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[Fast Track: The Price of Inaction]

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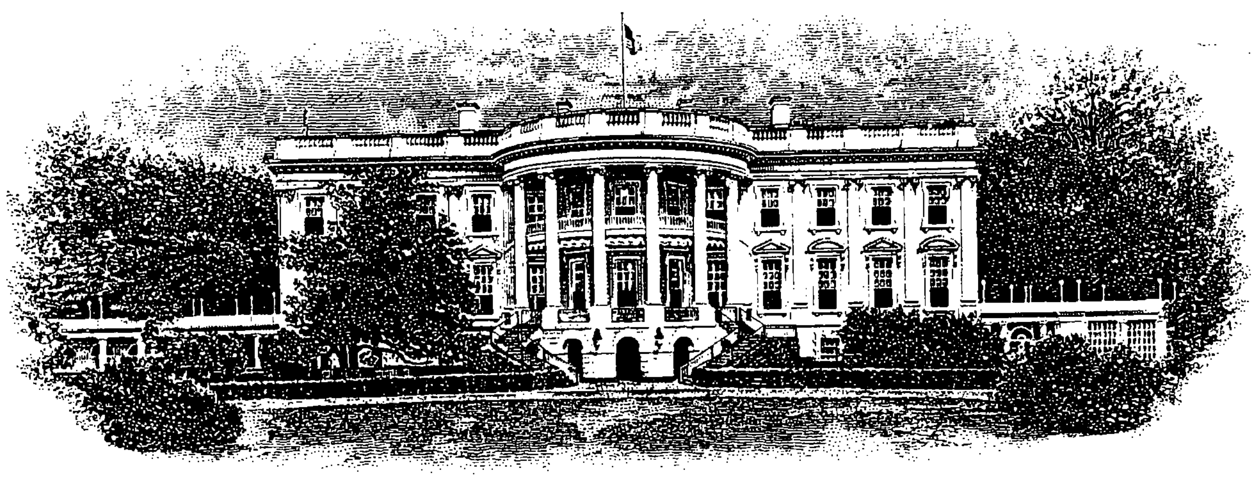
SEAL OF THE PRESIDENT OF THE UNITED STATES

The White House



DRAFT

Chile
FTAA
APEC

THE PRICE OF INACTION

- America's failure to participate in shaping the global trading system will allow our competitors to negotiate preferential trade arrangements and form strategic relationships excluding the United States. The United States should not abdicate either its economic or foreign policy leadership position by standing on the sidelines without fast track.

- Since 1992 in Latin America and Asia alone, our competitors have negotiated 20 free trade pacts excluding the United States. [Eleven] have been signed since fast track expired in 1993.

- The United States has strong strategic and economic interests in leading and not standing idly by.

- The European Union has already completed seventeen preferential trade arrangements with Eastern European and North African countries, and is in negotiations with South Africa and Mercosur. The agreement with South Africa would cover over 90 percent of two way trade between the European Union and South Africa. Conclusion of this agreement would put at risk some $500 million of U.S. exports to South Africa, a $30 billion import market in 1996. Total 1996 U. S. exports amounted to $3 billion.

- The U.S. is the largest exporter and holds the largest market share in MERCOSUR, a growing market of 200 million people and over $1 trillion in GDP. But the Europeans are trying to whittle away at our export market share through aggressive trade negotiations and trade promotion. Earlier this year, President Chirac declared "Latin America's essential interests... lie not with the United States but with Europe."

- Canada and Mexico -- our NAFTA partners -- have already formed free trade arrangements with Chile... and U.S. workers are losing out.

- Chrysler recently decided to supply the Chilean market with Dodge mini-vans from Canada and Neon sedans from Mexico. Dodge minivans and Neons are assembled at Chrysler's St. Louis, Missouri and Belvedere, Illinois plants. But these U.S. exports to Chile face a 11 % higher tariff than do exports from Mexico and Canada. A free trade agreement with Chile would level the playing field.

how to use Mexico?

- Similarly, U.S. wheat and rice farmers face an uphill battle exporting to Brazil, an $850 million market for wheat in 1996. Of that total, U.S. exports amounted to $174 million. Tariffs on U.S. wheat and rice to Brazil are 10% to 20%, respectively. By contrast, most Argentine and Mercosur exports to Brazil now enter duty-free. Argentina is one of the world's most prolific agricultural exporters; it always ranks in the top five country exporters of grains and beef to the world.

- In Asia, the fastest growing region of the world and the fastest growing U.S. export market, the ASEAN countries of Singapore, Malaysia, Indonesia, Brunei, the

Philippines, Vietnam and Thailand are already phasing in a free trade area which will cover 80% of their goods by 2003.

- ASEAN is a market where we must compete. It has a combined population of some 500 million people and a GDP of $763 billion. The seven largest ASEAN nations imported $372 billion of goods last year and are expected to import $655 billion by the year 2001.

- Already, we're seeing the effects of this trade liberalization within ASEAN countries. For eleven of the twelve years between 1984-1995, the U.S. exported more to the ASEAN countries than they exported to each other. Since 1995, however, the opposite [has been] true. In order to maintain our market share, it is critical that these markets become more open to U.S. exporters.

- Increased market access to ASEAN is critical for another reason -- to compete with Japan. Through 1995, Japan has invested at three and one-half times the rate as the U.S. in ASEAN and already controls large market share in key sectors. In autos, for example, Japan holds a 90% market share in ASEAN countries. Unless the U.S. gains increased access to these markets, the ASEAN Free Trade Area will only help Japan lock in its market share at the expense of the U.S.

DRAFT
(THESE STILL NEED TO BE CLEARED AND VETTED)

Examples of U.S. Companies Disadvantaged by Trade Arrangements that Exclude the United States

- Canada and Mexico -- our NAFTA partners -- have already formed free trade arrangements with Chile...and U.S. workers are losing out. **Chrysler** recently decided to supply the Chilean market with Dodge Minivans from Canada and Neon Sedans from Mexico. Dodge Minivans and Neons are also assembled at Chrysler's St. Louis, Missouri and Belvedere, Illinois plants and could be exported from these plants. But these U.S. exports to Chile face an 11% higher tariff than do exports from Mexico and Canada. A free trade agreement with Chile would level the playing field.

Canada + Chile

- The free trade agreement between Mexico and Chile, which eliminates tariffs on virtually all their exports to each other, has in effect made U.S.-sourced products more costly. **IBM** in Chile now imports about $35 million worth of personal computers annually from Mexico to avoid the 11% Chilean import duty on U.S.-made computers. **McDonald's** in Chile is sourcing its food processing and handling equipment from Mexico instead of the United States.

Mercosur + Chile

- The free trade agreement between the Mercosur countries (Argentina, Brazil, Uruguay, Paraguay) and Chile has lowered the price tag of products in Chile made by U.S. competitors. Because of Chile's 11% import duty on U.S. goods, **Caterpillar** plans to produce some of its lines of earth moving equipment (used heavily in Chile's mining industry) in Brazil rather than in the United States.

- The European Union (EU) has negotiated preferential trade agreements with Eastern Europe. These agreements provide low tariffs for products from Western Europe. In autos, for example, U.S. exporters will face a 35% higher tariff in Poland, 19% in the Czech Republic, 42% in Hungary, and 27% in Slovenia. **Chrysler** estimates that if they could benefit from lower tariffs, they would export $600 million more in vehicles to these countries over the next five years.

- An association agreement between Poland and the EU has made EU-origin exports more attractive in Poland and disadvantaged U.S. firms. For example, mining equipment from the **Atlas Copco Wagner** company, which is headquartered in Oregon, cannot overcome the tariff advantage that European equipment receives. In 1996 its $340,000 scoops faced a 20% duty, while EU products face no duty.

- A Romania-EU association agreement has had the effect of making U.S. computer products less competitive compared to similar European equipment. **IBM, Blue Ridge International** among others face a Romanian 15-20% tariff on U.S. computer hardware and peripherals. EU-sourced products pay 0-5% duty. U.S. companies claim they have lost bids because of the higher tariffs on their goods.

DRAFT

STATE

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FAST TRACK AND AGRICULTURE

USTR

WHY US AGRICULTURE NEEDS NEW MARKETS

For farmers and the agricultural industry, more trade means more jobs and higher incomes. US farmers today face a simple dilemma: Each year, the combination of hard work and technological innovation make American farmers more productive. At the same time, domestic demand for this output is relatively static. That means the US must open new markets for American agriculture to maintain jobs and income levels.

Already today -- commodities produced on one out of every three acres in America is exported. That includes 67% of our wheat acres, 42% of our rice acres, 34% of our soybeans acres, 21% of our corn acres and 38% of our cotton acres. These percentages proportionally must grow as US productivity increases. Otherwise prices will plummet and US agricultural jobs will be lost. Fast track is essential to ensure this doesn't happen.

WHY U. S. AGRICULTURE WILL PROFIT FROM FURTHER TRADE LIBERALIZATION

The United States has on average the lowest agricultural tariffs in the world (around 3%, fact check) where other countries have much higher tariffs, e.g. Korea (over 60%), Norway (149%), Pakistan (100%), India 114%, Japan (11%), Argentina (17%), world average (56.2%). Further tariff reductions will benefit US producers. Because U.S. tariffs are so low compared with those of other countries, across the board tariff reductions would benefit U.S. exporters greatly. For example, if each country is required in the next WTO round to reduce its agricultural barriers by 50%, then US tariffs would drop only 1.5 percentage points while other countries would drop far more precipitously. e.g., 50 percentage points in Pakistan, 30 percentage points in Korea, 54 percentage points in India, etc.. This would greatly reduce current inequities and would greatly improved access to these markets.

WHY WE NEED FAST TRACK TO OPEN NEW AG MARKETS/OPPORTUNITIES

WTO NEGOTIATIONS: Other countries understand that the US cannot conclude another multilateral round of negotiations until we have fasttrack authority from Congress. It was at US insistence that reforms in agricultural trade begun in the Uruguay Round be continued through new negotiations in 1999. We must have fast track authority to enter into these negotiations or other countries, many with interests contrary to our own, will shape the outcome of these negotiations that we initiated.

REGIONAL TRADING BLOCKS: While the US stands on the sidelines without fast track, our agriculture competitors are busy building webs of agreements that put their agricultural and other industries in better competitive positions vis a vis the United States, e.g. MERCOSUR, Andean Trade Pact, Mexico-Chile FTA, and Canada-Chile FTA. Indeed, the EU has begun consultations with countries in the region on possible free trade possibilities. These pacts threaten US agricultural export interests. Already today, the US is losing agriculture business in our own hemisphere. Canada already has an advantage over the US in exporting farm products to Chile. In turn, Chile has an advantage over us in trade with Mercosur countries. Here area a few examples:

Chilean apples and pears enter Columbia, Venezuela and Peru duty free, whereas US growers face 10-25% tariffs.

Chilean wine enters Ecuador duty free, US wine faces a 25% tariff.

Canada has obtained duty free access under TRQs on oilseeds, vegetable oil, barley, durum wheat, pork and beef to Chile, while US exports face much higher duties (11%).

The Andean Community (90 million people) is a significant market for vegetable oils and protein meals. The US is one of the world's most efficient producers of these products. However, the US faces stiff competition from Bolivia because as an Andean member it has duty free access to this market, while the US products face duties of 15-20 percent on a CIF basis.

WHAT WE WOULD DO WITH FAST TRACK TO HELP US AGRICULTURE

There are 5 key areas that the USG would immediately use Fast Track authority to advance the interests of US agriculture. We would press for global tariff-reduction on agricultural products; improve the implementation of the WTO SPS agreement; negotiate improved rules in the area of genetically modified organisms (GMOs); seek elimination of export subsidies and other trade-distorting export practices; improve methods of administering tariff-rate quotas so that our exporters gain true market access; and eliminate trade distorting measures employed by state trading enterprises and transparency into their operations.

USO4

Fast Track Examples: Costs of Inaction for Agriculture

Wheat

Even if the TCK issue with Brazil is resolved, U.S. wheat farmers in (North Dakota, Kansas, Montana, Oklahoma, South Dakota or any other wheat producing state) will continue to lose sales in Brazil, one of the largest wheat markets in South America. One major reason: trade preferences granted under the MERCOSUR trade pact, also known as the Southern Cone Common Market. Wheat from Argentina, another MERCOSUR member, moves into Brazil duty free. By contrast, U.S. wheat faces a 10% markup at the border because of Brazil's import duty.

U.S. soybeans and products

U.S. soybean growers in (Iowa, Illinois, Indiana, Minnesota, Ohio, Missouri, or any other soybean producing state) are being undercut in markets such as Venezuela, Colombia, and other Andean Community countries because of trade preferences. Together, these countries import around a half-billion dollars worth of vegetable oils and protein meals, but Andean member, Bolivia--also a supplier--profits from a big advantage. Even though the United States is one of the world's most efficient producers and largest exporters of vegetable oils and protein meals, these U.S. products are handicapped by a 15-20% duty going into Andean markets, while competitor, Bolivia, enjoys duty-free access to this market.

Soybeans, fruit, wine, baked goods

Like most countries in South America, Venezuela already has a number of preferential trade agreements with its neighbors -- agreements that place U.S. farmers and food processors at a serious disadvantage. The U.S. agricultural officer in Venezuela recently estimated that if U.S. producers received the same preferences as their competitors in the region, the U.S. market share would be significantly higher for a number of products. For example,

- -- the market share for U.S. soybeans in Venezuela could easily grow from around 76% to 90%
- -- the market share for U.S. soybean meal could grow from 35% to 75%
- -- the market share for U.S. fresh fruit could increase from 39% to 67%
- -- the market share for U.S. wine could increase from 5% to 33%
- -- and the market share for U.S. bread, pastry, cakes, and biscuit products, which currently face a 20% tariff, could grow from 14% to 33%.

Washington state apples

Today, Washington state apple growers are losing sales in the largest export markets in South America -- countries such as Brazil, Colombia, Venezuela, Ecuador, and Peru. The industry's persistent efforts to expand exports to these countries are being frustrated by the competitive advantage currently enjoyed by Chilean apples, which enter these countries with little or no import duty because of bilateral and multilateral trade agreements in the region. U.S. apples, by contrast, face duties ranging from 10% to 25%. When this tariff differential is combined with Chile's lower transportation costs, Washington's apple producers are faced with a nearly insurmountable disadvantage.

Wine

California wine producers are losing sales in Ecuador, and the reason isn't quality or U.S. pricing. It's the extra toll on U.S. wines entering that market. Chilean wines now have duty-free access to the Ecuadorian market under a bilateral trade agreement between the two countries, while U.S. wines are assessed a stiff 25% duty.

Rice

U.S. rice producers in (Arkansas, Louisiana, Mississippi, or Texas) are all but shut out of one of the world's largest import markets because of MERCOSUR tariff preferences. Brazil imports up to $500 million dollars worth of rice annually, with imports coming almost exclusively from fellow MERCOSUR members, Argentina and Uruguay. Imports from these countries enter free of duty, while U.S. exporters are faced with a 20% tariff, making them effectively uncompetitive. In Peru, tariff preferences for fellow Andean Pact members Argentina and Uruguay also limit the ability of U.S. rice to compete in South America's second largest import market.

Q: **What are the consequences if we don't get Fast Track authority?**

A: As long as the United States lacks Fast Track authority, we won't be able to make any progress in reducing the most important trade barriers our exporters currently face. For example, without the authority to conclude WTO negotiations on agriculture, we have no other way to improve upon the final WTO agreed upon tariff levels, such as (illustrative):

- *Japan* on beef (38.5% with snap-back to 50%), pork (gate price of 524 yen/kg, with safeguard), citrus (in season: 32%), apples (17%), grapes (in season: 17%), cherries (17%), wheat (out-of-quota duty of 55 of yen/kg), corn (out-of-quota duty of 50%), and barley (out-of-quota duty 39 yen/kg).

- *Korea* on beef (40%), beef offal (20%), frozen pork (25%), frozen chicken (20%), cheese and dairy preparations (36%), lettuce (45%), apples and grapes (45%), almonds and raisins (21%), oranges (50%), lemons and grapefruits (30%), malting barley (out-of-quota duty 514%), corn (out-of-quota duty 328%), and soybeans (out-of-quota duty 487%).

- *European Union* on all products (too many to name!!)

- *Indonesia* on beef (50%), pork (50%), almonds (40%), pistachios (40%), oranges (50%), grapes (40%), rice (out-of-quota duty 160%), corn (40%), soybeans (27%), peanuts (40%), soybean meal (30%), and alcoholic beverages (150%).

- *Malaysia* on pork (out-of-quota duty of 138%), poultry (out-of-quota duty of 57% - 85%), oranges (20%), and plums (20%).

- *Philippines* on beef (35%), grapes and pears (35%), raisins and apples (45%), canned peaches and fruit mixtures (35%), and canned sweet corn (45%).

- *Thailand* on beef (50%), frozen pork (30%), poultry (30%), cheese (30%), oranges (30%), grapefruits (40%), wheat (27%), corn (out-of-quota duty of 73%), soybeans (40%), peanuts (30%), and soybean oil (out-of-quota duty of 146%).

- The vast majority of *India's* tariff schedule is comprised of ceiling bindings that are fixed at 100 percent or higher. These ceiling bindings even exceed 200 percent for a few product categories. For example, dairy, livestock, and poultry, certain fruits and vegetables, coffee and tea, seeds, grain and feed, flour, soybeans and a host of intermediate and high-value products all carry tariff bindings that are fixed at 150 percent. Moreover, animal fats, lards, and oils all carry tariff bindings of 300 percent!

- *Brazil* bound its tariffs for most products at 35% or 55%, only lowering the applied tariff when it is convenient and always able to increase the tariff if domestic considerations require it.

- And don't forget about TRQ quantities, state trading and export subsidies.

draft.12 august 1997

LATIN AMERICA

CHILE

Non-Success Stories: Costs of Inaction

- **Southwestern Bell** recently chose to source from Northern Telecom in Canada $180 million in telecommunications equipment for a project in Chile rather than from U.S. suppliers. Thanks to the Chile-Canada free trade agreement, it can save over $20 million in duties by purchasing from Canada rather than the United States.

- Chile and Mexico also have a free trade arrangement. As a result, Washington state apple growers are losing their share of the Mexican market to Chilean growers. There is increasing concern that as Chile expands the number of preferential arrangements it enters into, U.S. growers will have a greater disadvantage in other major markets such as Brazil where duties range from 10-30 percent. U.S. growers claim that if not for Chile's advantage, the United States could export year round, instead of just seasonally.

- In the Chilean automotive sector **Ford** is importing Escorts from Mexico -- formerly they came from the United States. Also, this competition is likely to intensify as even more European and Japanese models [Opel, VW, Nissan] are now imported from Brazil. We also understand that Chrysler hopes to increase its sales in Chile by 28 percent this year -- to $60 million. The company intends to supply the Chilean market from offshore facilities in Argentina, Brazil, Mexico and Venezuela, to take advantage of the new commercial agreements which eliminate duties on automotive imports.

- **Goodyear,** a major supplier of tires to heavy mining equipment, now obtains its raw materials and intermediate products from Mexico, instead of the United States.

- **Caterpillar** will supply some of its lines of earth moving equipment for the mining industry from Brazil, rather than the United States.

- Larry Liebenow of **Quaker Fabric** (Fall River, Mass) just lost a sale to supply a Chilean company to his Canadian competitor. Quaker is a rapidly growing mid-sized manufacturer of upholstery fabrics that has added over 150 jobs due to increased exports over the past three years. Mr. Liebenow says the irony is that he lost this sale to a company he beats every day in the United States and Canada. In Chile, however, Quaker has to pay 11% more than his Canadian competitor to get his upholstery fabrics into Chile.

Non-Success Stories: Trade Barriers

- **IBM** exports $35 million in personal computers, duty-free, from Mexico to Chile each year. It could source these exports from the United States, but has chosen not to as a result of Chile's 11 percent duty on U.S. made goods.

- **John Deere** representatives contend that a free trade agreement between the United States and Chile would allow the company to expand its sales of products like tractors in the Chilean market share significantly. Over 90% of its products come from the United States (with a 11% tariff) whereas its competitors bring products from Mexico at no tariff cost.

- **Esso Chile,** a division of Exxon Corporation, imports approximately $12 million per year annually in stocks and additives to its factory in Chile. It would prefer to source from U.S. suppliers, but instead brings them in from neighboring Latin countries enjoying preferential tariff status in the Chilean market. Similarly, Esso spends $20 - $30 million annually for convenience store equipment used in its local service stations. The bulk of these purchases are sourced from Argentina, Brazil and Venezuela. Chile's 11 percent rate of duty prevents the company from consolidating these purchases from a U.S. source.

- **Clorox de Chile** imports millions annually of polyethylene products and replacement parts from several sources (constituting 25 percent of Clorox Chile's production costs). The company would prefer to buy all such products from the U.S., but currently buys from Argentina and Brazil (due to the 11 percent duty) because the products come with a certain degree of contamination.

- **Coca Cola Chile** said it would switch almost all purchases to the United States, for bottling, canning and refrigeration equipment, if the United States negotiated a free trade agreement with Chile. Currently much of these imports are sourced from Italy and Germany.

DOC/ITA/MAC/WH
Source: U.S. Chamber of Commerce, AmCham Chile

LATIN AMERICA

MERCOSUR: ARGENTINA

NonSuccess Stories: Trade Barriers

- **IBM Argentina** is contemplating importing equipment from IBM Brazil rather than the United States to avoid paying the 16 percent Mercosur common external tariff on informatics.

DOC/ITA/<MAC/WH
Source: U.S. Department of State/Trade Policy and Programs

EASTERN EUROPE

- **Chrysler** has noted that its access to CEE markets is constrained due to increasing tariff preferences EU exporters receive under the EU association agreements. Chrysler claims that it will lose almost all of its export opportunities through 2002 if the differential between the MFN rates it must pay and those applicable to EU products is not kept to a maximum of 10 percent --the level of the EU's common external tariff. (Chrysler estimates this loss would amount to approximately $600 million.) Current phase-out schedules under the association agreements would ensure that the differentials maintained by most CEE countries would exceed 10 percent --in some cases significantly. Chrysler is most concerned with Poland, Czech Republic, Slovenia and Hungary.

CZECH REPUBLIC

Failure Stories: Trade Barriers

- **Thermo King,** a U.S. company, has been forced to cut back its use of U.S. components used in manufacturing industrial refrigeration units because of the elimination of duty drawbacks for non-European Union (EU) goods.

- **Westvaco** pays duties of 7.6 percent on a bleached paperboard input necessary for the manufacture of a final product in its facility in the Czech Republic. The only competing product comes into the Czech Republic duty-free from Sweden and Finland under the EU association agreement. Westvaco's final product cannot be competitive with its West European manufacturers with the current tariff differential.

HUNGARY

Non-Success Stories: Costs of Inaction

- **Edwards,** a U.S. manufacturer of smoke detectors has lost sales as a result of having pay duties that its European competitors are exempt from as a result tariff preferences negotiated as part of the EU-Hungary Association Agreement.

Non-Success Stories: Trade Barriers

- Mars candy has reoriented its sourcing from the its operations in the United States to its European Union companies as a consequence of reverse tariff preferences in favor of EU products.

- GE representatives have complained that eliminating duty drawbacks on U.S. goods has affected its imports of capital equipment from the United States.

POLAND

Non-Success Stories: Costs of Inaction

- **Atlas CopCo Wagner,** an Oregon-based manufacturer, has lost sales to European competitors as a consequence of having to pay Poland's duty on its U.S.-made (mining) underground loaders. As a result of Poland's Association Agreement with the European Union (EU), the custom tariff for Wagner's equipment is currently 9 percent, while the tariff for the same equipment brought from the EU is 3.6 percent. The problem will continue to increase as the tariff for EU product will be gradually lowered to zero by 1999. As Wagner's main customer is the large copper combine KGHM, it may be relatively easy for Wagner to convince its Polish customers to lobby the Polish government to lower the MFN tariff rate for Wagner's products. (This was a successful strategy for a similar complaint regarding printing ink where Polish industry benefited from the lower cost of the superior U.S. input.)

- **Vanguard Supreme,** operating out of North Carolina, has complained that the tariff advantage enjoyed by European producers of textile knitting machines make Vanguard's product uncompetitive in the Polish market.

- **Westinghouse** has found itself at a distinct competitive disadvantage relative to European rivals as a result of tariff preferences negotiated between the European Union and Poland. As a consequence, a current Westinghouse turbine refurbishment bid of $40 million is facing an uncertain future, as tariff preferences provide a significant price advantage to EU firms. In addition, on at least two occasions, Westinghouse has resorted to subcontracting a European firm to benefit from the EU tariff advantage, despite Westinghouse's preference for U.S. made goods.

ROMANIA

Non-Success Stories: Costs of Inaction

- A number of U.S. technology companies, including **IBM, Blue Ridge International, Romsys-Sun Microsystems, Total Technologies-Packard Bell and Lucent Technology,** among others, are losing bids to European firms as a result of high tariffs on their products (15 to 20 percent) relative to similar European goods (0 to 5 percent).

- **Wente Brothers,** a California wine exporter, faces duties of 144 percent on its U.S. products. In contrast, European wines pay only a 108 percent rate.

SLOVENIA

Non-Success Stories: Costs of Inaction

- Sales of **Chrysler** minivans are down as a result of facing a 27 percent import duty on motor vehicles containing less than 60 percent EU content.

DOC/ITA/MAC/WH
Source:State/EB/Trade Policy
DOC/EUR/CEEBIC

Draft 8/26 **FAST TRACK and CIVIL AIRCRAFT**

Civil aircraft is a vital national industry

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

Export markets are essential to the civil aircraft industry

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

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

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

High tariffs and government subsidization are major barriers.

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

Administration's Trade Agenda

The United States supports a Canadian proposal that APEC countries eliminate tariffs on civil aircraft, aircraft engines and aircraft components.

Costs of Inaction

- Canada is competitive in Latin America with 20 percent of the Brazilian import market of $750 million in 1996. Canada already has an FTA with Chile which will provide a three percentage point tariff advantage over U.S. suppliers by 1997. This tariff differential, which will increase to 11 percentage points when the FTA is fully implemented, provides the Canadian industry a significant advantage in certain segments of the market.

Who is the Canadian US Tier from Latin ?

DOC/ITA

draft 8/26 **FAST TRACK and AUTOMOTIVE INDUSTRY**

The automotive industry is the United States largest manufacturing industry

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

Exports have become increasingly important to this traditionally domestic-oriented industry

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

FTAA and Asian countries are the hot potential growth markets

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

The automotive industry is perhaps the world s most highly protected

- By the turn of the century, the total ASEAN market is expected to exceed 2 million units, and Thailand's production capacity alone will exceed 1.3 million. However, major barriers to entry exit, including local content requirements and tariffs ranging from 35-200 percent with an average of 100 percent.

- China, Indonesia, and Malaysia have national car programs that discriminate against foreign vehicles and parts, and the Philippines and Vietnam are mulling similar regimes.

- South African tariffs range from 43 percent to 57.5 percent. It also maintains significant non-tariff barriers like local content and export requirements.

- The MERCOSUR countries anticipate a doubling of demand for automobiles by the year 2000. Brazil maintains a highly restrictive import regime for those companies not invested in Brazil while Argentina provides tariff preferences to encourage local vehicle production.

- Left intact, these barriers will exacerbate economic distortions in these automotive markets. For example, fragmentation of the ASEAN markets will lead to inefficient economies of scale. Production overcapacity looms in Brazil and Korea.

Trade Agenda

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

Costs of Inaction

- Poland is the fastest growing market in Europe and new passenger car sales could be on the order of 400-500 thousand vehicles per year. Duty rates range to 35 percent, but a larger concern are preferences granted to the E.U. under the E.U. Association agreements.

- Intra-FTAA country agreements now completed or contemplated also could limit U.S. market access. Chile s trade agreements with Mexico and Canada providing for duty free entry of automotive goods from those countries provides a 11 percent price advantage over U.S. products.

Draft 8/26 **FAST TRACK and ENERGY EQUIPMENT**

The energy industry has growing employment totalling about 350,000 people with shipments in 1995 of $51.6 billion.

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

- The estimated annual future growth rate of domestic shipments for the U.S. industry over the next decade is expected to average 5 percent.

The export market is vital to sustained growth in the industry.

- Since 1990, U.S. exports have doubled reaching $15.5 billion in 1996 with a trade surplus of $6.5 billion.

- U.S. exports to the BEMs, China and FTAA countries more than doubled since 1990.

- As demand in the U.S. has leveled-off, manufacturers are increasingly looking to export markets. Exports account for an estimated 32 percent of the U.S. industry's product shipments. By 2005, energy equipment exports are expected to exceed domestic shipments.

- The estimated annual future growth rate of shipments for the industry as a whole over the next decade is expected to average 5 percent while the estimated growth rate for energy sector exports is expected to average 12 percent.

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

- Developing countries are implementing policies designed to encourage private investment in resource development, such as removing bans on foreign investment. This should translate into more opportunities for U.S. companies in oil and gas exploration, as well as other aspects of energy services.

- Growing at 4.2 percent per year, Asian energy consumption spurred by strong economic growth will reach 60 percent of that of the industrialized world by 2015.

- Thailand is expected to invest about $22 billion in new power plants; Indonesia is spending $40 billion developing a natural gas field; China and India represent even larger potential markets as each country attempts to meet skyrocketing demand.

- U.S. companies currently supply 66 percent of Indonesia s demand for oil exploration and production equipment.

- Venezuela may become an increasingly important market as it is opening up its petroleum sector to foreign participation in exploration and production. The sector accounts for 25 percent of GDP and nearly three-quarters of the country s export earnings.

- The electric power systems market in Korea will continue to grow through economic development and increased consumer demand. The market this year amounts to nearly $12 billion and is likely to grow 10-20 percent next year.

- **Non-tariff measures are principal barriers to increased exports**

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

Trade Agenda

- **[To Be Supplied by USTR]**

Costs of Inaction

- Mercosur countries are in the process of privatizing the electricity sector and expect increased demand for generation and distribution equipment. Imports supply approximately one-fifth of the equipment demand, and the United States supplies one-third of that. Tariffs range to 24 percent.

- With U.S., German and Japanese companies providing almost equal shares of energy equipment in world markets (16 percent, 15 percent and 17 percent respectively), any preferential access to developing markets achieved by the U.S. competitors could be seriously detrimental to U.S. exports.

- The United States is the second largest supplier of electrical power systems to Thailand (behind Japan) and has only about one-sixth of the Philippines imports of electric power system equipment.

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Draft 8/26 **FAST TRACK and ENVIRONMENTAL TECHNOLOGIES**

Environmental technologies (equipment and services) is one of the fastest growing industry sectors worldwide.

- Environmental technologies (equipment and services) is one of the fastest growing industry sectors worldwide.
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- The U.S. environmental technologies (ET) industry employed about 1.3 million Americans in 1995
- More than 25,000 new jobs were created in this sector in the U.S. in 1995.
- The U.S. environmental technologies industry reached $180 billion in revenues in 1995, a 4.3 percent increase over 1994.

International markets are increasingly important to the ET industry.

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

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

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

Opportunities abound for U.S. environmental technology

- While the U.S. enjoys over $14 billion in environmental exports only 8 percent of the U.S. environmental industry s revenue comes from exports. Major competitors, such as Germany and Japan, export in excess of 20 percent of production.

- Venezuela expects to spend more than $1 billion between now and 2001 for water treatment alone. Currently, there are no major import barriers but trade is small. U.S. firms hold about a three-fifths share.

- Asian countries represent great growth potential for U.S. exporters of environmental technology. The market in Indonesia exceeds $1.3 billion (of which $300 million is from the United States). Thailand s market exceeds $1 billion (U.S. exports account for two-fifths of that) and could double over the next five years. Malaysia s market is around $700 million and is expected to grow at 15-20 percent per year through 2000.

- In Korea, a major portion of the rapidly growing environmental technology market ($1.4 billion in 1996) is supplied by local manufacturers; U.S. exports amounted to less than 10 percent of the market. The market is expected to grow substantially through at least 1998. The tariff rate is 8 percent.

Unless negotiated away, foreign trade barriers will continute to inhibit the competitiveness of the U.S. ET industry in fast growing developing countries

- Many of the ET opportunities in overseas markets are in public works contracts by foreign governments. However, the vast majority of developing countries have not signed the WTO Government Procurement Code.

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

Trade Agenda

[To Be supplied by USTR]

Costs of Inaction

- Brazilian experts expect $10 billion in new investment through the year 2000 as Brazil addresses significant environmental concerns. U.S. exports last year amounted to about $100 million. Tariffs range to 18 percent, although Mercosur partners receive duty free treatment, and other members of ALADI (Latin American Integration Association) receive a 60 percent duty reduction. In some cases, local participation is required for foreign investors.

- Poland has made a significant commitment to environmental clean-up and investments in the sector now account for over one percent of GDP. The pollution control equipment market exceeded $400 million in 1996, and imports amounted to over three-quarters of that. The most promising areas for U.S. firms include: air pollution control, wastewater treatment, and waste disposal. Duties are in the 9-11 percent range, but European competitors receive significant preferences.

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Draft 8/26 **FAST TRACK and MEDICAL EQUIPMENT**

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

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

Medical device export markets are crucial to the industry.

- Total medical device exports reached $11 billion in 1996, a 14 percent rise from 1995. The sector has a record-high trade surplus of $5 billion.
- Exports as a share of industry shipments were 20 percent in 1990 but were 25 percent in 1996. By 2005, 30 percent of industry shipments could be bound for export.
- The U.S. has 28 percent of the worldwide market but faces stiff competition from Japan and the EU which together account for 50 percent of the worldwide market.

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

- Since 1990, U.S. medical devices exports to China, ASEAN and the other BEMs (excluding Mexico) doubled, reaching $2 billion in 1996, while U.S. exports to the world increased by only 12 percent.
- Health care reform and hospital privatization in many emerging markets will spiral demand for U.S. products.
- Thailand's medical device market exceeds $600 million, and Indonesia's market has been growing by over 10 percent annually. Malaysia has budgeted $1.4 billion this year to upgrade health care quality, and Singapore has over $500 million earmarked for redevelopment projects.
- Brazil's large market for medical equipment and supplies (estimated to be $1.2 billion in 1996) is expected to continue strong growth as IFI loans

($715 million) continue to upgrade the sector. Total U.S. exports amounted to over $250 million in 1996, which accounted for about half of all imports. Tariffs range up to 20 percent while imports from Argentina and Chile are duty free.

The industry faces tough barriers in developing countries.

- Barriers include approval procedures for imported devices; government health care reimbursement policies which discriminate against U.S. products; and non-transparent government procurement policies.

- MERCOSUR countries are developing import and standards regulations which will negatively impact U.S. medical device manufacturers.

U.S. Trade Agenda

- **[To Be Supplied by USTR]**

Costs of Inaction

- Global demand for U.S. medical products may shift to European and Japanese suppliers if the U.S. fails to negotiate critical trade agreements, such as the APEC sectoral initiative, which will completely eliminate tariffs and reduce regulatory and standards barriers.

- U.S. competitors are already negotiating trade agreements with developing countries. For example, the EU has signed a framework agreement with the Mecosur partners, which potentially will give European medical device firms an advantage over the United States.

- Poland's medical budget is 4.6 percent of GDP. Imports accounted for over $300 million in 1996 -- less than 10 percent of which come from the United States. European competitors receive duty-free treatment while U.S. exports face a 10 percent price disadvantage.

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Draft 8/26

FAST TRACK and SERVICES

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

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

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

- U.S. service exports have more than doubled over the last eight years, increasing $110 billion since 1987, and $60 billion just since 1990.

- In 1994, U.S. services exports accounted for 17 percent of global services exports; our closest competitors that year were France (9 percent), and Germany, Italy, Japan and the U.K. (each around 5 percent)

- With services exports estimated to reach $300 billion by 2005 and $350 billion by 2010, the future growth in services exports are tremendous. With the expanding electronic commerce market, the growth trend in the service sector may easily surpass these estimates.

- Take for example the healthcare services industry. In 1994, exports reached $812 million, the industry is estimated to grow to $1.03 billion by 1998 and continue its growth to $1.4 billion by 2002.

Emerging markets are the fastest growing export markets.

- U.S. exports to emerging markets have grown at impressive rates: nearly 30 percent to China, Taiwan and Korea; and over 20 percent to Hong Kong and Argentina.

- United States also exported over $1 billion to the emerging markets of Argentina, Brazil, India, Indonesia, Korea, Malaysia, Singapore, and Thailand.

- The best prospects in South Africa include financial services and tourism -- with 20 percent growth per year (which will get another boost if the country is awarded the 2004 Olympics).

- In Korea, transportation services account for over 6 percent of GDP, with growth of over 15 percent annually during this decade.

- Korea has opened the private sector construction/engineering market and has also opened the public construction and engineering market to foreign company participation. These markets could reach over $22 billion per year.

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

- Brazil has restrictive investment laws, lack of transparency in administrative procedures, and limits on foreign capital participation. The Constitution prohibits new foreign entries into the financial sector; the government reserves the right to refuse entry to managers or executives associated with providing a service if they do not provide new technology, increase productivity in Brazil, or attract new investment.

- In Korea, a number of service sectors remain restrictive to foreign investment, including audio-visual services, insurance, telecommunications, and advertising.

- Distribution in the domestic market is restricted in Indonesia. Under Thai law, foreigners are prohibited from working in certain professions; and Malaysia maintains restrictions on advertising and radio/tv content.

- India maintains a variety of restrictions on services operations: investments in insurance are prohibited (except in narrowly defined segments); in banking, they are severely regulated although U.S. firms are active in financial services with domestic firms.

- South Africa fails to provide adequate intellectual property rights with respect to franchising. The estimated market size of fast food franchising in South Africa is $300 million.

Trade Agenda

[To Be Supplied by USTR]

Costs of Inaction

DOC/ITA

CURRENT US EXPORTS

World:

1987 - $86 billion

1992 - $165 billion
1993 - $173 billion (surplus $57 billion) (17 percent of world total)
1994 - $186 billion (surplus $60 billion) (17 percent of world total)
1995 - $196 billion (surplus $67 billion)

2005 - $300 billion (estimated)*
2010 - $350 billion (estimated)*

* Estimates would be significantly larger with the inclusion of electronic commerce

Exports to Shipments Ratio does not apply

-- All data presented in this fact sheet is the most current information available --

Draft 8/26 **FAST TRACK and FOREST PRODUCTS**

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

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

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

- More than 60 percent of the industry's increased output is directly tied to increased exports.

- From 1986 to 1996, exports grew annually 11.5 percent to $17.5 billion in 1996. Yet, domestic sales increased less than 2 percent annually.

- Exports accounted for an estimated 9 percent of the U.S. industry's product shipments in 1996 compared to only 5 percent in 1986.

- Future growth for the industry over the next five years is expected to be 2 percent in the United States, but 4 percent in U.S. exports of forest products.

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

- U.S. exports of forest products to the BEMs in 1996 were $3.7 billion, growing more than twice as fast as exports to the rest of the world.

- In the ASEAN countries, demand for imports is strong, especially in Indonesia which relies heavily upon paper pulp and waste paper imports (60 percent of which comes from the United States). Yet, Indonesia's wood product sector is heavily protected.

- South Africa imports about $125 million per year in wood/paper products. Although the U.S. share is currently small but is expected to increase as the government moves to allow private sector equity participation in the state-owned forestry and forest products company. Tariffs range up to 30 percent. The EU is currently negotiating a preferential trade agreement with South Africa that could further disadvantage these exports.

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

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

- U.S. exports to India are minuscule ($2 million), and tariffs are as high as 43 percent on paper/paper products.

- Developing countries have much higher tariffs than the U.S. average rate of less than 2 percent. For example, the import duty for ASEAN countries and South America averages 12 percent and 15 percent respectively.

- Prescriptive product standards, especially in developing countries, further inhibit expansion of forest products exports, especially for lumber and solid wood products.

U.S. Trade Agenda

- **[To Be Supplied by USTR]**

Costs of Inaction

- The 13 percent U.S. share of the worldwide export market for forest products could be threatened if major European competitors (Finland and Sweden have 8 percent each of the world market) gain a competitive advantage through negotiation by the EU of preferential trade agreements with developing countries.

- Brazil is a major producer/exporter of products in this sector, including to the United States. Import tariffs range up to 2-16 percent while imports from Mercosur partners are zero.

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DOC/ITA

Type: Cost of Inaction
Area: MERCOSUR, Chile
Product: Upholstery fabric

QUAKER FABRIC CORP.
Fall River, MA

Quaker Fabric Corporation is a $200.0 million publicly traded textile company with five manufacturing plants in southeastern Massachusetts. Quaker has been in the upholstery fabric business for over fifty years --- currently employs about 1750 people --- and markets its products in the U.S. and in 42 other countries. Last year, about 20% of the company's sales were made outside the U.S. and some 350 of the company's employees owe their jobs to Quaker's growing export operations.

Quaker is determined to be an outstanding performer and a key component of the company's strategy is to be a leader in the worldwide upholstery fabric market. Our export business has done very well --- particularly since the passage of NAFTA --- and, last year, Quaker exported over $35.0 million worth of fabric. Quaker is a strong and growing company today --- in large part because of the effort the company has made to compete successfully in today's global economy.

We believe the Western Hemisphere represents one of our best growth opportunities. But, U.S. trade policy to date has not made it possible for us to fully tap the potential of this market --- other than in Mexico and Canada. We are leaving money --- and jobs --- on the table. To achieve our growth objectives, we need NAFTA-like trade agreements in place throughout the Hemisphere

Quaker already has an established position with its NAFTA trading partners and in the balance of the Hemisphere. Last year, about 40% of the company's export sales went into the Canadian and Mexican markets, including some $6.0 million into Mexico. Another $1.0 million went into Latin American countries other than Mexico. There is clearly a large and growing market in Latin America for our fabrics and, in Mexico alone, our sales grew at a rate of 53% in 1996 and are growing at about 40% so far this year. The rest of the Hemisphere, exclusive of Mexico and Canada, should provide us additional sales opportunities of some $25.0 million. The realization of this potential would create another 200 jobs in Massachusetts.

Chile is a case in point. As recently as last week, I was informed by our sales representative in Chile that we had lost an opportunity for a $1.8 million a year account to a competitor of ours in Mexico solely as a result of the 11% duty differential involved. This happened because Chile already has trade agreements in place with Mexico, Canada and the Mercosur countries. It is possible that a similar deal with the European Union will be next. There are fabric manufacturers in Mexico, Canada, the Mercosur countries and the European Union. They are Quaker's competitors. Quaker has customers in Chile. So do they. Last year, Quaker sold approximately $300,000 of product into Chile. But to do that, Quaker's customers in Chile had to be convinced that our products were so good that they were worth the extra 11% duty required to bring them into Chile --- 11% that is not a factor for our Mexican, Canadian or Mercosur competitors. Our products are so good that we can do that in some cases --- but it is an uphill battle --- and hardly the level playing field we have been counting on our government to create.

In the balance of Latin America, the situation is no different. For example, there is an active and important fabric and furniture manufacturing industry in the Mercosur countries. On its own, Quaker can compete successfully on the basis of design, quality and service with any of its Mercosur counterparts. What Quaker can't do on its own --- is get its products into Argentina, Brazil, Paraguay, Uruguay, Bolivia or Chile duty-free. Even without the kind of level playing field a trade agreement with the Mercosur countries would give Quaker, Quaker still sold over $600,000 into those markets last year without help --- but we need to smooth the way for Quaker and other U.S. companies like Quaker to do their very best. We must let the competitiveness of our products and our people --- not our country's trade barriers --- be the sole factor which determines whether American businesses win or lose.

Quaker has already demonstrated that it is possible to prosper as a textile manufacturer in New England. Quaker is not afraid to play to win on a level playing field in Latin America. Passage of the Fast Track legislation needed to bring Chile into NAFTA would help make that possible. Continuing until the Free Trade Area of the Americas is a reality would virtually guarantee it.

QUAKER FABRIC CORPORATION
LARRY A. LIEBENOW, PRESIDENT
AUGUST, 1997
Tel. 508-678-1951

Type: Cost of Inaction
Area: MERCOSUR, Chile
Product: Custom steel API Line Pipe for the oil and gas industry

Stupp Corporation
Baton Rouge, LA
[Rep. Baker, LA-6; Sen. Breaux and Landrieu]   August 26, 1997

" Our recent $30 million dollar investment in our Baton Rouge pipe-making facility was done to continue our reputation for quality and value. MERCOSUR has put us at a disadvantage in bidding on major projects in the region. The impact goes beyond Stupp Corporation. The impact extends to our suppliers and affects the very heart of a healthy American economy—our steel workers, dock workers, railroad workers, stevedores and truck drivers. The over 250 employees of Stupp Corporation along with our suppliers are at risk as long as the playing field is not level in the international market. Our country simply cannot ignore the impact these major overseas projects have on the vitality of our economy and every American taxpayer. "

Stupp Corporation the leading producer of ERW API Line Pipe in the western hemisphere, says MERCOSUR and its free-trade deals with other Latin nations has introduced an artificial price hurdle that Stupp must overcome when attempting to supply pipe to the major gas projects taking place in the region. Stupp was only partially successful on a recent bid to supply approximately $100 million worth of coated pipe to a Argentina-Chile pipeline. Stupp participated in the Chile portion of the project, but lost out on the Argentinean portion to SIAT. Stupp simply could not overcome the total duties and taxes of 27% on the Argentinean portion of the pipeline. These taxes and duties were, of course, not imposed on product supplied by SIAT. Stupp notes that this case highlights the significantly greater costs it must bear to maintain its competitive edge in South America which is caused by the growing number of regional free-trade arrangements that provide benefits such as preferential tariff treatment to its Latin competitors.

Stupp says that the stakes to the American economy are high when regarding major infrastructure projects. Stupp estimates that a successful bid for a similarly valued ($100 million) project would:

- require the equivalent of two days of U.S. Steel's total production and twice that of a company with the steel making capability of LTV.
- utilize approximately 1,600 in the transportation of steel and pipe, or alternately utilize 67 barges and 1900 trucks.
- Provide more than two months work for a U.S. pipe coating facility.

Stupp Corporation is committed to both the domestic and international energy market and will continue to be an active supporter of actions such as the fast track legislation that result in an improved opportunity for the U.S worker.

Clearance: Contact is Donald Bohach at 504-778-2203 (direct) or 2-800-535-9999. Mr. Bohach was recently appointed by the Governor of Louisiana to serve on a planning committee for the Southern Growth Policy Board, which among other things, is studying ways to enhance exports for a 12-state region. Stupp Corporation is a supporter of the fast track negotiating authority and the Free Trade Area of the Americas.

Donald Bohach

Donald Bohach
Director of Marketing and Business Affairs

DRAFT

Type: Cost of Inaction
Area: Eastern Europe
Product: Automotive

Chrysler Corporation

The European Union (EU) has negotiated preferential trade agreements with Eastern Europe. These agreements provide for reduction and eventual elimination of automotive tariffs for products from Western Europe. In autos, for example, U.S. exporters currently face a 15% higher tariff in Poland, which will grow to a 35% difference in 2001; in Hungary, the current difference is 23%, which grows to 42% in 2000; in Slovenia, the current difference is 16% and grows to 27% in 2000; and in the Czech Republic, the current difference is 11% which increases by 19% in 2000.

Chrysler estimates that if these differentials were substantially reduced, they would export at least $600 million more U.S. vehicles and components to Europe over the next five years. [The $600 million is vehicles to Eastern Europe and components to Graz for vehicles produced there for sale in Eastern Europe.]

Company Clearance: Lisa Maher, Director, Trade Policy, Chrysler Corp., 202-414-6732. Chrysler is comfortable with highlighting the problem European preferences are causing their firm, but they caution that there is no rejoinder to the logical next question, "How would fast track address this?" The Administration has not identified any potential use of fast track that would solve the problem, nor is Chrysler necessarily looking for a solution in this context in the short term, because the problem in their view is far more immediate than a trade agreement negotiated under fast track would be able to address. Longer term, it is possible that the U.S. would negotiate its own trade agreement with Eastern Europe, which would have the potential of eliminating the disparity. The company would not want to leave the impression that they are waiting for this as a solution to the problem. They also suggest that USTR negotiators working this issue (Ambassador Jeff Lang and Kathy Novelli, both on vacation this week) be consulted before this is used.

CHRYSLER HAS REQUESTED TO SEE ANY FINAL TEXT BEING CONSIDERED FOR USE.

DOC/ITA, 8-22-97

Type: Cost of Inaction
Area: Eastern Europe

The European Union (EU) has negotiated preferential trade agreements with Eastern Europe that reduce and eventually eliminate tariffs on products from Western Europe. The result is that products made by U.S. firms and workers are less competitive in Eastern Europe than they were since they face higher tariffs than goods produced in Western Europe -- and this disadvantage is growing over time. U.S. products that once had ready customers are losing out:

- Oregon's **Atlas CopCo Wagner's** sales of mining equipment to Poland are threatened, as are those of textile knitting machines produced by **Vanguard Supreme** of North Carolina;
- **Edwards International** of Connecticut is having difficulty selling its smoke detectors to Hungary;
- **Westvaco**'s paperboard, produced in Virginia, is less competitive in the Czech Republic;
- and several **high-tech companies** report their computer hardware and peripheral sales in Romania have dried up and gone to European competitors.

The message: Europe is engaged in seeking trade deals that work to their advantage and is pushing us off the field. The United States exported $3 billion to Eastern Europe last year; it would be a terrible mistake to cede this market by retreating from the trade front.

Caution: Good examples of how trade preferences that the U.S. is not party to are disadvantaging U.S. exports, but like the Chrysler example, there is not an identified use of fast track that would address this problem (although were the United States to engage in the negotiation of a FTA with Eastern Europe in the future, this authority would be needed.)

Clearance: Atlas CopCo Wagner (pending); Vanguard Supreme, Bill Moody, VP of Finance, 704-283-6171; Westvaco Corp., Wendell Willkie, GC, 211-318-5657; Edwards International, Roman Talkowski, Area Manager for Europe, 905-207-1711, x227 (prelim)

DOC/ITA, 8-27-97

DRAFT

Type: General Success Stories
Area: Asia

Deep South Bowling Pro Shop, Inc.
Kenner, LA
CD: LA-1
Contact: David Scheuermann, Jr.
504-467-0248
Source of Story: USFCS Success Database, 1996/97

Deep South Bowling is a small, family-owned business in Keener, LA that ranks among the ten largest bowling ball distributors in the United States. Noting the declining popularity of bowling in the United States, the company went into the export market in 1995. In just one year, it expanded its international sales from $75,000 to $850,000, focusing on five Asian markets. The company explains its strategy, " Many countries are just now discovering bowling, especially in Asia. We saw the trend and decided to go after the international market." Its latest marketing tool is a website, with 35 percent of inquiries originating outside the United States.

Portafloor/Teletek
NYC, NY
CD: NY-15
Contact: Arnon Rosan
212-980-0600
Source of Story: USFCS Success Database, 8/96

Portafloor/Teletek, a small manufacturer of portable walkways, was founded in the early 1990s while its president was still a graduate student at NYU. Following on its initial successes in Japan, the company now exports widely to Asian and world markets, and has increased its employees from 4 to 90 workers in the process. Portafloor's products have been used at the White House, the 1996 Summer Olympic games, and stadiums throughout the world.

Clearance Note:

Companies have cleared public use of their stories, which in their longer versions focus on how the Commerce Department assisted them in exporting; the companies have not been contacted about using their export stories in the context of fast track.

DRAFT

MCT, Inc.
Hernando, MS
CD: MS-9
Contact: Rick Moore
601-429-0054
Source of Story: USFCS Success Database, 12/96

If Bonnie & Clyde had moved to Southeast Asia, the banks there could have relied on MCT, Inc., to protect their money. MCT, a small manufacturer of armored cars for money transfer, has been a U.S. success for 13 years. The Memphis company landed its first export sale in 1996, over $2 million to the Phillippines.

Hanover Wire Company
Hanover, PA
CD: PA-19
Date of Story: 7/97
Contact: Darrell Raubenstine
717-637-3795
Source of Story: USFCS Success Database, 7/97

Hanover Wire Company, a small manufacturer of woven mesh products in Hanover, PA, saw its export sales soar 30 percent last year while its domestic sales remained flat. Export sales totaled $12 million; 66 employees -- or roughly one-fourth of its workforce -- are directly related to exports. The company now sells in 48 overseas markets (most recently expanding to Indonesia, Malaysia, Singapore, Thailand and Japan) and believes export sales will be a key ingredient in the future success of the company.

Clearance Note:
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DRAFT

Aster International
Cambridge, MA.
CD: MA-8
Date of Story: 12/96
Contact: Leah Zveglich
617-354-7773
Source of Story: USFCS Success Database, 12/96

Aster International Company, a minority-owned, women-owned small business in Cambridge, MA, markets American-made crafts and giftware. Using a direct mail strategy, the company made first-time export sales to Korea, Singapore, Taiwan and Japan of $1.4 million in 1996. Foreign markets now bring $25,000 of export orders each week.

Fitts Building Systems
Charleston, SC
CD: SC-1
Date of Story: 8/97
Contact: Timothy Knowles
803-727-4051
Source of Story: USFCS Success Database, 8/97

With only 6 employees, Fitts Building Systems International of Charleston, SC, an export management company and distributor of pre-fabricated metal buildings, won a $2.2 million bid to build an airport hanger complex in Mongolia in 1995. It has used this experience to expand its business into China and Vietnam.

Clearance Note:
Companies have cleared public use of their stories, which in their longer versions focus on how the Commerce Department assisted them in exporting; the companies have not been contacted about using their export stories in the context of fast track.

DRAFT

JWH Industries
Florence, SC
CD: SC-6
Date of Story: 4/96
Contact: Michael James
803-552-8914
Source of Story: USFCS Success Database, 4/96

JWH Industries of Florence, South Carolina, is small business that has developed an innovative earthworm biotechnology system used in waste management. JWH recently signed joint venture agreements with Japanese companies that have resulted in shipments of over $50,000 in compost castings (a byproduct of the earthworm system) and $6,000 in live worms. To support its growing international markets -- expected to total $100,000 in 1996 -- JWH Industries has expanded its U.S. farm sites from two to four and hired eight additional employees, doubling the size of its workforce.

General Vacuum
Highland Heights, OH
CD: OH- 19 or 21
Date of Story: 10/96
Contact: Karsten Kell
216-646-9986
Source of Story: USFCS Success Database, 10/96

General Vacuum is a pioneering research and manufacturing business on Cleveland's east side, which is becoming a major player in the commercialization of vacuum coating technology used by the computer chip industry. With just 7 employees (including a top-notch team of physicists), the company landed its first export sale in 1996, a one-quarter million dollar order from Korea.

Clearance Note:

Companies have cleared public use of their stories, which in their longer versions focus on how the Commerce Department assisted them in exporting; the companies have not been contacted about using their export stories in the context of fast track.

Electro Abrasives
Buffalo, NY
CD: NY-29
Contact: Allan Ramming
716-882-2500
Source of Story: USFCS Success Database, 3/96

Elector Abrasives, a small manufacturing company in Buffalo, NY, started in 1987 with only 5 employees. Beginning with Korea, the company has found strong overseas markets for its high quality product and, with the help of growing export sales, now has 20 employees.

Daedulus Enterprises, Inc.
Ann Arbor, MI
CD:
Contact: Tom Ory
313-769-5649
Source of Story: USFCS Success Database, 2/97

One of only a few manufacturers of highly specialized remote sensing systems worldwide, Daedulus Enterprises, a small company in Ann Arbor, MI, has tapped a global demand for its product in uses as varied as waterborne pollution sensing to drug interdiction efforts. Exports directly support 5-10 employees, and often account for a majority of the company's annual business.

Clearance Note:
Companies have cleared public use of their stories, which in their longer versions focus on how the Commerce Department assisted them in exporting; the companies have not been contacted about using their export stories in the context of fast track.

Northern Telecom

Marcel/SBC

agreement

supply

LATIN AMERICA

CHILE

Non-Success Stories: Costs of Inaction

- **Southwestern Bell** recently chose to source from Northern Telecom in Canada $180 million in telecommunications equipment for a project in Chile rather than from U.S. suppliers. Thanks to the Chile-Canada free trade agreement, it can save over $20 million in duties by purchasing from Canada rather than the United States.

SBC

- Chile and Mexico also have a free trade arrangement. As a result, Washington state apple growers are losing their share of the Mexican market to Chilean growers. There is increasing concern that as Chile expands the number of preferential arrangements it enters into, U.S. growers will have a greater disadvantage in other major markets such as Brazil where duties range from 10-30 percent. U.S. growers claim that if not for Chile's advantage, the United States could export year round, instead of just seasonally.

- In the Chilean automotive sector **Ford** is importing Escorts from Mexico -- formerly they came from the United States. Also, this competition is likely to intensify as even more European and Japanese models [Opel, VW, Nissan] are now imported from Brazil. We also understand that Chrysler hopes to increase its sales in Chile by 28 percent this year -- to $60 million. The company intends to supply the Chilean market from offshore facilities in Argentina, Brazil, Mexico and Venezuela, to take advantage of the new commercial agreements which eliminate duties on automotive imports.

- **Goodyear,** a major supplier of tires to heavy mining equipment, now obtains its raw materials and intermediate products from Mexico, instead of the United States.

- **Caterpillar** will supply some of its lines of earth moving equipment for the mining industry from Brazil, rather than the United States.

- Larry Liebenow of **Quaker Fabric** (Fall River, Mass) just lost a sale to supply a Chilean company to his Canadian competitor. Quaker is a rapidly growing mid-sized manufacturer of upholstery fabrics that has added over 150 jobs due to increased exports over the past three years. Mr. Liebenow says the irony is that he lost this sale to a company he beats every day in the United States and Canada. In Chile, however, Quaker has to pay 11% more than his Canadian competitor to get his upholstery fabrics into Chile.

Non-Success Stories:Trade Barriers

- **IBM** exports $35 million in personal computers, duty-free, from Mexico to Chile each year. It could source these exports from the United States, but has chosen not to as a result of Chile's 11 percent duty on U.S. made goods.

- **John Deere** representatives contend that a free trade agreement between the United States and Chile would allow the company to expand its sales of products like tractors in the Chilean market share significantly. Over 90% of its products come from the United States (with a 11% tariff) whereas its competitors bring products from Mexico at no tariff cost.

- **Esso Chile,** a division of Exxon Corporation, imports approximately $12 million per year annually in stocks and additives to its factory in Chile. It would prefer to source from U.S. suppliers, but instead brings them in from neighboring Latin countries enjoying preferential tariff status in the Chilean market. Similarly, Esso spends $20 - $30 million annually for convenience store equipment used in its local service stations. The bulk of these purchases are sourced from Argentina, Brazil and Venezuela. Chile's 11 percent rate of duty prevents the company from consolidating these purchases from a U.S. source.

- **Clorox de Chile** imports millions annually of polyethylene products and replacement parts from several sources (constituting 25 percent of Clorox Chile's production costs). The company would prefer to buy all such products from the U.S., but currently buys from Argentina and Brazil (due to the 11 percent duty) because the products come with a certain degree of contamination.

- **Coca Cola Chile** said it would switch almost all purchases to the United States, for bottling, canning and refrigeration equipment, if the United States negotiated a free trade agreement with Chile. Currently much of these imports are sourced from Italy and Germany.

DOC/ITA/MAC/WH
Source: U.S. Chamber of Commerce, AmCham Chile

LATIN AMERICA

MERCOSUR: ARGENTINA

NonSuccess Stories: Trade Barriers

- **IBM Argentina** is contemplating importing equipment from IBM Brazil rather than the United States to avoid paying the 16 percent Mercosur common external tariff on informatics.

DOC/ITA/<MAC/WH
Source: U.S. Department of State/Trade Policy and Programs

EASTERN EUROPE

- **Chrysler** has noted that its access to CEE markets is constrained due to increasing tariff preferences EU exporters receive under the EU association agreements. Chrysler claims that it will lose almost all of its export opportunities through 2002 if the differential between the MFN rates it must pay and those applicable to EU products is not kept to a maximum of 10 percent --the level of the EU's common external tariff. (Chrysler estimates this loss would amount to approximately $600 million.) Current phase-out schedules under the association agreements would ensure that the differentials maintained by most CEE countries would exceed 10 percent –in some cases significantly. Chrysler is most concerned with Poland, Czech Republic, Slovenia and Hungary.

CZECH REPUBLIC

Failure Stories: Trade Barriers

- **Thermo King,** a U.S. company, has been forced to cut back its use of U.S. components used in manufacturing industrial refrigeration units because of the elimination of duty drawbacks for non-European Union (EU) goods.

- **Westvaco** pays duties of 7.6 percent on a bleached paperboard input necessary for the manufacture of a final product in its facility in the Czech Republic. The only competing product comes into the Czech Republic duty-free from Sweden and Finland under the EU association agreement. Westvaco's final product cannot be competitive with its West European manufacturers with the current tariff differential.

HUNGARY

Non-Success Stories: Costs of Inaction

- **Edwards,** a U.S. manufacturer of smoke detectors has lost sales as a result of having pay duties that its European competitors are exempt from as a result tariff preferences negotiated as part of the EU-Hungary Association Agreement.

Non-Success Stories: Trade Barriers

- **Mars** candy has reoriented its sourcing from the its operations in the United States to its European Union companies as a consequence of reverse tariff preferences in favor of EU products.

- GE representatives have complained that eliminating duty drawbacks on U.S. goods has affected its imports of capital equipment from the United States.

POLAND

Non-Success Stories: Costs of Inaction

- **Atlas CopCo Wagner,** an Oregon-based manufacturer, has lost sales to European competitors as a consequence of having to pay Poland's duty on its U.S.-made (mining) underground loaders. As a result of Poland's Association Agreement with the European Union (EU), the custom tariff for Wagner's equipment is currently 9 percent, while the tariff for the same equipment brought from the EU is 3.6 percent. The problem will continue to increase as the tariff for EU product will be gradually lowered to zero by 1999. As Wagner's main customer is the large copper combine KGHM, it may be relatively easy for Wagner to convince its Polish customers to lobby the Polish government to lower the MFN tariff rate for Wagner's products. (This was a successful strategy for a similar complaint regarding printing ink where Polish industry benefited from the lower cost of the superior U.S. input.)

- **Vanguard Supreme,** operating out of North Carolina, has complained that the tariff advantage enjoyed by European producers of textile knitting machines make Vanguard's product uncompetitive in the Polish market.

- **Westinghouse** has found itself at a distinct competitive disadvantage relative to European rivals as a result of tariff preferences negotiated between the European Union and Poland. As a consequence, a current Westinghouse turbine refurbishment bid of $40 million is facing an uncertain future, as tariff preferences provide a significant price advantage to EU firms. In addition, on at least two occasions, Westinghouse has resorted to subcontracting a European firm to benefit from the EU tariff advantage, despite Westinghouse's preference for U.S. made goods.

ROMANIA

Non-Success Stories: Costs of Inaction

- A number of U.S. technology companies, including **IBM, Blue Ridge International, Romsys-Sun Microsystems, Total Technologies-Packard Bell and Lucent Technology,** among others, are losing bids to European firms as a result of high tariffs on their products (15 to 20 percent) relative to similar European goods (0 to 5 percent).

- **Wente Brothers,** a California wine exporter, faces duties of 144 percent on its U.S. products. In contrast, European wines pay only a 108 percent rate.

SLOVENIA

Non-Success Stories: Costs of Inaction

- Sales of **Chrysler** minivans are down as a result of facing a 27 percent import duty on motor vehicles containing less than 60 percent EU content.

DOC/ITA/MAC/WH
Source:State/EB/Trade Policy
DOC/EUR/CEEBIC

15B

August 25, 1997

FAST TRACK "SUCCESS" STORIES

The Risk of Inaction:

The risk of inaction is quite great given the pace at which countries continue to sign trade agreements further liberalizing their markets, tearing down tariffs and non-tarriff barriers, and increasing market access with their trading partners.

- The Stupp Corporation in Baton Rouge, Louisiana, a leading producer in the western hemisphere of API line pipe, is confronted with artificial price hurdle challenge when doing business in South America, as the countries in the southern cone common market (MERCOSUR) have signed a trade agreement with Chile significantly reducing duties and taxes on products exported between them. In bidding to supply $100 million of pipe to an Argentina-Chile gas pipeline project, Stupp faces duties and taxes of 27 percent on the Argentine portion of the pipeline, costs that a major competitor from Chile does not have to pay. For corporations like Stupp and its workers that stakes are quite high in winning these major infrastructure projects. Stupp estimates a successful bid would

  -- require the equivalent ~~to~~ of two days of U.S. Steel's total shipments or twice that at a company the size of LTV;
  -- employ over 1,600 rail cars to ship the steel to their plant; or alternatively, 67 barges and 1,904 trucks;
  -- provide more than two months of work for a U.S. facility to coat the bare pipe.

  (Source: Department of Commerce)

The risk of inaction is evident in view of the free trade agreement reached between Canada and Chile in November 1996 that will eliminate Chile's 11% across-the-board tariff starting this year.

Hi-Tech:

- Northern Telecom, a Canadian firm, won a nearly $200 million telecommunications equipment contract over U.S. companies in part because U.S. producers faced $20 million in higher costs due to higher tariffs than did Canadian firms.
  (Source: Department of Commerce)

Se care Lul

Specialty Textile:

- Similarly, Quaker Fabric Corporation, a $200 million publicly trade textile company is a major manufacturer of upholstery fabric employing about 1,750 people marketing its products in the U.S. and 42 other countries. Last year, about 20% of the company's sales were made outside the U.S. and some 350 of the company's employees owe their jobs to Quaker's growing export operations. Last year, Quaker exported over $35 million worth of fabric, of which 40 percent was derived from our NAFTA partners. The rest of the hemisphere, where Quaker believes its greatest opportunities for growth lie, should

provide it with additional sales opportunities of some $25 million (the equivalent of 200 more jobs in Massachusetts. However, Chile is a case in point of the risk of inaction and business opportunity loss for companies like Quaker. Recently, Quaker was informed by its sales representative in Chile that it had lost a bid for a $1.8 million a year account to a competitor from Mexico, solely as a result of the 11 percent tariff that Quaker must pay and not its Mexican competitor. This happened because Chile already has trade agreements in place with Mexico, Canada, the MERCOSUR countries and the European Union. Last year, Quaker sold approximately $300,000 of product into Chile. However, to do that it had to convince its Chilean customers that its product was of such higher quality that it was worth an additional 11 percent of cost due to the duties levied by Chile on U.S. exports.
(Source: Quaker Fabric Company)

Agriculture:

- Although U.S. agricultural exports to South America have increased over the last decade, the U.S. share of the region's total agricultural imports has fallen by more than half since 1985 -- from 42% to 22%. This decline is equivalent to an annual export loss of $2.6 billion and a related employment loss of more than 40,000 U.S. farm and non-farm jobs in 1996. More than 30 trade agreements are in place throughout Latin America, most of which the U.S. is not signatory to and which grant trade preferences to the countries that have signed the agreements. The granting of preferential trade benefits to some countries often comes at a costly price to U.S. producers and suppliers who are shut out of these markets due to higher tariffs and other barriers.
(Source: USDA)

- The same could be said for the Asian market, where, for example, South Korea has emerged as the fifth largest market in the world for U.S. agricultural exports. It took in a record $3.8 billion worth of U.S. farm and food products in 1996. But Korean tariffs on agricultural products, over 60 percent on average, are still among the highest in the world, and American farmers could be doing a lot more business there if these tariffs were reduced or eliminated. If Korea's tariffs on dairy products (which range from 40 percent to 211 percent were cut, the U.S. dairy industry exports would increase by about $100 million in 2 years. Were the 20 percent tariff on frozen french fries eliminated, U.S. exports could double from the current level of 25,000 metric tons. Similarly, tariff changes on raisins could result in an increase of 25 to 30 percent, and on oranges to the equivalent of half of current Korean production.
(Source: USDA)

The Rewards of Engagement:

The rewards of engagement in overseas markets, particularly for agriculture, are illustrative of the potential that exists in the global economy. An example of the success that can be obtained through agriculture exports and which is having an impact on the livelihoods of several hundred thousand farmers is that of Farmland Industries.

- Farmland Industries, Inc., headquartered in Kansas City, Missouri, the largest farmer-owned cooperative in the North America serving 500,000 farmer-rancher families through over 1,500 local cooperative members in 22 Midwestern States, Mexico and Canada. Also, more than 13,000 livestock producers are direct members of Farmland, marketing their hogs and cattle. U.S. producers now depend on exports for over 25 percent of gross receipts, which are anticipated to increase to 35 percent by 2003. In the past six years, these cooperatives have seen their international sales grow from less than $200 million to over $4.1 billion. In Mexico alone, since the passage of NAFTA, their sales have increased from less than $50 million in 1992 to $450 million in 1996. (Source: USDA)

The trend line does not deviate much for small businesses, which account for over 90 percent of U.S. firms involved in international trade.

- A family owned business in Kenner, Louisiana, formed in 1992, entered the export market in 1995. Deep South Bowling Pro Shop, Inc., increased its international sales of bowling balls from $75,000 in 1995 to about $850,000 in 1996 primarily to Asia and South America . Seven months into 1997, it is on the brink of surpassing its 1996 export sales figures while entering five new international markets.
(Source: Department of Commerce)

- Royce Instruments Corporation, a small New Orleans based manufacturer of computerized water quality monitoring systems for the past 10 years, currently operating with 33 employees, earned $2.5 million in exports sales (about 45%) of the companies revenues in 1996.
(Source: SBA)

Only one of the three will be selected based on additional information to be requested -- i.e. trends.

- [B.G. Imaging Specialties of Bronx, New York is a diagnostic imaging equipment with markets in Latin America, Asia, Eastern Europe, and South Africa. In business since 1986 and currently operating with 25 employees, B.G. produced approximately $3 million in export sales in 1996.]
(Source: SBA)

- [International Cryogenics of Indianapolis, Indiana, a small business employing 25 people, is currently shipping its products to South America much more than ever anticipated (revenue percentage derived from exports). It cryobiological tanks used for the freezing of agricultural products are selling like "gang busters" overseas, which has been key to its

growth given that the U.S. market is completely saturated.]
Source: Department of Commerce)

Medium-to-Large Exporters:

- Ingersoll-Rand, a major diversified industrial equipment and components manufacturer out of Woodcliff Lake, New Jersey supplies its products to a wide range of industrial and commercial markets world-wide. The company has 45,000 employees, with global sales approaching $7 billion -- approximately 40 percent of Ingersoll-Rand's total sales. By the end of the first decade in the new millennium, it expects its revenue derived from exports sales to increase to 50 percent. Products exported to Mexico alone came from Ingersoll-Rand's plants located in California, Georgia, Indiana, Kentucky, North Carolina, North Dakota, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Vermont and Virginia.
(Ingersoll-Rand)

- Diamond Chain Company manufactures, develops and markets high quality precision roller chain which is used to transmit power and convey product throughout industry. Based in Indianapolis, Indiana, Diamond has experienced a steady growth in export sales since 1990, growing from 3 percent to 13 percent estimated for this year. The increase in sales has led Diamond Chain to hire 90 more people, raising its employment rolls to 700 people, and created a new and more diverse range of opportunities for its employees.

DRAFT

Stupp Corp.
Baton Rouge, LA

Potential Cost of Inaction Story: MERCOSUR-Chile
[Rep. Baker, LA-6; Sen. Breaux and Landrieu]
manufacturer of custom steel line pipe for the oil and gas industry,

"Our combination of excellence for quality and value is unchallenged, but MERCOSUR has put us at a disadvantage in bidding on major projects in the region. The impact goes beyond Stupp Corp, to our suppliers and affects the very heart of a healthy American economy -- our steelworkers, dock workers, railroad employees, stevedores and truck drivers all stand to lose out. Our country simply cannot afford to ignore the impact these major overseas projects have on the vitality of our economy and every taxpayer."

Stupp Corp., the top producer in the western hemisphere of API line pipe, says MERCOSUR's free-trade deal with Chile has introduced an artificial price hurdle to their efforts to supply pipe to the major gas projects taking place in the region. In bidding to supply $100 million of pipe to an Argentina-Chile gas pipeline, for example, Stupp faces total duties and taxes of 27% on the Argentinean portion of the pipeline, while a major competitor, the Chilean pipe company Sat, does not.

Stupp says the national stakes are high in winning these major infrastructure projects. Stupp estimates a successful bid would:

-- require the equivalent to two days of U.S. Steel's total shipments or twice that at a company the size of LTV;
-- employ 1,666 rail cars to ship the steel to their plant; or alternatively, 67 barges and 1,904 trucks;
-- provide more than two months of work for a U.S. facility to coat the bare pipe.

Above is based on a company letter of 5/97; liberally edited quote. Company has indicated its willingness "to be a source of information as you represent the interests of our country." Contact Donald Bohach, Director of Marketing and Business Affairs, 504-775-8800.

DOC/ITA

Local President Can Speak

Workers -> Steelworkers

Dan O'Leary - President + COO

Quaker Fabric Corporation is a $200.0 million publicly traded textile company with five manufacturing plants in southeastern Massachusetts. Quaker has been in the upholstery fabric business for over fifty years --- currently employs about 1750 people --- and markets its products in the U.S. and in 42 other countries. Last year, about 20% of the company's sales were made outside the U.S. and some 350 of the company's employees owe their jobs to Quaker's growing export operations.

Quaker is determined to be an outstanding performer and a key component of the company's strategy is to be a leader in the worldwide upholstery fabric market. Our export business has done very well — particularly since the passage of NAFTA — and, last year, Quaker exported over $35.0 million worth of fabric. Quaker is a strong and growing company today — in large part because of the effort the company has made to compete successfully in today's global economy.

We believe the Western Hemisphere represents one of our best growth opportunities. But, U.S. trade policy to date has not made it possible for us to fully tap the potential of this market — other than in Mexico and Canada. We are leaving money — and jobs — on the table. To achieve our growth objectives, we need NAFTA-like trade agreements in place throughout the Hemisphere

Quaker already has an established position with its NAFTA trading partners and in the balance of the Hemisphere. Last year, about 40% of the company's export sales went into the Canadian and Mexican markets, including some $6.0 million into Mexico. Another $1.0 million went into Latin American countries other than Mexico. There is clearly a large and growing market in Latin America for our fabrics and, in Mexico alone, our sales grew at a rate of 53% in 1996 and are growing at about 40% so far this year. The rest of the Hemisphere, exclusive of Mexico and Canada, should provide us additional sales opportunities of some $25.0 million. The realization of this potential would create another 200 jobs in Massachusetts.

Chile is a case in point. As recently as last week, I was informed by our sales representative in Chile that we had lost an opportunity for a $1.8 million a year account to a competitor of ours in Mexico solely as a result of the 11% duty differential involved. This happened because Chile already has trade agreements in place with Mexico, Canada and the Mercosur countries. It is possible that a similar deal with the European Union will be next. There are fabric manufacturers in Mexico, Canada, the Mercosur countries and the European Union. They are Quaker's competitors. Quaker has customers in Chile. So do they. Last year, Quaker sold approximately $300,000 of product into Chile. But to do that, Quaker's customers in Chile had to be convinced that our products were so good that they were worth the extra 11% duty required to bring them into Chile --- 11% that is not a factor for our Mexican, Canadian or Mercosur competitors. Our products are so good that we can do that in some cases — but it is an uphill battle — and hardly the level playing field we have been counting on our government to create.

In the balance of Latin America, the situation is no different. For example, there is an active and important fabric and furniture manufacturing industry in the Mercosur countries. On its own, Quaker can compete successfully on the basis of design, quality and service with any of its Mercosur counterparts. What Quaker can't do on its own — is get its products into Argentina, Brazil, Paraguay, Uruguay, Bolivia or Chile duty-free. Even without the kind of level playing field a trade agreement with the Mercosur countries would give Quaker, Quaker still sold over $600,000 into those markets last year without help --- but we need to smooth the way for Quaker and other U.S. companies like Quaker to do their very best. We must let the competitiveness of our products and our people --- not our country's trade barriers --- be the sole factor which determines whether American businesses win or lose.

Quaker has already demonstrated that it is possible to prosper as a textile manufacturer in New England. Quaker is not afraid to play to win on a level playing field in Latin America. Passage of the Fast Track legislation needed to bring Chile into NAFTA would help make that possible. Continuing until the Free Trade Area of the Americas is a reality would virtually guarantee it.

QUAKER FABRIC CORPORATION
LARRY A. LIEBENOW, PRESIDENT
AUGUST, 1997

FARMLAND SUPPORTS THE RENEWAL OF FAST TRACK AUTHORITY

Farmland Industries, Inc. is the largest farmer-owned cooperative in North America with over 1,500 local cooperative members, serving 500,000 farmer-rancher families in 22 Midwestern states, Mexico and Canada. Also, more than 13,000 livestock producers are direct members of Farmland, marketing their hogs and cattle. It is this network of farmer, farmer-cooperatives and Farmland, and the many people who work for them, that make up the Farmland Cooperative System.

Headquartered in Kansas City, Missouri, Farmland manufactures and distributes to its farm cooperative members agricultural inputs, including petroleum, crop production and feed. Domestic and international marketing opportunities are provided for our member-owners' agricultural outputs, including the slaughtering, processing and marketing of pork and beef, and grain processing and marketing. The Farmland System conducts business in all 50 states and more than 70 countries.

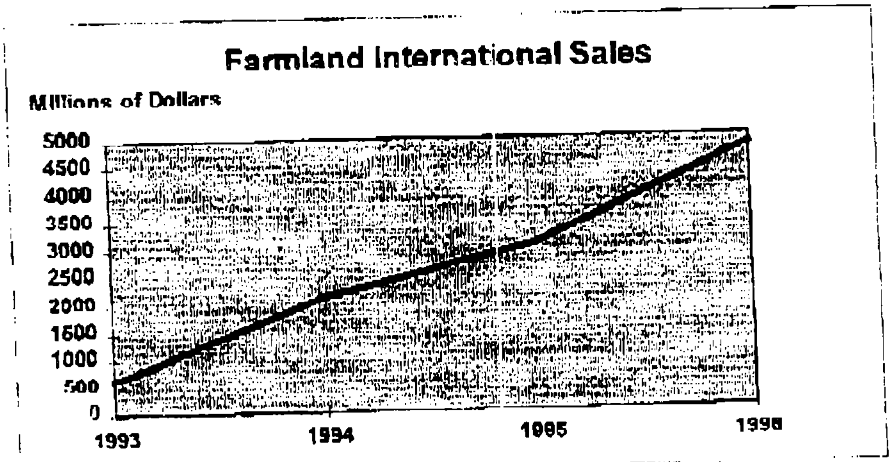
The future economic well being of American agriculture is closely tied to our competitiveness in an expanding global market. The importance of trade to the future of American agriculture has been emphasized under the 1996 Farm Bill, with the reduction in support to producers from domestic farm programs. US producers now depend on exports for over 25 percent of gross receipts. This is anticipated to be 35 percent by 2003.

In response to this globalization, Farmland Industries has developed business strategies that reflect a strong commitment to expanding world markets. The farmers and ranchers who own the Farmland System are very much involved in expanding international markets. In the past six years, our international sales have grown from less than $200 million to over $4.1 billion. In Mexico alone we have seen our trade, since the passage of the NAFTA, grow from less than $50 million in 1992 to $450 million in 1996. We believe US policy must also be dedicated to the expansion of global markets.

Farmland finds that sanitary and phyto-sanitary non-tariff trade barriers, for meat and grain, are among the most important and prevalent of our concerns with respect to international marketing of System products. Incidence and cost of problems related to these barriers, in addition to lost business, is increasing at an alarming rate. These barriers expose Farmland specifically and US agriculture in general to millions of dollars of risk and lost trade.

The next round of global agricultural trade negotiations is scheduled to commence in 1999. The continued removal of tariff and non-tariff barriers to trade, so that new markets are opened and access is increased to existing markets, is of particular importance to Farmland and its member owners. In order to adequately prepare for and participate in these negotiations, US trade officials need fast track authority now.

The farmers and ranchers who own Farmland support the passage of Fast Track authority as a vital tool in the pursuit of trade liberalization. They clearly understand the importance of world trade to US Agriculture's continued growth.



INGERSOLL-RAND

World Headquarters

Ingersoll-Rand Company
Woodcliff Lake, New Jersey 07675-8738

July 2, 1997

Mr. Thomas F. (Mack) McLarty III
Counselor to the President
Special Envoy for the Americas
White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. McLarty:

Enclosed for your information is a document highlighting the positive impact of the North American Free Trade Agreement (NAFTA) on Ingersoll-Rand Company. As you may know, Ingersoll-Rand is a major diversified industrial equipment and components manufacturer. Its product lines serve a wide range of industrial and commercial markets worldwide. The company has approximately 45,000 employees.

Since NAFTA, Ingersoll-Rand's exports to both Canada and Mexico have significantly increased. As the enclosed document illustrates, most Ingersoll-Rand business units reported positive NAFTA experiences.

I hope that our story is helpful in compiling a comprehensive and accurate picture of the favorable impact of NAFTA on American exports. Ingersoll-Rand fully supports free and fair trade with the emerging markets of the Western Hemisphere and looks forward to working with you to build broad-based support for the expansion of NAFTA to Chile and the creation of the Free Trade Agreement of the Americas (FTAA).

If you have any questions regarding Ingersoll-Rand's NAFTA experience, please contact me by phone at 202-573-3157 or by fax at 202-573-3172.

Sincerely,

Gordon Stables
Director, Government Affairs

INGERSOLL-RAND

World Headquarters

Ingersoll-Rand Company
Woodcliff Lake, New Jersey 07675-8738

INGERSOLL-RAND AND THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

The North American Free Trade Agreement (NAFTA) has resulted in increased exports of U.S.-manufactured products by Ingersoll-Rand during the first three years of the treaty. Ingersoll-Rand's total sales to Canada increased from $16.6 million in 1993, to $26.9 million in 1996, an increase of 62%. Our sales to Mexico increased from $32.5 million in 1993 to $39.7 million in 1996, an increase of 22%. The company estimates that sales to Mexico could have been larger over the three-year period if the Mexican economy had not experienced a substantial downturn in the wake of the 1995 peso crisis.

Ingersoll-Rand's increased exports to the Canadian and Mexican markets covered a broad range of the company's products. From air tools and compressors, to construction machinery, to automotive and industrial equipment, most business units reported positive NAFTA experiences.

The following chart outlines examples of increased product sales to the Mexican market since NAFTA approval:

PERCENTAGE INCREASE OF EXPORTS TO MEXICO OF SELECTED INGERSOLL-RAND PRODUCTS (1993 TO 1996)

Ingersoll-Rand Product	Harmonized Tariff System	Percentage Change 1993 to 1996
Turbo Gas Compressors	8414.80	+ 900%
Portable Compressors	8414.00	+ 500%
Bearings, Automotive & Industrial	8485.00	+ 200%
Door Exit Devices	8302.41	+ 100%
Blasthole Drills	8430.41	+ 100%
Stationary Air Compressors	8414.80	+ 70%
Rock Drills	8430.41	+ 25%
Hand Held Tools	8457.19	+ 25%
Down-Hole Drills	8702.01	+ 25%

INGERSOLL-RAND

World Headquarters

Ingersoll-Rand Company
Woodcliff Lake, New Jersey 07675-8738

Ingersoll-Rand is a major diversified industrial equipment and components manufacturer. Our product lines serve a wide range of industrial and commercial markets worldwide. The company's products are utilized in major infrastructure projects and manufacturing and industrial facilities. The company has 45,000 employees, with global sales approaching $7 billion. Approximately 40% of Ingersoll-Rand's sales are to international customers, a figure that is projected to increase to 50% by the end of the decade. As a result, Ingersoll-Rand is increasingly dependent on access to external markets, particularly in developing economies, and policies and trade agreements that result in reductions in tariffs and nontariff barriers.

The Mexican market, in particular, presents real opportunities for increased sales. As Mexico develops its economic infrastructure and modernizes its manufacturing capability, Ingersoll-Rand's sales to the Mexican market will help achieve sustained economic growth and build a large middle class population, paving the way for other U.S. companies' products. Ingersoll-Rand exports U.S.-made products to Mexico from plants located in California, Georgia, Indiana, Kentucky, North Carolina, North Dakota, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Vermont and Virginia.

The NAFTA treaty has been favorable to Ingersoll-Rand's business and that of its customers and suppliers. Ingersoll-Rand looks forward to and fully supports Congressional passage of fast-track negotiating authority that will permit negotiations for the accession of Chile to NAFTA, and to continued progress toward the Free Trade Agreement of the Americas (FTAA).

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DIAMOND CHAIN COMPANY

Transmitting the Power of American Industry Since 1890

[redacted]

August 22, 1997

Mr. Peter O'Keefe
The White House
Washington, D.C. 20500

Dear Peter:

As we discussed yesterday Diamond Chain is very positive about the opportunities presented by the international markets and support the government's actions that further and promote international trade. We feel that the "fast track" negotiating authority is very much needed by the President to develop international agreements that will be beneficial to the United States.

Diamond Chain manufactures, develops and markets high quality precision roller chain which is used to transmit power and convey product throughout industry It can be found on construction equipment, farm machinery, motorcycles, oil and gas equipment, processing machinery and many other applications. What we have found is that not just the US market but the international market will and does pay for high quality product that improves the dependability and uptime of operating equipment. We do not sell on price but quality and service. This is recognized and is successful in the international market and our time and investment in that market has lead to international sales increasing from 3% in 1990 to 13% this year. These increased sales mean approximately 90 more jobs at Diamond and increased opportunities for the employees. Diamond has approximately 700 employees, so this is significant to our company and employee development.

In addition to providing jobs and opportunities it involves us in the activities and dynamics of the international market which is key for the future. It is becoming more and more a global economy and to be successful in the future we have to compete with companies throughout the world.

The "fast track" authority has been successful in the past and is required for the future. It is necessary to negotiate and develop international trade agreements that will benefit the US economy and the majority of its citizens. I extend my full support to the program.

Sincerely,

DIAMOND CHAIN COMPANY

Byron D. Speice

Byron D. Speice
President

Fast Track: In the National Interest of the United States

FAST TRACK MEANS: IMPROVING OUR STANDARD OF LIVING

- Keeping the Economy on the Fast Track. By breaking down trade barriers and creating new jobs, the President will use fast track authority to keep America's economic expansion on the global fast track.
- The Economy Is Strong. The President's three-part economic strategy of cutting the deficit, investing in education and training, and opening markets abroad is working. America has enjoyed the longest period of sustained growth in a generation— one-third of which was produced by exports since 1993. The result: 12 million new jobs, unemployment at 5%, inflation the lowest in a generation.
- Our Future Prosperity Depends on Trade. 96% of the world's consumers live outside the United States. The global economy will grow at three times the rate of the US economy. America needs fast track to seize opportunities to negotiate fair new trade agreements that will keep us competitive, expand our exports, create more jobs, and raise our standard of living.

FAST TRACK MEANS: CREATING MORE JOBS

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

FAST TRACK MEANS: MAINTANING AMERICA'S GLOBAL LEADERSHIP

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

STAYING ON THE FAST TRACK

- Fast track authority is in the overriding national interest of the United States. America's economic strength and standard of living are linked to breaking down trade barriers, exporting our goods and services, and creating more high-skilled jobs.

- This debate is also about American leadership. As the American people prepare for the challenges of the 21st century, we face a critical choice: We can embrace the global economy, write the trade rules, and continue America's economic expansion, or we can turn our back on the world and fail to compete for new markets, new contracts, new business and new job opportunities.

- The President must have the authority to break down foreign trade barriers. Every President since 1974-- Republican and Democratic---has had fast track authority. A bipartisan majority of Congress has consistently supported initiatives to open markets and create jobs. At stake in this debate is both Presidential leadership and a bipartisan consensus on US trade policy.

- Fast track gives the US the credibility to negotiate tough trade deals because our partners know any agreement will not be reopened provision-by-provision by the Congress. Fast track also preserves for the Congress the ultimate decision of whether any potential agreement is good or bad for America. That assurance puts American in the best position to negotiate major trade agreements and maintains a balance that has worked for over 20 years.

- As we increase our trade, the President is committed to raising labor standards and protecting the environment around the world and ensuring through aggressive worker retraining and increased educational opportunities that no American is left out of the global economy

MAINTAINING OUR STANDARD OF LIVING

- Opening markets to US goods and services has been critical to our economic expansion.

- President Clinton's economic strategy of deficit reduction, investing in our people through education and training, and opening markets to our goods and services has created the largest economic expansion in a generation.

- The American people have enjoyed the longest period of sustained growth of all our G-7 partners--seven years as of last March. The US economy has created 12 million new jobs, the unemployment rate is 5%, core inflation is at a 30-year low.

- The United States is once again the world's largest exporter, the largest producer of semiconductors, and the largest producer of automobiles. Independent studies have found America to be the most competitive economy in the world for the past five years.

- The United States exports more products and services than any country in the world and trade provided more than one-fourth of our economic growth over the past four years.

- Over the last four years, American manufacturing exports rose by 42%, high technology exports jumped 46%, service exports climbed 26% and farm exports rose 43%.

- No country is better positioned to compete than the United States. We have every reason to have confidence in our economy, in our companies and workers and in our capacity to compete and win. Fast track is a test of that confidence—and a prerequisite for seizing the trade opportunities before us around the world.

CREATING MORE AMERICAN JOBS

- Over the past four years, more than 25% of our economic growth has come from overseas trade and US exports have created 1.4 million new American jobs. Fast track will give us the chance to continue this trend.

- In addition, 11 million total American jobs are supported by exports, including one in five manufacturing jobs--paying an average of 13-16% more for non-management workers than non-trade related jobs.

- Over the next decade, the global economy is expected to grow at triple the rate of the US economy. Growth will be particularly strong in the world's emerging markets, where demand for American goods and services are taking off.

- In a world where over 96% of the world's consumers live outside of the United States, we must export our goods and services to sustain our standard of living at home. To stay on the global fast track, the President needs fast track authority.

BREAKING DOWN TRADE BARRIERS

The expanding global economy presents enormous potential for American companies and workers:

- Sectoral Agreements: The President would use fast track authority to negotiate agreements in sectors where the US is most competitive. From medical equipment and services, environmental technology and services, telecommunications to high tech computers, the President will tear down more barriers to American exports. For example, the recent Information Technology Agreement eliminated tariffs and unshackled $500 billion of trade in semiconductors, computers, telecommunications equipment and software, and according to industry estimates, amounts to a $5 billion tax cut in tariffs on American exports.

- Agriculture: The President would use fast track authority for negotiations to reduce barriers in the $536 billion global agriculture market that will attack such practices as export subsidies.

- Services: The service sector represent a $1.2 trillion global market—where US firms exported more than $220 billion in 1996 with a surplus of $73 billion. We have the opportunity to open a wide range of service sectors, including health care, education, entertainment, tourism and business consulting and advertising.

Regional Free Trade Agreements

- Asia: Asia has one of the fastest growing economies in the world, with nearly 3 billion consumers. Forecasters expect real growth of 6-7% annually for the next 15 years. With our APEC partners, the President is working to reach agreement in key sectors that could open these dynamic markets to America's goods and services and keep the free trade process going.

- Latin America/Caribbean: The Latin American market including Mexico is the fastest growing area for US exports. If this trend continues, Latin America and the Caribbean will exceed the European Union as a market by 2000 and exceed Japan and the EU combined by 2010. The President is committed to moving forward toward a Free Trade Area of the Americas by 2005. Negotiating a free trade agreement with Chile is the next critical step in this process.

- Africa: Working with Congress, the President recently launched an African trade initiative to foster stronger economic prosperity in Africa and create new markets to American products. Africa's nations are joining the march toward freedom and open markets--Sub-Saharan Africa alone has 700 million potential consumers. Yet the United States currently supplies only 7% of Africa's imports.

AMERICAN LEADERSHIP IN THE WORLD

- Half a century of determined American leadership has led to a 90-fold increase in global trade and helped bring down global barriers to America's products--falling from an average 40% at the end of World War II to about 5% today. Our leadership of the global economy has served America's interest—and the world's.

- As the sole remaining superpower, the United States has a fundamental national interest in contributing to stability and security around the world. A more prosperous world will be a more peaceful world—a world more hospitable to American interests and ideals. By opening markets, fast track authority will contribute to global as well as American prosperity—it will reinforce the common interest that diverse countries and regions share in sustaining that prosperity.

- America's failure to participate in shaping the global trading system will allow our competitors to negotiate preferential trade arrangements, form strategic relationships excluding the United States, and create new exclusive trade alliances. The United States cannot abdicate its global leadership to the detriment of the American economy.

- This debate must not be about the past but about the opportunities for the future. Fast track authority will allow the President to knock down trade barriers and negotiate a broad array of trade agreements--from sectoral agreements on medical equipment and telecommunications to regional agreements in Asia, Africa and Latin American to eliminating global barriers in the

WTO. The debate over fast track is about embracing the opportunities of the global economy to create jobs, expand exports, and maintain America's standard of living.

- Opening foreign markets does not mean retreating from our commitment to labor and the environment. The President is committed to promoting worker rights and ensuring that economic growth does not come at the expense of a clean and healthy environment. Walking away from the world's markets will not improve worker rights or protect the environment—but through dialogue and engagement these issues can be addressed.

THE PRICE OF INACTION

- Other countries are breaking down trade barriers and moving forward in creating competitive trading relationships to the disadvantage of US companies and workers. It is in the national interest of the American people to stay engaged in the global economy.

- Since 1992, in Latin America and Asia alone, our competitors have negotiated 20 free trade agreements that exclude the United States.

- Today every major economy in this hemisphere has a preferential trade deal with Chile except the United States. This gives our competitors an 11% across-the-board tariff advantage for their products, which means American companies must sell to Chile with an immediate 11% cost disadvantage.

- Similarly, US corn producers are at a competitive disadvantage in Chile compared to Argentinean corn producers because of a preferential agreement which gives Argentina a 3.3% tariff preference which will soon increase to 11%.

- MERCOSUR (Argentina, Brazil, Paraguay, Uruguay) wants to expand its agreements to include all of South America a move which would disadvantage American businesses.

- China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" to expand bilateral trade in Latin America

- The EU has begun a process to reach a free trade agreement with Brazil, Argentina and other MERCOSUR countries. President Chirac recently declared "Latin America's essential economic interests...lie not with the United States but with Europe."

JSB

DRAFT WORK IN PROGRESS

FAST TRACK AND AGRICULTURE

WHY US AGRICULTURE NEEDS NEW MARKETS

For farmers and the agricultural industry, more trade means more jobs and higher incomes. US farmers today face a simple dilemma: Each year, the combination of hard work and technological innovation make American farmers more productive. At the same time, domestic demand for this output is relatively static. That means the US must open new markets for American agriculture to maintain jobs and income levels. Additionally, reductions in domestic support programs make new markets the safety net for our farmers.

Already today -- commodities produced on one out of every three acres in America is exported. That includes 67% of our wheat acres, 42% of our rice acres, 34% of our soybeans acres, 21% of our corn acres and 38% of our cotton acres. These percentages proportionally must grow as US productivity increases. Otherwise prices will plummet and US agricultural jobs will be lost. Fast track is essential to ensure this doesn't happen.

WHY FAST TRACK IS CRITICAL TO EXPAND OPPORTUNITIES FOR U.S. AGRICULTURE

Despite facing stiff tariffs, heavily subsidized competing agricultural products, scores of SPS barriers, quotas and other impediments, US agricultural exports are exploding ($60 billion in 1996) and the US is leading the world in the export of agricultural products (US share of world AG market is 21% and climbing FACT CHECK). That is because the US is an exceedingly efficient producer of agriculture products. If US agriculture exports are soaring despite these impediments, imagine what our export figures will look like when we tear these barriers down. To exploit our efficiency, expand our penetration in current markets and penetrate new ones, it is essential that the administration be granted fast track authority. Without it, we will sit on the sidelines and have our own efficiency destroy us.

WHY WE SIT ON THE SIDELINES WITHOUT FAST TRACK

Other countries recognize that the US cannot conclude another multilateral round of negotiations or begin forming regional trade agreements until the Congress grants the President fast track authority. During the Uruguay Round, the US insisted that a new round of agriculture negotiations begin in 1999. It was hope that the US would build consensus for tearing down trade barriers to increase US agriculture export We must have fast track authority to enter into these negotiations or other countries, many with interests contrary to our own, will shape the outcome of these negotiations. These other states will also form regional pacts that put US agriculture at a disadvantage. Indeed, other countries have told us directly that they will not enter into negotiations with us on bilateral or multilateral agreements until we have Fast Track authority (Fact Check).

SEVEN WAYS FAST TRACK WILL ADVANCE U.S. AGRICULTURAL INTERESTS

1 Pressing for Global Tariff-Reduction on Agricultural Products

The United States has on average the lowest agricultural tariffs in the world (around 3%, fact check) where other countries have much higher tariffs, e.g. Korea (over 60%), Norway (149%), Pakistan (100%), India 114%, Japan (11%), Argentina (17%), world average (56.2%). Further tariff reductions will benefit US producers. Because U.S. tariffs are so low compared with those of other countries, across the board tariff reductions would benefit U.S. exporters greatly. For example, if each country is required in the next WTO round to reduce its agricultural barriers by 50%, then US tariffs would drop only 1.5 percentage points while other countries would drop far more precipitously. e.g., 50 percentage points in Pakistan, 30 percentage points in Korea, 54 percentage points in India, etc.. This would greatly reduce current inequities and would greatly improve access to these markets.

2 **Regional Trading Blocks:** While the US stands on the sidelines without fast track, our agriculture competitors are busy building webs of agreements that put their agricultural and other industries in better competitive positions vis a vis the U.S. agriculture industry, e.g. MERCOSUR, Andean Trade Pact, Mexico-Chile FTA, and Canada-Chile FTA. Indeed, the EU has begun consultations with countries in the region on possible free trade possibilities. These pacts threaten US agricultural export interests.

Western Hemishpere: Already today, the US is losing agriculture business in our own hemisphere. Canada already has an advantage over the US in exporting farm products to Chile. In turn, Chile has an advantage over us in trade with Mercosur countries. Here are a few examples:

While Chilean apples and pears enter Columbia, Venezuela and Peru duty free, US apples and pears face 10-25% tariffs. While Chilean wine enters Ecuador duty free, US wine faces a 25% tariff. While Canada has obtained duty free access under TRQs on oilseeds, vegetable oil, barley, durum wheat, pork and beef to Chile US exporters of identical products face 11% tariffs. These are just a few examples of how US exporters are disadvantaged..

The Andean Pact (103 million people) is a free trade area with a common external tariff. This community of states is a significant market for US vegetable oils and protein meals exports. Since the inception of the Andean Pact, Bolivia -- which competes with us for this trade-- faces no tariff while US exporters face 15-20% tariffs on their product.

Asia: The United States has a huge vested interest in three developments in Asia: **A)** excelerating economic liberalization in the region, **B)** forming regional trade pacts that will benefit the US and **C)**ensuring the US does not get boxed out of any preferential trade pacts that crystalize in the region. Without Fast Track, we cannot do any of these things.

A. ERS estimates that the removal of the remaining import barriers by the US and the other APEC members would increase annual US agriculture exports by about $13 billion. This underscores that the US has a huge vested interest in accelerating APEC liberalization.

B. Furthermore, the APEC economies represent half the world's GDPand nearly 43% of Ag exports go to Pacific Rim countries already. T(Need a few new sentences)

C: While the US sits powerless to form free trade alliances in Asia, other states, Malaysia specifically, are attempting to form a free trade area -- the East Asian Economic Caucus -- that would exclude the United States from preferential trading privilidges.

3 Improve the Implementation of the WTO SPS Agreement

USDA estimates that SPS barriers increased 50% from 1995-1996and cost US agriculture $5.5 billion. SPS barriers are clearly becoming the trade barrier of choice because conventional means of blocking trade, e.g. tariffs, quotas, etc... are coming under increasing fire. If the US is to stop SPS barriers from proliferating, we need Fast Track. We will use it to tighten enforcement of the SPS agreement and discourage further proliferation of these barriers in multilateral fora and regional pacts.

4 Negotiate Improved Rules in the Area of Genetically Modified Organisms (GMOs)

The United States leads the world in GMOs and is poised to capture a larger share of the global agricultural marketplace because of increased efficiencies and improved product lines. Other countries, most notably those in Europe, are trying to blunt the US lead by scaring consumers about the technnology and requiring non-scienced based labeling of all GMO products. If the US is to take advantage of this new technology, our negotiators need the authority to build consensus in international fora for judging the introduction of GMOs based on sound-science. If we do not have that authority, other countries, Europeans in particular, will use our impotence to negotiate as an opportunity to build consensus in ways contrary to US interests.

5 Seek Elimination of Export Subsidies

Many countries use exports subsidies to make their less efficient agricultural sector exports compete with US agriculture exports. Without authority to negotiate additional reductions in export subsidies, EU subsidies will remain a formidable barrier to gains in US exports.

6 Improve Methods of Administering TRQs

Need two sentences

heard arguments from U.S. corn lobbyists, as part of a series of meetings this week aimed at defusing the conflict.

ducer, meaning it produces more than enough to satisfy domestic consumption. The U.S., which keeps its own domestic

exporting producer.

—Robert Keatley in Washington contributed to this article.

THE WALL STREET JOURNAL WEDNESDAY, AUGUST 27, 1997

Jay —
Bob Novick
says 'we're only a
this at USTR —
may involve wine too!
Peter S + Jon Hale doing...
V.

Domestic Political
Implications?

East, Southeast Asia Make Huge Strides In Reducing Poverty, World Bank Says

By EDUARDO LACHICA
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – The nations and territories of East and Southeast Asia have reduced the ranks of their poor people by more than half over two decades, the World Bank said.

Indeed, the multilateral lending agency said the region had accomplished a feat that was unprecedented in human history by shrinking the size of the population classified as poor to 345.7 million in 1995 from 716.8 million in 1975. The World Bank report, released yesterday, credited South Korea, Taiwan, Hong Kong and Singapore with essentially eliminating absolute poverty as a national concern. It also handed out kudos to China and Indonesia for the extent to which they alleviated poverty among their huge populations.

China is still home to more than three-fourths of the region's poor – 269 million in 1995 by the World Bank's estimates – but that number is less than half of what it was two decades before. Indonesia reduced the proportion of its people living in poverty by 83% over the same period.

The World Bank based its estimates on an internationally accepted poverty line of $1 a day per person at 1985 prices. By that standard, East and Southeast Asia reduced their share of the world's poor to 34% from 38% over 20 years, while those of South Asia, Latin America and sub-Saharan Africa increased by varying degrees.

The lesson appears to be that rapid economic growth is an indispensable weapon against poverty. "There can be no shrinking from the standard prescription of sound monetary and fiscal policies and investment in human capital, either for achieving rapid growth or for achieving poverty reduction," said Gautam Kaji, the World Bank's managing director for operations. "The two go hand in hand."

But the World Bank acknowledged that pockets of absolute poverty remain in northwest China, northeast Thailand, Indonesia's eastern islands and other places still untouched by the East Asian miracle. It notes, moreover, that the Philippines didn't do as well as most of its neighbors, as the number of its poor increased 14% to 17.6 million from 15.4 million over the two decades.

Even in economies that have done better in shrinking poverty – China, Hong Kong, Taiwan and Thailand among them – the World Bank is hearing complaints about inequality in incomes and lifestyles. There may be purely economic reasons for the widening income gaps in these countries, including the increasing bargaining power of skilled workers compared with that of the less-skilled ones or those who don't live in economically dynamic urban areas. But the World Bank also suggests that an element of unfairness may also be in play.

Sugar Trade Between Mexico and U.S. Sours

By CRAIG TORRES
Staff Reporter of THE WALL STREET JOURNAL

MEXICO CITY – Mexico and the U.S. are facing a bitter dispute over sweeteners.

Mexico's politically powerful sugar producers are complaining that imports of high-fructose corn syrup from the U.S. threatens to destroy the local cane industry. This summer, they pressured the Mexican trade ministry to launch an anti-dumping investigation against the U.S. corn syrup producers, who have found a growing market among soft-drink bottlers and others who are looking for ways to lower their costs. HFCS, as the product is known, costs 10% to 20% less than sugar, analysts say.

In June, the ministry temporarily imposed penalty duties ranging from $66.57 to $175.50 a metric ton on two grades of HFCS. The move prompted an immediate reaction by U.S. congressmen who claimed that Mexico was backtracking on trade accords. U.S. officials complained yesterday that Mexico didn't follow due process in levying the duties.

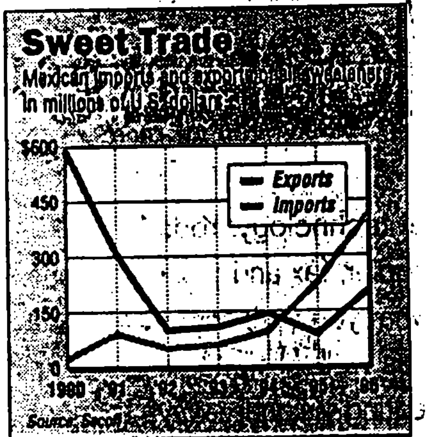
Yesterday, the Mexican trade ministry heard arguments from U.S. corn lobbyists, as part of a series of meetings this week aimed at defusing the conflict.

"The problems of the Mexican sugar industry aren't problems caused by HFCS," said Charles Conner, president of the Corn Refiners Association Inc. "HFCS is being made a scapegoat because the leaders of the Mexican sugar industry have failed to properly manage their modernization and finances."

Mexico's sugar mills were in disastrous condition when they were privatized in the early 1990s. Since that time, however, the mill owners say they have modernized and increased productivity.

Mexico is expected to produce about five million metric tons of sugar in 1998, resulting in a surplus of 700,000 tons. If the corn-syrup producers win the trade dispute, demand for HFCS is expected to continue to grow rapidly, with local production and imports likely to surpass the 300,000 tons estimated for this year.

Under the North American Free Trade Agreement, Mexico is limited to 25,000 metric tons of sugar exports to the U.S. through the year 2000. From 2001 to 2008, it can export as much as 250,000 metric tons yearly, provided it qualifies for two consecutive years as a surplus-exporting producer, meaning it produces more than enough to satisfy domestic consumption. The U.S., which keeps its own domestic



sugar prices artificially high, doesn't want other countries to circumvent quotas by buying sugar on the world market at low prices and reselling it to the U.S.

The Mexican sugar producers worry that HFCS imports might cause some domestic mills to collapse, curtailing output and eventually making it difficult for Mexico to meet the test as a surplus-exporting producer.

—*Robert Keatley in Washington contributed to this article.*

With Spread of 'Nonbanks' From U.S. To Europe, Financial Turf War Begins

By CHARLES FLEMING
Staff Reporter of THE WALL STREET JOURNAL

When Clive Evans wanted to buy a new car for his wife recently, he didn't kick tires at a local dealership. Instead, the retired teacher placed an order through his bank, Lloyds TSB Group PLC.

Within a week, Mrs. Evans's brand-new white runabout was delivered to the couple's home in Swansea, Wales, underscoring a remarkable shift in European banking. Fed up with car distributors and other retailers muscling in on their turf by offering financial services such as consumer credit options, Lloyds TSB and other banks have begun to fight back, promising clients competitive prices on cars, fridges and even washing machines that can be ordered by telephone.

Lloyds TSB's unlikely foray into retail sales is an early shot in the brewing battle for financial services across Europe. In a trend that mirrors the rise of the "nonbanks" in the U.S. over the last 10 years, a broad range of niche providers, from automobile dealers to auditors, are lining up across Europe to challenge the universal banks' traditional businesses.

"Competition is becoming more intense, and you can see the frontier between banks and other financial-service operators blurring," says Paul Ribourdouille, who is responsible for ABN Amro's domestic banking network in the Netherlands.

Some European banks are trying either to beat 'em — like Lloyds TSB, with its telephone-sales operation — or to join 'em. In Britain, for example, Bank of Scotland joined forces with food retailer J. Sainsbury PLC in January to set up Sainsbury's Bank, which already boasts over 300,000 accounts. And this year in France, Credit Lyonnais broke ranks with its French peers in the interbank payment card consortium by agreeing to sell American Express credit cards through its branches.

However, many banks still are scratching their heads as they look for new ways to lure customers into their extensive branch networks, prompting analysts and consultants to warn that the new "cherry pickers" could rob them of their best customers over time if they don't move quickly.

Among the most aggressive of the new competitors facing banks in their various niche businesses are U.S. companies that honed their skills in their domestic markets before crossing the Atlantic. GE Capital Corp., the financial-services arm of General Electric Co. of the U.S. (unrelated to the U.K. company of the same name), has been snapping up specialized consumer-credit and vehicle-leasing companies throughout Europe. Fidelity Investments is pitching its mutual funds across the continent. MBNA America Bank has been making inroads in the U.K. credit-card business, a field traditionally dominated by the banks.

Europeans are catching on to the trend. In Spain, retailer El Corte Ingles already ranks as the country's largest single issuer of payment cards. In France, U.K. financial-services players like Woolwich PLC and Abbey National PLC have focused their attention on the already competitive real-estate loan market. And in Britain, Richard Branson's trendy airlines-to-cola Virgin PLC conglomerate has barged into the savings market by selling life insurance and mutual funds over the phone — with more than £1 billion already under management — and is making no secret of the fact that it intends one day to launch a telephone-banking service.

It isn't just in retail that banks are under attack from new competition. Corporate customers are starting to consider switching to a nonbank for commercial- or investment-banking services if the offer is right.

U.S. insurance giant American International Group recently pooled the resources of its Paris corporate-finance unit, Banque AIG, specializing in equity derivatives, with France's investment bank Rothschild & Cie. And some of the large accounting firms are moving into advisory roles in international mergers and acquisitions.

"At first we were just looked on as resprayed auditors, but now we have invested massively in hiring senior investment bankers," says Christopher Masek, a Paris partner with KPMG Corporate Finance, a unit of KPMG Peat Marwick.

Although much of KPMG's M&A advisory work has focused on smaller companies embarking on management buyouts or on venture-capital funds, its aggressive strategy in Europe has won it some blue-chip clients. Last year, for example, KPMG advised the U.K. government on two major privatizations in the nuclear-power industry. And Daewoo Electronics of Korea retained KPMG as one of its advisers when it bid unsuccessfully late last year for French state-owned television manufacturer Thomson Multimedia.

So far, few European banks have emulated Lloyds TSB. Indeed, many bankers say the real question facing banks is not how to sell more but how to deepen their relationships with existing customers to fend off sales pitches from new players.

Some industry observers warn, however, that many of Europe's largest banks — whose bottom lines are healthy at the moment, thanks to record returns on their trading — haven't clearly focused on the potential danger of the nonbanks.

"The impact of these new competitors has been masked by the banks' strong returns on capital markets, but once their trading profits drop, they'll look around at their core businesses and see their franchises are being nibbled away," says Matthew Czepliewicz, a Salomon Brothers European banking analyst.

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DRAFT

FAST TRACK "SUCCESS" STORIES

The Risk of Inaction:
The risk of inaction is quite great given the pace at which countries continue to sign trade agreements further liberalizing their markets, tearing down tariffs and non-tariff barriers, and increasing market access with their trading partners.

- The Stupp Corporation in Baton Rouge, Louisiana, a leading producer in the Western Hemisphere of API line pipe, is confronted with a price hurdle when doing business in South America. Its competitors from countries in the southern cone common market (MERCOSUR), comprised of Brazil, Argentina, Uruguay and Paraguay, do not face this price hurdle, as they have signed a trade agreement between themselves and with Chile significantly reducing duties and taxes on products exported between them. In bidding to supply $100 million of pipe to an Argentina-Chile gas pipeline project, Stupp faces duties and taxes of 27 percent on the Argentine portion of the pipeline, costs that a major competitor from Chile does not have to pay. For corporations like Stupp and its workers, including the steelworkers, dock workers, railroad employees, stevedores and truck drivers, the stakes are quite high in winning these major infrastructure projects. Stupp estimates a successful bid would

  -- require the equivalent to two days of U.S. Steel's total shipments or twice that at a company the size of LTV;
  -- employ over 1,600 rail cars to ship the steel to their plant; or alternatively, 67 barges and 1,904 trucks;
  -- provide more than two months of work for a U.S. facility to coat the bare pipe.

  (Source: Department of Commerce) (Contact: Donald Bohach, Director of Marketing and Business Affairs, 2-(800) 535-9999).

The risk of inaction is evident in view of the free trade agreement reached between Canada and Chile in November 1996 that will eliminate Chile's 11% across-the-board tariff starting this year.

- Quaker Fabric Corporation in Fall River, Massachusetts, a $200 million publicly trade textile company is a major manufacturer of upholstery fabric employing about 1,750 people marketing its products in the U.S. and 42 other countries. Last year, about 20% of the company's sales were made outside the U.S. and some 350 of the company's employees owe their jobs to Quaker's growing export operations. In the past three, it has added 150 jobs due to increased exports. Last year, Quaker exported over $35 million worth of fabric, of which 40 percent was derived from our NAFTA partners. The rest of the hemisphere, where Quaker believes its greatest opportunities for growth lay, should provide it with additional sales opportunities of some $25 million (the equivalent of 200

more jobs in Massachusetts. However, Chile is a case in point of the risk of inaction and business opportunity loss for companies like Quaker. Recently, Quaker was informed by its sales representative in Chile that it had lost a bid for a $1.8 million a year account to a competitor from Mexico, solely as a result of the 11 percent tariff that Quaker must pay and not its competitor. This happened because Chile already has trade agreements in place with Mexico, Canada, the MERCOSUR countries and the European Union. Last year, Quaker sold approximately $300,000 of product into Chile. However, to do that it had to convince its Chilean customers that its product was of such higher quality that it was worth an additional 11 percent of cost due to the duties levied by Chile on U.S. exports.
(Source: Quaker Fabric Company) (Contact at Quaker: Larry A. Liebenow, President, (508) 678-1951).

Agriculture:

- Although U.S. agricultural exports to South America have increased over the last decade, the U.S. share of the region's total agricultural imports has fallen by more than half since 1985 -- from 42% to 22%. This decline is equivalent to an annual export loss of $2.6 billion and a related employment loss of more than 40,000 U.S. farm and non-farm jobs in 1996. More than 30 trade agreements are in place throughout Latin America, most of which the U.S. is not signatory to and which grant trade preferences to the countries that have signed the agreements. The granting of preferential trade benefits to some countries often comes at a costly price to U.S. producers and suppliers who are shut out of these markets due to higher tariffs and other barriers. For example, U.S. wheat farmers face an uphill battle exporting to Brazil, an $850 million market for wheat in 1996. Of that total, U.S. wheat exports amounted to $174 million. Tariffs on U.S. wheat and rice to Brazil are 10 percent and 20 percent, respectively. By contrast, most Argentine and MERCOSUR exports to Brazil now enter duty free. Argentina is one of the world's most prolific agricultural exporters; it always ranks in the top five country exporters of grains and beef to the world. The harmful effects of tariffs in South America and other parts of the world also are being felt by Washington state Apple producers, California wine producers, mid-western state soybean producers, and beef and pork producers.
(Source: USDA)

- Korea has emerged as the fifth largest market in the world for U.S. agricultural exports. It took in a record $3.8 billion worth of U.S. farm and food products in 1996. But Korean tariffs on agricultural products, over 60 percent on average, are still among the highest in the world. American farmers and companies like Pierce Foods of Moorefield, West Virginia, a lead manufacturer in the poultry and frozen foods industry, could be doing a lot more business there if these tariffs were reduced or eliminated. Korea's market has been recently liberalized for U.S. chicken, but the 28 percent tariffs and regulations adding up to another 30 percent place high-quality U.S. product at a severe price disadvantage. Without the added tariff and clearance costs, Pierce estimates that this market could produce sales of $5 to $10 million annually long-term. By contrast, the status quo limits Pierce penetration to annual sales about $1 million.
(Source: USDA) (Contact at Pierce Foods: Jeff Hester, President, (304) 358-2381).

The Rewards of Engagement:

The rewards of engagement in overseas markets, particularly for agriculture, are illustrative of the potential that exists in the global economy. An example of the success that can be obtained through agricultural exports and which is having an impact on the livelihoods of several hundred thousand farmers is that of Farmland Industries.

- Farmland Industries, Inc., headquartered in Kansas City, Missouri, is the largest farmer-owned cooperative in North America serving 500,000 farmer-rancher families through over 1,500 local cooperative members in 22 Midwestern States, Mexico and Canada. Also, more than 13,000 livestock producers are direct members of Farmland, marketing their hogs and cattle. U.S. producers now depend on exports for over 25 percent of gross receipts, which are anticipated to increase to 35 percent by 2003. In the past six years, these cooperatives have seen their international sales grow from less than $200 million to over $4.1 billion. In Mexico alone, since the passage of NAFTA, their sales have increased from less than $50 million in 1992 to $450 million in 1996.
(Source: USDA) (Contact at Farmland: Scott Schearer, Director of National Relations, (Harry Cleberg is the Chairman and leading the Fast Track advocacy efforts with the agriculture community) 783-5330).

The trend line does not deviate much for small businesses, which account for over 90 percent of U.S. firms involved in international trade.

- A husband and wife owned and operated business in Kenner, Louisiana, formed in 1992, entered the export market in 1995. Deep South Bowling Pro Shop, Inc., has experienced a dramatic increase in its international sales of bowling balls, going from $75,000 in 1995 to about $850,000 in 1996, in its primarily Asian and South American markets. Seven months into 1997, it is on the brink of surpassing its 1996 export sales figures, which make up 30 percent of their total revenue, while entering five new international markets. It is export sales which allows Deep South to order bowling balls at the most competitive price from manufacturers. At the start of the business, the couples dining room was their warehouse for the bowling balls. Today they have a 12,000 square feet warehouse, and are about to expand to a bigger warehouse.
(Source: Department of Commerce) (Contact at Deep South: David Scheuermann, Jr., Owner, (504) 467-0248).

- Aster International Company in Cambridge, Massachusetts, is a minority-owned, women-owned small business marketing American-made crafts and giftware. Using a direct mail strategy, Aster commenced operations in November of 1995 earning $70,000 in export sales in the last two months of that year. In 1996, its sales to Korea, Singapore, Taiwan and Japan amounted to over $500,000. However, export sales could have been much higher had Aster been more established, as demand for its product included orders worth $1.2 million. This year, it expects to surpass $2.0 million in exports sales. Aster employs five full-time workers, as many as seven part-time workers during peak demand,

and at times out-sources to meet demand. It also uses strict guidelines for U.S. content and assembly of the product it sells, as consumers overseas associate high quality with American-made products and expect them to be genuinely American-made. (Source: Department of Commerce) (Contact at Aster: Leah Zveglich, Owner, (617) 354-7773).

- B.G. Imaging Specialties of Bronx, New York, is an exporter of used diagnostic imaging equipment to under-developed countries throughout the world that do not have the technology to produce such equipment and whose medical institutions do not have the capital to purchase new models of such equipment. In business since 1986 and currently operating with 25 employees, B.G. has doubled its revenue from exports and the number of employees in the last 4 years. In 1993, it undertook a major effort to expand its marketing activities, primarily in China up to that point, to other emerging economies, including: Russia, other newly independent states (former Soviet Union), India, Ireland and Latin America. Its revenue from exports has grown to about 90 percent of total sales and amounted to over $3 million in export sales in 1996. (Source: SBA) (Contact at B.G.: Bernard Glas and Stan Popeil, Co-owners, (718) 378-3100).

Medium-to-Large Exporters:

- Ingersoll-Rand, a major diversified industrial equipment and components manufacturer out of Woodcliff Lake, New Jersey supplies its products to a wide range of industrial and commercial markets world-wide. The company has 45,000 employees, with global sales approaching $7 billion -- approximately 40 percent of Ingersoll-Rand's total sales. By the end of the first decade in the new millennium, it expects its revenue derived from exports sales to increase to 50 percent. Products exported to Mexico alone came from Ingersoll-Rand's plants located in California, Georgia, Indiana, Kentucky (1,100 employees), North Carolina (3,500 employees), North Dakota, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Vermont and Virginia. (Source: Ingersoll-Rand) (Contact at Ingersoll-Rand: Gordon Stables, Director of Government Affairs (Jim Perrella is Chairman of B.R. National Foreign Trade Council), (201) 573-3157).

- Diamond Chain Company manufactures, develops and markets high quality precision roller chain which is used to transmit power and convey product throughout industry. Based in Indianapolis, Indiana, Diamond has experienced a steady growth in export sales since 1990, growing from 3 percent to 13 percent estimated for this year. The increase in sales has led Diamond Chain to hire 90 more people, raising its employment rolls to 700 people, and created a new and more diverse range of opportunities for its employees. (Source: Diamond Chain Company) (Contact at Diamond: Byron D. Speice, President, (317) 638-6431). (Garland Stoval -- Head of Steelworkers).

- Daedulus Enterprises, Inc., a high-tech company in Ann Arbor, Michigan, with 17 employees is one of a few manufacturers of highly specialized remote sensing systems worldwide. In business for 30 years, it has tapped a global demand for its product in uses as varied as waterborne pollution sensing to drug interdiction efforts. Its exports sales range between 50 percent and 66 percent of total sales annually and directly support five-to-ten employees. Daedulus earned over $1.2 million in revenue from exports in 1996 and $1.4 million this year.
  (Source: Department of Commerce) (Contact: Tom Ory, President, (313) 769-5649).

THE WHITE HOUSE

Office of the Press Secretary

(Martha's Vineyard, Massachusetts)

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RADIO ADDRESS OF THE PRESIDENT
TO THE NATION

Martha's Vineyard, Massachusetts

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

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

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

But to keep America growing, to keep America leading, we have to continue to create high-wage jobs, and to do that, we must continue to expand American exports. After all, 95 percent of the world's consumers live beyond our borders. Already, over the last four years, more than 25 percent of our economic growth has come from overseas trade. Now, that's a big reason more than half our new jobs in the last two years have paid above average wages, because export-related jobs pay, on average, about 15 percent more than non-export jobs. And today, our exports support more than 11 million good, high-paying American jobs, including one in five of our manufacturing jobs.

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

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

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

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

For more than two decades now, on a bipartisan basis, Congress has consistently supported initiatives to open markets and create jobs -- including the President's authority to break down trade barriers around the world. Our workers and our businesses are the best in the world, but they can't compete in the slow lane. I look forward to working closely with Congress to keep American prosperity on the fast track.

END

Testimony of Ambassador Charlene Barshefsky
United States Trade Representative
before the House International Relations Committee
June 10, 1997

Thank you, Mr. Chairman and Members of the Committee. I am pleased to appear before you today.

I appreciate this opportunity to set forth the Administration's views on the direction of trade policy. When I entered the field of international trade twenty two years ago, trade was really the province of a relatively few academics, trade technicians, and a handful of interested members of Congress. Those days are long past. As trade becomes more central to our economic health and security, it has also gained importance in the views of virtually all members of Congress and the lives of everyday people across this nation. This Administration, and any future Administration, bears the responsibility of explaining our trade policy clearly and building broad political support for it.

Trade and Domestic Prosperity

We should begin by recognizing that our economy is the strongest in the world; that expanded trade has played an important role in building that strength; and that no country in the world is better positioned to take advantage of the enormous opportunities presented by a growing global economy. In fact, we are at a unique moment and we need to seize it now.

Never before have the benefits of trade for Americans been so deep, so diverse, so widespread, and so sustainable. More than 11 million Americans now work in jobs supported by exports; these jobs pay 13%-16% above the national average wage. Those jobs represent the leading edge of the current economic expansion, now in its sixth year, and they cover the spectrum from agriculture to high tech, small businesses to multinationals, blue collar to white collar, and small-town Main Street to Wall Street. Exports have increased dramatically across the country, with 47 of 50 states registering significant export growth over the last 4 years. Exports from California are up 45%, Michigan 68%, Illinois 64%, Ohio, 42%, Texas 40%, Nebraska 54%, North Dakota 76%, Montana 52%. Exports from Florida, Rhode Island, Louisiana, and West Virginia have increased more than 30%. States from New York to Utah also have posted double digit increases.

Export-driven growth is one of the reasons that the American economy today is strong and sound. Over the past four years, we have created nearly 12 million new jobs. Unemployment is at its lowest level in 24 years standing at 4.9% in April. Inflation is down to a low of 2.5% for the period ended April 1997. At the same time, family incomes are up significantly; home ownership has hit a 15-year high; growth of our industrial capacity is at its highest level since 1970; business investment has been stronger than at any time since the 1960s. Our current economic expansion has been investment-led, which establishes a firm footing for an even greater climb.

The best way to continue this prosperity is to give our workers and businesses a full and fair chance to tap into the global economy. If the momentum of the American economy begins to stall, the world economy can help it recharge. America's growth in trade has been faster than its overall economic growth for years. Our exports increased by more than $49 billion last year alone; an increase of more than 6 percent. Exports are at record levels across the board. Since 1992, manufactured exports increased 42%; high-tech exports were up 45%; agricultural exports were up 40%, and services exports increased by 26%.

Since the beginning of this Administration, exports have accounted for fully one-fourth of the increase in our GDP. Today, the value of trade (exports plus imports plus investment earnings) totals 30% of the value of GDP, up from 13% in 1970. Increases in GDP combined with a 70% reduction in the federal budget deficit over the last four years, and the balanced budget agreement recently announced, lay the foundation for continued economic expansion, but only if we continue to use all the tools necessary to compete in and shape the global economy.

The Trade Record

Trade policy has contributed significantly to the economic strength of our country today. From the early weeks of the Administration, the President made it clear that we would compete, not retreat behind walls. We would not accept the status quo whereby too often our trading partners took advantage of our open market while maintaining closed markets at home. We have relentlessly pursued an agenda of opening foreign markets, and breaking down foreign market barriers.

We committed to work for a system where trade would be reciprocal; where all trade nations, developed and developing, would adhere to the same set of basic rules. We have made important strides in that regard with the creation of the WTO and elsewhere. We have not yet fully leveled the playing field for U.S. companies, workers and farmers, but we have clearly made progress. The world is generally more open to U.S. exports than it was when the President took office, and far more open than when Congress, on a bipartisan basis, passed the landmark 1988 Trade Act which gave us and our predecessors the clear direction and the tools to open markets around the world.

This Administration has negotiated over 200 trade agreements, all designed to advance our economic and trade interests. In the past four and one-half years:

- We completed the Uruguay Round, the largest trade agreement in world history, which will add $100-200 billion to GDP annually when fully implemented.
- We completed the NAFTA, which increased our exports to Mexico, and kept Mexican markets open despite the worst economic crisis in Mexican modern history.
- We worked tirelessly to break down market access barriers in Japan, which have presented one of the central trade challenges for the past twenty years, reaching 24 agreements and increasing our exports 43% in four years (with exports covered by these agreements growing roughly twice as fast).

Fast Track: In the National Interest of the United States

FAST TRACK MEANS: IMPROVING OUR STANDARD OF LIVING

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

FAST TRACK MEANS: CREATING MORE JOBS

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

FAST TRACK MEANS: MAINTANING AMERICA'S GLOBAL LEADERSHIP

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

STAYING ON THE FAST TRACK

- Fast track authority is in the overriding national interest of the United States. America's economic strength and standard of living are linked to breaking down trade barriers, exporting our goods and services, and creating more high-skilled jobs.

- This debate is also about American leadership. As the American people prepare for the challenges of the 21st century, we face a critical choice: We can embrace the global economy, write the trade rules, and continue America's economic expansion, or we can turn our back on the world and fail to compete for new markets, new contracts, new business and new job opportunities.

- The President must have the authority to break down foreign trade barriers. Every President since 1974-- Republican and Democratic---has had fast track authority. A bipartisan majority of Congress has consistently supported initiatives to open markets and create jobs. At stake in this debate is both Presidential leadership and a bipartisan consensus on US trade policy.

- Fast track gives the US the credibility to negotiate tough trade deals because our partners know any agreement will not be reopened provision-by-provision by the Congress. Fast track also preserves for the Congress the ultimate decision of whether any potential agreement is good or bad for America. That assurance puts American in the best position to negotiate major trade agreements and maintains a balance that has worked for over 20 years.

- As we increase our trade, the President is committed to raising labor standards and protecting the environment around the world and ensuring through aggressive worker retraining and increased educational opportunities that no American is left out of the global economy

MAINTAINING OUR STANDARD OF LIVING

- Opening markets to US goods and services has been critical to our economic expansion.

- President Clinton's economic strategy of deficit reduction, investing in our people through education and training, and opening markets to our goods and services has created the largest economic expansion in a generation.

- The American people have enjoyed the longest period of sustained growth of all our G-7 partners--seven years as of last March. The US economy has created 12 million new jobs, the unemployment rate is 5%, core inflation is at a 30-year low.

- The United States is once again the world's largest exporter, the largest producer of semiconductors, and the largest producer of automobiles. Independent studies have found America to be the most competitive economy in the world for the past five years.

- The United States exports more products and services than any country in the world and trade provided more than 25% our economic growth over the past four years.

- Over the last four years, American manufacturing exports rose by 42%, high technology exports jumped 46%, service exports climbed 33% and farm exports rose 41%.

- No country is better positioned to compete than the United States. We have every reason to have confidence in our economy, in our companies and workers and in our capacity to compete and win. Fast track is a test of that confidence—and a prerequisite for seizing the trade opportunities before us around the world.

CREATING MORE AMERICAN JOBS

- Over the past four years, more than 25% of our economic growth has come from overseas trade and US exports have created 1.4 million new American jobs. Fast track will give us the chance to continue this trend.

- In addition, 11 million total American jobs are supported by exports, including one in five manufacturing jobs--paying an average of 13-16% more for non-management workers than non-trade related jobs.

- Over the next decade, the global economy is expected to grow at triple the rate of the US economy. Growth will be particularly strong in the world's emerging markets, where demand for American goods and services are taking off.

- In a world where over 96% of the world's consumers live outside of the United States, we must export our goods and services to sustain our standard of living at home. To stay on the global fast track, the President needs fast track authority.

BREAKING DOWN TRADE BARRIERS

The expanding global economy presents enormous potential for American companies and workers:

- Sectoral Agreements: The President would use fast track authority to negotiate agreements in sectors where the US is most competitive. From medical equipment and services, environmental technology and services, telecommunications to high tech computers, the President will tear down more barriers to American exports. For example, the recent Information Technology Agreement eliminated tariffs and unshackled $500 billion of trade in semiconductors, computers, telecommunications equipment and software, and according to industry estimates, amounts to a $5 billion tax cut in tariffs on American exports.

- Agriculture: The President would use fast track authority for negotiations to reduce barriers in the $536 billion global agriculture market that will attack such practices as export subsidies.

- Services: The service sector represent a $1.2 trillion global market—where US firms exported more than $220 billion in 1996 with a surplus of $73 billion. We have the opportunity to open a wide range of service sectors, including health care, education, entertainment, tourism and business consulting and advertising.

Regional Free Trade Agreements

- Asia: Asia has one of the fastest growing economies in the world, with nearly 3 billion consumers. Forecasters expect real growth of 6-7% annually for the next 15 years. With our APEC partners, the President is working to reach agreement in key sectors that could open these dynamic markets to America's goods and services and keep the free trade process going.

- Latin America/Caribbean: The Latin American market including Mexico is the fastest growing area for US exports. If this trend continues, Latin America and the Caribbean will exceed the European Union as a market by 2000 and exceed Japan and the EU combined by 2010. The President is committed to moving forward toward a Free Trade Area of the Americas by 2005. Negotiating a free trade agreement with Chile is the next critical step in this process.

- Africa: Working with Congress, the President recently launched an African trade initiative to foster stronger economic prosperity in Africa and create new markets to American products. Africa's nations are joining the march toward freedom and open markets--Sub-Saharan Africa alone has 700 million potential consumers. Yet the United States currently supplies only 7% of Africa's imports.

AMERICAN LEADERSHIP IN THE WORLD

- Half a century of determined American leadership has led to a 90-fold increase in global trade and helped bring down global barriers to America's products--falling from an average 40% at the end of World War II to about 5% today. Our leadership of the global economy has served America's interest—and the world's.

- As the sole remaining superpower, the United States has a fundamental national interest in contributing to stability and security around the world. A more prosperous world will be a more peaceful world—a world more hospitable to American interests and ideals. By opening markets, fast track authority will contribute to global as well as American prosperity—it will reinforce the common interest that diverse countries and regions share in sustaining that prosperity.

- America's failure to participate in shaping the global trading system will allow our competitors to negotiate preferential trade arrangements, form strategic relationships excluding the United States, and create new exclusive trade alliances. The United States cannot abdicate its global leadership to the detriment of the American economy.

- This debate must not be about the past but about the opportunities for the future. Fast track authority will allow the President to knock down trade barriers and negotiate a broad array of trade agreements--from sectoral agreements on medical equipment and telecommunications to regional agreements in Asia, Africa and Latin American to eliminating global barriers in the

WTO. The debate over fast track is about embracing the opportunities of the global economy to create jobs, expand exports, and maintain America's standard of living.

- Opening foreign markets does not mean retreating from our commitment to labor and the environment. The President is committed to promoting worker rights and ensuring that economic growth does not come at the expense of a clean and healthy environment. Walking away from the world's markets will not improve worker rights or protect the environment—but through dialogue and engagement these issues can be addressed.

THE PRICE OF INACTION

- Other countries are breaking down trade barriers and moving forward in creating competitive trading relationships to the disadvantage of US companies and workers. It is in the national interest of the American people to stay engaged in the global economy.

- Since 1992, in Latin America and Asia alone, our competitors have negotiated 20 free trade agreements that exclude the United States.

- Today every major economy in this hemisphere has a preferential trade deal with Chile except the United States. This gives our competitors an 11% across-the-board tariff advantage for their products, which means American companies must sell to Chile with an immediate 11% cost disadvantage.

- For example, Canada's Northern Telecom recently won a $180 million telecommunications contract in Chile over three US companies in part to avoid paying $20 million worth of tariffs.

- Similarly, US corn producers are at a competitive disadvantage in Chile compared to Argentinean corn producers because of a preferential agreement which gives Argentina a 3.3% tariff preference which will soon increase to 11%.

- MERCOSUR (Argentina, Brazil, Paraguay, Uruguay) wants to expand its agreements to include all of South America a move which would disadvantage American businesses.

- China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" to expand bilateral trade in Latin America

- The EU has begun a process to reach a free trade agreement with Brazil, Argentina and other MERCOSUR countries. President Chirac recently declared "Latin America's essential economic interests...lie not with the United States but with Europe."