serve part- or full-time. I have assigned my Chief of Staff, Vicky Radd, to work essentially full time on the Task Force.

Jay Berman or Vicky Radd will be contacting your offices in the coming days to discuss staffing needs for the Task Force. The President joins me in asking for your full cooperation and support to this priority task.



Brooks E. Scoville

07/22/97 07:49:37 PM

Record Type: Record

To: Victoria Radd/WHO/EOP

cc:

Subject: Agency Reps

Here's the definition of an agency rep: An individual who, as a part of the regular responsibilities of his or her agency position, is temporarily assigned to represent the employing agency as a member of an interagency task force, board, council, or committee.

They cannot be brought over until the task force is established. Once that is done, you can submit paperwork (personnel action, security form, and drug testing form) to us on each person you want to bring on board (assuming that their home agency agrees). Mark Lindsay, the OA General Counsel approves all agency reps. before they go to Jodie for signature. (They do not count against our number of staff.) If you have more questions about them, you should probably call Mark at 51269.

I hope this is helpful.

Brooks

NFTB
for Term

Dole
Richards
Mitchell

PROPOSED BUSINESS SCHEDULE FOR FAST TRACK

Goals

Outline Administration plan for Fast Track effort
Obtain positive business stories that support Administration's position
Energize our base; the business and agriculture communities

tell to Mac
about
Donoghue
Do Chamber

Strategy:

I. Outreach

Key groups

- ✓ a) business (manufacturing, high-tech, agriculture)
- ✓ b) dc rep core group
- c) opinion leaders (political, academic, economists, foreign policy experts, former secretaries of state, treasury, commerce and trade reps)

Tuesday
BRT

II. Events in August

a) manufacturing companies (primarily Fortune 500)
Roosevelt Room
principals: Bowles, Rubin, Amb. Barshefsky, McLarty, Berman

B) high technology companies
Roosevelt Room
principals: VPOTUS, Amb. Barshefsky, McLarty, Gipps, Berman

- ✓ c) agri-business companies
Roosevelt Room
principals: Secretary Glickman, Amb. Barshefsky, McLarty, Berman

Peter has do
DC
reps

Events in September

a) washington reps roll-out event
East Room of the White House
principals: President Clinton

b) The Business Roundtable
September 10th, JW Marriott
Principle: The Vice President

c) American Business Conference (proposed event)
September 16th, The White House
Principle: The President

headship
Wt
Sept

Sept 9
foreign
policy
speech

Baum
Koystad

Chatter
Rubin
Daley

III. Other outreach targets

- a) in-town conferences
- b) targeted regional audiences
- c) major associations, U.S. Chamber, Hispanic Chamber

any out of DC conventions

OFFICE OF THE CHIEF OF STAFF



Please Deliver To: Jay Berman

Number of Pages (Including Cover Sheet): 11

Fax Number: (202) 775-7253

Sender: Erskine Bowles

Date: 7/9/97

Message: _____

Note: The information contained in this facsimile message is CONFIDENTIAL and intended for the recipient ONLY. If there are any problems with this transmission, please call (202) 456-6798.

FAST TRACK GAME PLAN

Phase One: Present -September

Summary: Our goals during this period are to: 1) establish a virtual war room, including a White House coordinator and supporting resources; 2) finalize our substantive positions, particularly regarding the uses of fast track and labor/environment; 3) implement an aggressive, early outreach effort to staunch further attrition on the Hill; 4) work with key constituencies (e.g., business, agriculture) to organize their efforts and push back against early opposition efforts; 5) lay the groundwork for broader support among the press, state/local officials, think tanks, validators and others; 6) develop a communications and legislative game plan for September and beyond.

The first step is to develop an interim organizational structure. Until a coordinator is chosen, Sperling/Tarullo/Steinberg, working closely with Ambassador Barshefsky, should convene regular Virtual Warroom meetings to assess progress and give overall direction, particularly as to non-policy aspects of the effort. The coordinator would assume chairmanship of this group once he is on board. A separate NSC/NEC Principal or Deputies group would address policy issues and continue to operate even after the coordinator is chosen. (This follows the organizational structure of the NAFTA effort.) Below these umbrella groups, we would form three interagency working groups (Legislative, Communications/Outreach and Policy) to meet at least weekly. USTR would be the lead agency in the effort.

The White House staff team should consist of officials largely dedicated to this effort from the following disciplines: legislative, communications, policy, public liaison, political, Vice President's office, McLarty's office, intergovernmental and cabinet affairs. In addition, we would assemble a group of 4-5 agency detailees that would assist the effort generally and assist the coordinator once he is on board. We will provide Erskine with proposed lists.

We also need to sharpen our message. USTR has produced a solid foundation, as reflected in its main message document, substantial Q&A's, a defense of NAFTA and the NAFTA side agreements and other documents. However, we need to resolve fundamental questions relating to the scope of the agreements we would seek and labor/environment positions. (This needs to be done soon to permit some quiet Hill consultations in late July, leading to a roll-out in early September.) We also need to dramatize key arguments (e.g., the costs of inaction, the size and extent of foreign trade barriers), develop better anecdotes, and build the geographic and sectoral data to prove the case for expanded trade.

We also should use this period to assemble our coalition. The business community needs to step up their fundraising efforts (they are raising \$2-3 million; \$3-5 million was raised for the Uruguay Round fight, \$10 million for NAFTA), broaden their coalition, create a grass roots operation (including district efforts in August), mount an August advertising campaign and develop a fall strategy. We should also engage the agriculture community, which became more active on China MFN. Governors, local leaders, Hispanics, opinion leaders, validators and others also need to be engaged.

Perhaps the most immediate challenge is to avoid losing more Hill votes during this interim period. The President should hold one or two meetings with targeted House members prior to the August recess, various Cabinet members should be active (both inside and outside Washington), and the business community should be energized to launch an ad campaign to counter an expected opposition campaign in August/September.

Administration/Internal

- Start regular meetings (Ongoing)
 - NEC/NSC Principals or Deputies policy meetings (as needed) (NSC/NEC)
 - Regular WH Virtual War Room meetings (NEC/NSC/USTR)
 - Weekly Interagency Working Group meetings
 - Legislative (Brophy/Arky)
 - Communications/Outreach (D. Johnson?/Ziegler)
 - Policy (Kyle/Novick)
- Secure WH fast track coordinator (WH COS/USTR)(end of July)
- Assemble White House team (WH COS/NEC) (July 15) (proposed list being provide to Erskine)
- Retain 4-5 agency detailees to assist effort (WH COS/NEC/NSC)(end of July) (proposed list to be provided to Erskine)
- Develop plan for broader Cabinet role (WH Cabinet Affairs/USTR) (July 20)

Policy

- Finalize substantive positions (Tarullo/Barshefsky/Kyle)
 - Uses of fast track (July 18)
 - Labor/Environment (July 18)
 - List of sectoral initiatives (July 18)
 - Form of proposed legislation (notional plan by July 18; legislation by late July)
 - Administration Statement of Intent (late July)
- Sharpen affirmative arguments (NEC/USTR/WH Communications)(July 25)
 - Costs of Inaction
 - Foreign barriers high than U.S.
 - Other key arguments
- Sharpen key defensive arguments (NEC/USTR/WH Communications (July 25)
 - Defense of NAFTA
 - Defense of NAFTA side agreements
 - Develop additional labor/environment border achievements
 - Sharpen key Q&A's
 - Other key defenses
- Develop anecdotes/data for use in effort (USTR/Commerce/NEC) (end of July)
 - Sharpen state-by-state data
 - Develop anecdotes (including Council of America examples)
 - Other data/examples

Communications

- Develop overall communications action plan for July-September (USTR/NEC/NSC) (July 11)
- Sharpen main message (Sperling/Baer/USTR) (July 25)
- Coordinate other trade activities with fast track (NEC/USTR)
 - NAFTA Report (Week of July 7)
 - Section 108 (FTA Report) (USTR/NEC) (To be released in the fall)
- Develop list of other events that might have impact on fast track and monitor (USTR) (July 20)
- Develop speaking calendar for Administration officials (USTR/NSC Communications) (July 15)
- Develop rapid response capability (USTR/NSC Communications) (July 15)
- Outreach to key reporters/editorial board writers to reinforce message and commitment (USTR/NSC) (Ongoing)
- Begin validator outreach (USTR/NSC) (Ongoing; secure many by fall kick-off)
 - Former Presidents
 - Former Secretaries of State, Treasury, Commerce, USTR and NSC Advisors (respective agencies responsible for securing)
 - Other validators (Communications group to determine)
- Explore September POTUS kick-off event (NEC/WH Communications) (August)
- Develop action plan for fall communications campaign (Sperling/Baer/USTR)
- Develop strategy for responding to anticipated AFL-CIO August/fall ad campaign (NEC/WH Communications/USTR) (July 25)

Legislative

(Provided separately by WH Legislative)

Outreach

- Business
 - Meeting with senior Administration officials and Business Roundtable CEO's (Sperling/Other Cabinet officials) (Week of July 14)
 - Other Cabinet calls to CEO's, as appropriate (NEC/USTR) (by late July)
 - Encourage desired business activity (USTR/WH Public Liaison) (late July):
 - Raise sufficient funds
 - Retain outside advisors (Wexler already retained)
 - Organize grassroots efforts
 - Start advertising campaign
 - Share information on Congressional effort
 - Develop small business participation (McLarty office/WH Public Liaison) (end of July)
 - Attend weekly meetings of business fast track coalition (USTR/NEC)
 - Counter August/Labor Day labor advertising campaign (USTR/WH Communications/NEC) (Plan by July 25)
 - Secure industry support for sectoral initiatives (USTR) (July 30)
- Agriculture
 - Gain full support of all groups (USTR/Agriculture) (late July)

- Encourage organizational efforts (USTR/Agriculture) (Ongoing)
- Think Tanks/Policy Organizations (USTR) (Ongoing)
 - Council of the Americas
 - Inter-American Dialogue
 - Heritage Foundation
 - DLC/PPI
 - Citizens for a Sound Economy
 - AEI
 - Brookings
 - Others
- State/Local Officials/Hispanics (WH Intergovernmental/WH Political/USTR) (Ongoing)
 - Develop expressions of support (governors, mayors, etc.)
 - Develop broader plan for their assistance in this effort
 - Manage various policy issues affecting these interests (e.g., Massachusetts Burma sanctions legislation)
- Labor/Environmental Groups (USTR/Podesta/McGinty) (Ongoing)
 - Continue consultations, as appropriate
 - Consider other Administration initiatives responsive to labor/environmental concerns

07/09/97 18:03 202 456 6/97 CHIEF OF STAFF 006
July 9, 1997

MEMORANDUM FOR: Erskine Bowles

FROM: Susan Brophy

RE: Fast Track

The purpose of this memorandum is to provide you with a congressional strategy for the next three months, with the greatest emphasis on July and August. We will provide a more specific plan for September, October and November based upon the outcome of our activities over the summer.

The objectives of the congressional strategy over the course of the next several months should be twofold. First, we need to continue to set the foundation by providing a broader understanding on the Hill about the elements of fast track and why it is necessary. Second, on a working-level we need to be in a position to transmit a bill the first of September upon Congress' return from the August recess. While continuing to educate Members we have not yet reached, we must go back to key Members over the summer in order to prepare and negotiate our proposal.

To plan and implement these efforts, two legislative working groups have been formed, both of which will be managed by me. A small working group within the Executive Office of the President will develop strategies, consisting of representatives from the White House, NSC, USTR Congressional Affairs and the Office of the Special Envoy for the Americas (SEA). A large interagency group will focus on implementation, consisting of representatives from NSC, USTR, Treasury, State, Commerce, USDA, DOD, Labor, EPA, HHS, and SEA.

I. Congress – Educational Efforts on Fast Track and the Trade Agenda

Ambassador Barshefsky has already met with approximately 170 Members and has honed an effective argument for the needs and uses of fast track. As part of this effort, Members have been provided with a better sense of the trade agenda, the accomplishments of the Clinton Administration and basic elements of the multilateral trading system. Members have appreciated the oral briefings and the materials we have provided, although additional requests have been made for information on the NAFTA (which will be satisfied by the NAFTA report) and basic information about trade and the history of fast track (a "primer"). Members have also requested talking points that could be used to explain the trade agenda and fast track to their constituents. These materials should be developed before Members return to their districts in August. In addition to providing materials, it should be noted that there is no substitute for Member to Member and Principal to Member contact to reinforce our message.

We should continue efforts with House Members who voted 1). yes NAFTA; 2). Freshman/Sophomores in districts where the previous member voted for NAFTA; 3). Freshman/Sophomores in district where the previous member voted against NAFTA; 4). yes on GATT, no on NAFTA.

We will meet with Members individually as well as in small and large groups. Whenever Chairman Archer believes it is the appropriate time (probably in the fall), Cabinet Members will begin meeting with House Republicans in groups (e.g., Freshmen). We have been informed by Democratic leadership that at some point, probably in the fall, an Administration official will be asked to appear before the House Democratic Caucus. Some of the larger groups with which we will meet are as follows:

Large Groups

Senate Finance Committee

Senate Freshmen

House Freshmen

House Democratic Whip Group (particularly on the NAFTA report)

House Ways and Means Democrats

Other Committees' Democrats where appropriate, such as, House Small Business and Banking

Committee Democrats (who offered)

Black Caucus

Hispanic Caucus

New Democrats

Blue Dogs

Democratic Study Group

State Delegations

On both public and congressional outreach, in addition to Ambassador Barshefsky who is already fully engaged, we should enlist Administration officials Albright, Daley, Rubin, Glickman, Cohen, Berger, Shalala, Herman, Browner and McLarty in the effort to meet with Members to make the case for fast track. Sub-cabinet Members will be asked to assist where appropriate. In early July, staff calls will be made to every Congressional office on an interagency basis, in order to get a very preliminary whip list developed.

There is no substitute for Presidential involvement prior to the recess, most effectively captured in a few group meetings with Members. This list would include approximately 30-50 Members, particularly those Democrats who will be targeted by labor in August. This group should include some of the Democratic whip group, such as Matsui, Moran, Dooley, McCarthy (Dooley and McCarthy are targeted); key players in the caucus who we want to be part of the whip effort such as Rangel, Fazio and Murtha; Ways and Means Democrats such as Kennelly; and freshmen such as Boswell and Kind who want to be with us but will be torn because of labor. We especially need to step up outreach to the Senate.

II. Possible Bill Progression Schedule

Generally, when we made the decision to postpone transmission of the bill until September we received indications from Leadership that they expect to be able to move the bill expeditiously

once the bill is transmitted. The House is scheduled to return from the August recess on Wednesday, September 3rd and the Senate returns on Tuesday the 2nd. The schedule will obviously be determined by the relevant Committees and Leadership, but we can assume the following:

Ways and Means Trade subcommittee markup could occur during the second week of September with full Committee markup either the third or fourth week of September. The proposed bill could reach the House floor by the first or second week in October. The Senate Finance Committee held a hearing on June 3rd and could potentially mark up during mid-September so that the Senate could act on the bill that comes over from the House in early to mid October. Senator Lott noted that the Congress intends to adjourn by November 14th and Thanksgiving at the latest. Please keep in mind the fact that this bill will not proceed under the Fast Track. It will have to pass the House and Senate, go to Conference and pass the House and Senate again. We will not be able to prevent Amendments from being added in the Senate.

It is critical that by the third week of July, we must come to decisions on key policy issues such as duration, scope, labor and environment in the legislation. Before Members leave for the August recess we should have a good sense of where they are on these issues as well so that final negotiations can take place upon their return in September. The first week of September we will finalize consultations, begun prior to recess, with a broad range of Members. The goal is to transmit a bill the first week of September, although it may be more realistic to expect transmission the second week of September, so that it could be introduced in both Houses the second week of September.

It should be noted that while the committees of primary jurisdiction are Ways and Means and Finance, depending on how the bill is written, the Rules Committees may have jurisdiction as well. In addition, because of the interest in the issue, multiple other committees will certainly hold hearings as well (which was our experience with NAFTA).

III. Bill Preparation

In order to be in a position to transmit a bill in September, we must meet again with a number of key Members, individually and in groups. From a substantive and tactical perspective, the first groups should include Democrats who will form the whip group, and the Ways and Means Democrats. Substantively, the Democratic whip group can provide an indication of what language could garner the most votes, specifically with respect to labor and environment. The Ways and Means Democrats must be consulted on the same issues (as promised), and tactically this should occur in early to mid-July. We need to identify a core group of Democrats to join the whip effort and who are willing to do so early, in the face of labor opposition; this list would include Rangel, Matsui, Berman, Murtha, Dingell, Hoyer, Fazio, Gejdenson, Hamilton, Markey, Eshoo, Roemer, Moran, McCarthy, Davis and Tauscher. There may be a few of these who the President should phone and request their assistance (Murtha) or other cabinet members should

approach (Rubin call/meet with Rangel).

Once meetings with selected Democrats have taken place, meetings with key Republican House staffers should take place so that meetings may occur with the key Republican leaders the third and fourth weeks of July. These key Members include Gingrich, Arney, Archer, Crane, Dreier, DeLay, Hastert, Boehner, Kaisich and Paxon.

At the same time, we need to have similar meetings on the Senate side -- with key Senators such as Lott, Daschle, Roth, Moynihan, Grassley, Rockefeller, Baucus and Breaux -- in close proximity to House meetings. An objective should be to ensure the creation of a Senate whip operation. It should be noted that Senate Finance Committee staffers are meeting this week to begin drafting their own language. This process can be helpful to our own and we should work closely with them.

IV. Public Agenda: Public Affairs Planning

It is important to ensure that there is a nexus between the public affairs and congressional strategies. The public affairs activities should be targeted to Members and their districts; we should create the impetus in their districts that leads Members to the conclusion that they must do the right thing and vote for the legislation.

The fast track talking points provide a more positive and aggressive cut on the trade agenda and should be distributed to all members of the Cabinet that may become involved in discussion of trade issues (see attached package); these materials have been provided to some friendly House Democrats at their request. We will refine points, and develop new ones as issues are identified, so that we can provide Q&A information to be reviewed by principals this week. During this month we will have an opportunity to begin Cabinet outreach outside Washington, and inform key reporters, editorial boards, and opinion writers about the trade agenda. We also need to begin active involvement with the business community so that they can effectively communicate with their constituencies about fast track and the trade agenda.

July and August: The Lead-Up to Fast Track Introduction

As part of the overall strategy, while Members are in town during July, our efforts should be devoted to base-building and opinion leader outreach in July. We will focus on hands-on discussions with all Members to get a baseline of support and to identify where our opportunities for support lie. During July we should devote efforts to outreach in these Members' districts through op-eds, talk-radio and satellite feeds.

In August, to solidify support among Members and offset the massive television campaign planned by the AFL-CIO, several cabinet officials should travel to key areas of the country, provide satellite feeds and do talk radio in targeted congressional districts as well. Outreach

would focus on Democratic and Republican vote-rich areas that benefit from trade; these targets may change over time as we see where Members are lining up. Several cabinet members would be involved in the trips and many will be responsive to Member interest and requests. The trips should highlight at least a couple of different sectors including agriculture, manufacturing, high-technology and services. The following is a list of potential media markets (this list will undoubtedly expand once targets are finalized):

Northeast -- New York City, Albany, Hartford, Baltimore, Boston

Midwest -- Detroit, Lansing, Akron, Indianapolis, Milwaukee, LaCrosse, Green Bay, Bismarck, Des Moines

Southeast -- Nashville, Little Rock, Memphis, Raleigh, New Orleans, Tampa, Tallahassee, Atlanta, Dallas, El Paso

West -- Los Angeles, Santa Ana, Sacramento, Seattle, Portland, Phoenix, Denver

September: Bill Introduction

As stated above, the events surrounding the introduction of the bill will be determined in conjunction with the Committee and Leadership. We will expand this section once we know more about the make-up of the bill as well as the sense of the congress once the bill is about to be introduced.

CODELS

It has been suggested by McLarty and others that a CODEL to South America would be helpful to the effort. Our recommendation is that we let the Hill know we are available but let requests come from the Hill.

WEEK-TO-WEEK PLAN**Week of July 7th**

- o Finalize plan of action for July, August and September
- o Finalize message documents
- o Begin staff level interagency calls to all Congressional offices to create preliminary whip list
- o Schedule principal meetings for month of July: Senate Finance; Senate Freshmen; Democrats whips; W&M Democrats; key Republicans; various large and small groups
- o Transmission of NAFTA report; ensure Congressional, business and opinion maker validators; plant seeds for supportive Dear Colleague letters
- o Contact staffs to House Democrats who would form core whip group and W&M trade staff to ensure support and seek bill language guidance
- o Contact Senate Finance staff re. their bill
- o Cabinet Member and Administration official meetings with key opinion leaders in the press/editorial boards, constituency leaders and business groups -- list determined by legislative targets.

Week of July 14th

- o Complete interagency calls to create preliminary whip list
 - o Possible W&M NAFTA Hearing on 16th
 - o Senate Commerce NAFTA Hearing on 16th (no Admin. witnesses)
 - o Organize positive Dear Colleagues on NAFTA Report
 - o Cabinet Member meetings should be sought with Dems whip group and W&M Dems first; individual, small and large group meetings as they can be scheduled
 - o Targeted cabinet member meetings/calls (e.g., Rubin and Rangel)
 - o Prepare fast track "primer" and talking points for Members
 - o Meet with staffs to key Republicans re. bill language
 - o Meet with Senate Finance staff re. bill language
 - o Cabinet Member and Administration official meetings with key opinion leaders in the press/editorial boards, constituency leaders and business groups
- [end of week target for completion of tax and spending bill conferences]

Week of July 21st

- o Key internal decisions on scope, timing, etc. must be made in order to produce the bill in a timely fashion
- o Cabinet Member and Administration official meetings continue
- o Seek Senate Finance Committee Executive Session
- o Seek meetings with key House Republican Members and Senate leadership re. bill language

- o POTUS calls to selected Dems to join whip effort (e.g., Murtha)
- o POTUS meeting with 30-50 House and Senate Dems
- o Cabinet Member and Administration official meetings with key opinion leaders in the press/editorial boards, constituency leaders and business groups

Week of July 28th

- o Preliminary base-touching with key Members on substance of the bill
 - o Cabinet Member meetings continue
 - o Second POTUS meeting with House and Senate Dems
 - o Follow-up meetings with House and Senate key staff re. bill language
- [end of week target for completion of action on tax and spending bills]

August Outreach

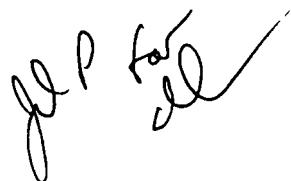
- o Cabinet Members and Administration officials begin outreach in targeted areas around the country through travel, satellites, op/eds, talk radio
- o Business community begins outreach on importance of the trade agenda
- o Editorial and opinion leader outreach to continue

THE WHITE HOUSE
WASHINGTON

April 7, 1997

MEMORANDUM FOR THE PRESIDENT

From: Samuel Berger
Daniel Tarullo
Gene Sperling

Handwritten initials "JP" and a signature, possibly "for" or "for [unclear]".

Subject: Fast Track

Purpose

To determine how to proceed on seeking fast track authority. Our credibility in Latin America increasingly is eroding because we have not moved beyond rhetorical support. Moreover, economic integration is proceeding in the hemisphere (e.g., MERCOSUR), but without us. However, there is substantial Democratic opposition to any fast track bill that does not mandate provisions in trade agreements that provide for trade restrictions on countries for failure to meet labor and environmental standards. Republicans will not accept such provisions, but they have also indicated they would insist on significant Democratic support for a fast track bill. The issue is further complicated by the possibility of an early budget agreement, which may also involve a break in party unity, and which will command the lion's share of our resources and time, including your own, for at least the next month.

Background

Fast track has never been popular in the Congress. The House tends to be skeptical of trade liberalizing agreements in general, while the Senate tends to be resistant to the constraints upon floor debate and amendments. Prior enactments of fast track were contained in broad-ranging trade bills in which support for fast track was accepted by some members in return for making U.S. import laws more restrictive and market access laws such as section 301 more aggressive. These bills also provided new programs for displaced workers.

The normal difficulties of obtaining fast track are compounded this year by several factors. First, free trade agreements have become strongly associated by many in Congress and the public with NAFTA. The peso crisis and resulting reversal in our trade balance, along with seemingly extraneous issues such as drugs and corruption in Mexico, have made NAFTA unpopular in many quarters. Second, budgetary constraints suggest little room for additional programs to ease

displacement anxieties of potentially affected groups of workers. Third, the substantial resistance to fast track among House Democrats presents a very awkward situation as we try to conclude a budget agreement that is already placing severe strains on party unity. A number of your political and congressional advisors are particularly concerned that proceeding vigorously with fast track now risks both alienating Democrats we need on the budget and sustaining an early loss that would reduce our influence on the Hill.

On the other hand, there is political cost to delay: Gephardt and other opponents already are lining up Members, our supporters are exposed and we may exacerbate the challenge facing us if we don't proceed soon.

The most contentious issue is the role of labor and environmental standards in future trade agreements. For NAFTA we negotiated "side agreements" for labor and the environment, which provided a special form of dispute settlement where there had been a "persistent failure" by one of the governments to enforce its own laws on some labor areas and the environment. If such a failure is found, fines are to be imposed on the offending government, with trade sanctions imposed only if the fine is not paid. These agreements were approved by the Congress. They have not been frequently invoked.

There appears to be strong support among business and the Republican leadership for fast track authority, but only if labor and environmental provisions are not included in any agreements negotiated under fast track authority. This proviso seems to include side agreements approved by the Congress, though perhaps not side agreements reached on the basis of Executive authority alone. Representative Gephardt and the AFL-CIO, on the other hand, have indicated they will actively oppose fast track unless the terms of the authority require that labor and environmental provisions, backed by trade sanctions, be included in any future free trade agreements. Even the environmental groups that eventually supported the NAFTA side agreement will be hard to win over this time around, since they have been disappointed in environmental developments along the border and believe that they had an understanding with the Administration that future trade agreements would be "greener" than NAFTA. However, anything less than the side agreements approach would surely elicit charges that we are backing off even a moderate commitment to the environment.

When USTR consulted extensively with the AFL-CIO earlier in the year there were some hints that labor might not strongly oppose fast track (there was never any hope they would support it). However, at the AFL-CIO's annual meeting in Los Angeles in February there was a surge of anti-trade sentiment from some constituent unions, and the leadership had to work hard to avoid a resolution that would have essentially opposed new trade agreements under any circumstances. There is only limited hope that further discussions would yield agreement on some intermediate position. A major anti-fast track campaign from labor is more likely.

In the House, where any fast track bill must originate, and where it will be tougher to prevail, we will need at least 120-140 Republican votes, which the Republican leadership seem to believe they can secure in the absence of a problem with the labor and environmental provisions. Vote counting is complicated by the fact that House freshmen and sophomores have not had to cast a

difficult vote on trade. Based on previous landmark trade votes, the House Republican profile is as follows:

- 98 Yes on NAFTA/GATT
- 2 No on NAFTA, Yes on GATT
- 25 No on NAFTA/ GATT
- 91 Freshmen/Sophomores with no past trade votes

As was the case with NAFTA, Republicans are likely to insist that we get a substantial number of Democrats (perhaps 80-90) to support our position. Many House Democrats who are potential supporters of fast track are clearly uncomfortable with being pulled from opposite sides by their leadership and the White House. The House Democratic profile is as follows:

- 43 Yes on NAFTA/GATT
- 48 No on NAFTA, Yes on GATT
- 57 No on NAFTA/GATT
- 59 Freshmen/Sophomores with no past trade votes

Our challenge in the House is exacerbated by the departure of most of the key Democratic members who provided the whip organization for NAFTA. Indeed, Matsui is the only remaining member who performed that role. Our core of support should come from the 43 Democrats who voted for both NAFTA and GATT. If forty or so additional votes are needed, the next best target group is composed of the freshmen and sophomores, with some lesser possibility of picking up a handful from the group that voted no on NAFTA but yes on GATT. We will have to pick up these Democrats with an intermediate position on labor and environmental standards that gives them something to vote for while not losing significant Republican support.

Our position would likely be a "clean" fast track bill that did not either require or exclude labor and environment provisions of any sort. However, we will have to state our intentions on these issues. Charlene has recommended that we support an approach that would include side agreements with sufficiently strong labor and environment provisions to attract some Democrats. However, these agreements would not be submitted to Congress (which would engender wholesale Republican opposition) and thus would be Executive agreements only, which in theory could be terminated by a later Administration even as the underlying trade agreement remained in place. She also recommends that we formally state our intention to consider labor and environmental circumstances, among other criteria, in selecting countries with which to negotiate. Finally, she proposes a more active effort in non-trade fora to promote labor and environmental standards.

Suggested Approach

There are three sets of considerations that need to be reconciled. First, it is important not to

exacerbate relations with House Democrats over fast track at the same time as budget negotiations are placing strains on party unity. Since any fast track bill with a real chance of passage will fall short of what labor and many House Democrats will demand, waging both fights simultaneously could alienate at the worst moment some of those whose support we will need on the budget.

Second, and related to the first point, our resources will be severely strained if we try to fight two major legislative battles at once. The resource problem extends to your time, which will be extensively required for meetings with Members on both issues. Until the budget situation clarifies one way or the other, a major commitment of senior Administration resources does not seem feasible. (There will also be demands on your time in connection with CWC ratification.)

The third set of considerations pulls in a different direction. Whether we like it or not, the fast-track fight has already begun. Further delay in active Administration efforts to secure fast-track will give opponents time to consolidate their position. Too much delay will leave you headed for South America (October) without this critical trade authority.

In several discussions over the past week, we have concluded that the best approach for at least the next month is to reaffirm visibly your commitment to fast track and to an activist trade policy, while not taking steps that would join the battle over labor and environmental standards. A corollary of this approach is that we would try to freeze any flow of support towards an anti-fast track position by indicating a desire to see if consensus positions on labor and the environment can be worked out.

The elements of this approach are as follows:

- (1) A speech by you that includes an affirmation of your support for fast track and our trade policies and that calls on all sides to see if a consensus can be reached on pursuing free trade agreements while respecting labor and environmental standards. Such a speech is critical for publicly committing to make fast track a priority. We could use your remarks at the American Society of Newspaper Editors this Friday as the venue for this speech.
- (2) A single, early meeting between you and a bi-partisan group of about two dozen Members, in which you make the same statements of support for fast track, and indicate you are asking us to work with them to try to work out consensus positions.
- (3) Charlene and others would continue consultations with others on the Hill in pursuit of the same end.
- (4) We would also work individually with Members to urge that they not commit to an opposing position while we are trying to work out a common view.
- (5) We would bring in labor and environmental groups to be sure they feel thoroughly consulted.
- (6) If the budget process does not move forward rapidly, we would reassess our

position in May; if it does move forward, we would then proceed rapidly to present a bill.

There are risks associated with this approach, to be sure. In particular, our unwillingness to offer a bill or to state our positions on labor and environment may be criticized quickly as avoiding the issue that matters, and our attempt at consensus seen as at best futile and at worst ceding the field to those opposed to fast track. Yet, in the current circumstances, any approach risks harm to our interests on the budget, fast track, or both. In general, your advisors believe that this approach best balances both our interests and the risks.

RECOMMENDATION

That you approve the approach described above.

Approve _____ Disapprove _____ Discuss _____

THE WHITE HOUSE
WASHINGTON

April 21, 1997

MEMORANDUM FOR ERSKINE BOWLES
 DAN TARULLO
 SANDY BERGER
 VICTORIA RADD
 DOUG SOSNIK
 SUSAN BROPHY
 BILL DANVERS

FROM: BOB KYLE **RK**

SUBJECT: China MFN and Fast Track

Attached are the plans/checklists for both the China MFN and fast track efforts, as requested at Erskine's meeting last Friday. They include both agency assignments and deadlines.

I will be holding a series of meetings this week to follow up. Please call me if you have comments or questions.

Attachments: As stated.

FAST TRACK: GAME PLAN AND ASSIGNMENTS

April 21, 1997

Phase I: Present - Until Roll Out Date Determined

The goals for Phase I are to (1) mount an interagency Hill effort that sets the debate on our terms; (2) finalize our substantive package; (3) diffuse the rhetoric about the adverse effects of NAFTA and reorient the debate; (4) limit pre-roll-out opposition; (5) coordinate more actively with key constituencies (e.g., business, agriculture); and (6) lay the groundwork for widespread Congressional, business, press and academic support for the Administration's proposal once it is rolled out.

This effort has been underway and will continue with Hill meetings by a broader base of Cabinet officials, getting the message out during public appearances and with the press, interfacing with the business community, including labor, environmental, and agricultural interests, developing and arming members of Congress with information needed to rebut the rhetoric.

Internally, the focus is on finalizing all documents, including briefing materials and the "fast track" package; establishing regular coordination meetings, as well as the structure for on-going contact with constituents; and tracking and capitalizing on opportunities to get the message out, while ensuring that other related activities are consistent with the effort. A critical component of Phase I is to decide on the timing for rolling-out the package, which shifts the effort to Phase II.

(The specific tasks for Phase I are attached.)

Phase II: Post Roll-out Date Decision

The specific action items in Phase II will need to be fleshed out more fully shortly before the roll-out decision is made. Generally, we will need to intensify and focus the efforts identified in Phase I to support the specific package to be rolled out. The main objectives during this phase will be to:

- obtain bi-partisan support for the fast track package through early consultations with Archer and Rangel and other key leaders;
- secure favorable timing of vote working with relevant Committee and House leaders;
- orchestrate a higher level communications and media strategy, including use of the President, Vice President and Cabinet officials;

- communicate message to the districts through Cabinet visits to districts (joined by Representative) time permitting;
- coordinate support from validators, including former Presidents, Cabinet officials, and opinion makers;
- coordinate support from business community, including Cabinet calls to key CEOs, e.g., in sectors being considered for future agreements;
- maximize effect of support from NGA, think tanks, etc.
- ensure rapid response to opposition rhetoric.

Phase I Tasks

TASK	AGENCY	DEADLINE	COMMENTS
ADMINISTRATION AND PREPARATION			
1. Finalize substantive positions a. Labor initiatives b. Environmental initiatives c. Approach to side agreements d. Readiness criteria e. Finalize sectoral agreements to pursue	a. USTR/NEC/NSC b. USTR/NEC/NSC c. USTR/NEC/NSC d. USTR/NEC/NSC e. USTR	a. 4/30/97 b. 4/30/97 c. 4/30/97 d. 4/30/97 e. 4/30/97	
2. Finalize legislation and statement of intent	2. USTR/NEC/NSC	2. TBD	
3. Finalize briefing materials a. Message document b. Administration talking points c. Fact sheets/Rebuttal documents (1) Uses of fast track (2) Dangers of inaction (3) Defense of the NAFTA (4) Defense of the NAFTA side agreements (5) NAFTA benefits to key sectors (6) NAFTA and wages/jobs (7) State of other NAFTA commitments (8) Exports to Mexico by state/district (9) Effect of trading with low wage countries d. Develop Q&As	a. USTR/NEC/NSC b. USTR c. USTR/WH/DOC d. USTR/NEC/NSC	a. 4/22/97 b. 4/24/97 c. 5/7/97 d. 4/30/97	
4. Develop speaking calendar (including Hearings) for Administration officials.	4. USTR	4. 4/28/97	
5. Coordinate other trade activities with fast track a. POTUS trip to Mexico: New Initiatives? b. Release of the Administration's NAFTA report (7/1/97) c. Release of report re possible FTA partners (7/1/97) d. Low-tech initiatives: auto/auto parts	a. USTR/NEC/NSC b. USTR/NEC/NSC c. USTR d. WH/USTR	5. Ongoing	
6. Decide on timing for rolling out proposals	6. WH/USTR	6. TBD	

TASK	AGENCY	DEADLINE	COMMENTS
7. Regular Meetings a. Weekly White House meetings b. Weekly NSC/NEC Deputies meetings c. Weekly legislative meetings d. Weekly communications conference calls e. Weekly constituency meetings f. Internal USTR meetings	a. WH b. NSC/NEC c. WH/USTR d. Inter-agency e. Inter-agency f. USTR	7. Ongoing	
CONGRESSIONAL			
1. Assign Cabinet meetings and calls (Proposed assignments attached)	1. USTR	1. 4/23/97	
2. Briefing materials to Cabinet officials a. Tailored talking points b. Member-specific intelligence c. NAFTA package and rebuttal pieces	a. USTR b. USTR c. USTR	a. 4/24/97 b. Ongoing c. Ongoing	
3. "Dear Colleagues" re "powder dry"	3. WH/USTR	3. TBD	
4. Prepare proposal for when, how, and with whom to roll out	4. WH/USTR	4. TBD	
5. Primer on fast track for Freshman/Sophomores/Others	5. USTR	5. 5/5/97	
6. NAFTA package to Members who requested	6. USTR	6. 4/25/97	
7. Follow-up to requests during Hill meetings	7. USTR	7. Ongoing	
COMMUNICATION			
The communications/media effort to date has focused on (1) addressing the concerns about the Administration's commitment to fast track and the "closing window"; (2) garnering support for the importance of fast track generally; and (3) reinforcing the "powder dry" message. This focus will continue until a roll-out is determined. Thus, the plan does not provide for a full-blown effort until Phase II. During Phase I, the plan is as follows:			
1. Outreach to key reporters/editorial writers to reinforce message and commitment. a. General press briefing with key trade press b. Phone and office meeting with key reporters/editorial writers c. Support stories re importance of fast track	1. USTR	1. Next two weeks	

TASK	AGENCY	DEADLINE	COMMENTS
2. Develop contact list of resources to draw on in Phase II a. Opinion leaders b. CEOs that have benefited from trade agreements and those in industries that may be subject for further sectorals (e.g., telecom/technology, environmental technology) c. News makers	2. USTR	2. 4/25/97	
3. Develop strategy for responding to anticipated AFL-CIO ad campaign	3. USTR	3. TBD	
CONSTITUENCIES			
1. Business a. Encourage coordination among various business groups b. Establish regular meetings with business c. Assign Cabinet calls to key CEOs d. Secure industry support for sectoral initiatives	a. USTR/DOC b. USTR/DOC c. WH d. USTR	a. Ongoing b. Ongoing c. 5/5/97 d. Ongoing	
2. Agriculture a. Meeting with agriculture leaders b. Continue outreach to agriculture community c. Discuss fast track at Senate Agriculture Committee hearing	a. USTR b. USTR/USDA c. USTR	a. TBD b. Ongoing c. 4/24/97	
3. Labor a. Barshefsky meeting with John Sweeney on April 28 b. Meeting with UAW leadership	a. USTR b. USTR	a. 4/28/97 b. TBD	
4. Environment a. Continue consultations with environmental community	a. USTR/CEQ/EPA	a. Ongoing	
5. Governors a. Build-on NGA support for fast track	a. USTR	a. Ongoing	
6. Think Tanks a. Maintain contact during this phase	a. USTR	a. Ongoing	