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FAST TRACK: THE RIGHT THING FOR AMERICA

America needs fast track to continue to create higher-paying jobs for more American workers. And with new markets opening around the world, it is more important than ever to give the President the authority to increase access to foreign markets. If we don't seize these opportunities, our competitors will. An "America last" strategy is unacceptable.

We Need to Keep America's Economy the Strongest in the World

- 13.2 million new jobs with unemployment below 5% -- its lowest level in 24 years.
- Economic growth at over 4% last year -- boosted by $125 billion in new exports.
- Deficit cut by over 90% -- from $290 billion in 1993 to $23 billion today.

Open and Fair Trade Is in Best Interest of American Workers and Their Families

- All over America, jobs have been created in small, medium and large companies that would not be here today if we didn't have the ability to negotiate fair trade agreements.
- More than 12 million jobs in America are dependent on trade. Over the last 4 years, American manufacturing exports rose 42%, high technology exports jumped 46%, service exports climbed 33% and farm exports rose 41%.

The Fast Track Debate Is About Much More Than Trade. It's About American Leadership

- We can meet the challenges of the future, write the trade rules and continue America's economic growth -- or we can turn our back on the world and fail to compete for new markets, new contracts, new business and new jobs.
- Other governments view fast track as a test of whether the U.S. intends to maintain our half century of leadership -- or retreat & turn inward.

Making It Possible For All Americans to Share in the Benefits of Economic Change

- Working with Members of Congress, the President has developed a comprehensive set of initiatives totaling $4 billion over 5 years to ensure that more Americans can succeed in the global economy.
- We need a progressive growth strategy in which we take every action possible to ensure that all Americans can benefit from economic change.
- We need to break out of the old arguments that say you are either for blocking change -- or you are for the market but everyone has to fend for themselves
- The President's plan (1) expands resources to workers who lose their jobs, (2) helps communities get back on their feet and (3) helps tap the untapped potential of America's poor rural and urban communities.

American Workers Still Face A Disadvantage and Other Countries Will Benefit If the U.S. Is Not at the Table

- American exports still face tariff rates higher than our own. Tariffs on U.S. agricultural exports average 38%, while our own rates average 11%.
- Without fast track, these conditions will only persist while more and more countries negotiate their own preferential trade deals to the detriment of America's workers.
- In Latin America and Asia alone, other countries have already reached more than 20 preferential trade agreements without the United States.

We Need Fast Track to Have the Flexibility in Upcoming Negotiations on Agriculture, Commercial Services and Govt. Procurement

- The U.S. stands to benefit the most in these negotiations because of our comparative advantage in each of these export areas, which already support millions of U.S. jobs.

FAST TRACK: THE RIGHT THING FOR AMERICA

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Making It Possible For All Americans to Share in the Benefits of Open and Fair Trade

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- We need a progressive growth strategy in which we take every action possible to ensure that all Americans can benefit from economic change.
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- The U.S. stands to benefit the most in these negotiations ~~which will break down trade barriers~~ because of ~~its~~ our comparative advantage in each of these export areas, which already support millions of U.S. jobs.

Call Russ

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this will be handed out in the cabinet briefing tomorrow. Please let me knwo before 5:00 if you have any comments. fastrk.crd

KEEPING AMERICA AND ITS WORKERS THE MOST COMPETITIVE IN THE WORLD

America Needs Fast Track to Continue to Create Higher-Paying Jobs for More Americans. Without it, America's role as the largest exporter in the world will be put in jeopardy. And with new markets opening around the world, it is more important than ever to give the President traditional trade authority to break down trade barriers that put American products made by American workers at a disadvantage. We will continue to ensure that America's workers will benefit from expanded trade by fighting for increased training and education opportunities.

I. AMERICAN WORKERS STILL FACE A DISADVANTAGE BECAUSE TOO MANY FOREIGN COUNTRIES PLACE RESTRICTIONS ON AMERICAN GOODS. WE NEED FAST TRACK TO LEVEL THE PLAYING FIELD FOR AMERICAN WORKERS.

What We Inherited. In 1993, President Clinton came into office at a time when the U.S. continued its commitment to free and fair trade, but other countries maintained high tariffs and other obstacles to fair trade to the disadvantage of America's workers.

President Clinton Moved to Address this Disadvantage by Completing the Uruguay Round Agreements, Negotiated Under Fast Track Authority. We have repeatedly leveled the playing field by negotiating tough, fair agreements -- securing more concessions from our trading partners than we had to give up. For example, Australia has cut its tariffs five times more than we have had to, Korea six times more than the U.S. and Peru has cut its tariffs ten times more than the U.S. since the Uruguay Round of GATT. Because of the ongoing benefits from the Uruguay Round, it is estimated that trade will continue to grow by an average of 9% per year until 2000.

American Workers Still Face a Disadvantage. Even with the recent progress in GATT, American exports still face higher tariff rates than our own. For instance, U.S. agricultural exports average 38%, while our own rates average 11%. U.S. electric machinery exports average 5%, while our rates average under 2%. Without Fast track authority, these conditions will only persist when more and more countries negotiate their own preferential trade deals to the detriment of America's workers. American workers deserve better.

Open and Fair Trade is in the Best Interest of American Workers and their Families. As the American people prepare for the challenges of the 21st century, we face a critical choice: We can meet the challenges of the future, write the trade rules and continue America's remarkable economic growth -- or we can turn our back on the world and fail to compete for new markets, new contracts, new business and new jobs. All over America, jobs have been created in small, medium and large companies that would not be here today if we did not have the ability to negotiate fair trade agreements.

- Over the last four years, American manufacturing exports rose 42%, high technology exports jumped 46%, service exports climbed 33% and farm exports rose 41%.
- From 1990-1996, U.S. auto exports to the biggest emerging markets (excluding Mexico) rose $500 million and are estimated to reach $6.1 billion by 2010. U.S. parts exports to these emerging markets are expected to more than triple from the current $3 billion to $10 billion in 2010.
- The U.S. dominates 75% of the global software market. More than one-half million workers are employed in the industry -- double the level a decade ago. This industry is expected to grow 9% *per year* worldwide over the next decade.

- The U.S. once again dominates the world's semiconductor industry -- after trailing Japan for years. More than one-quarter million American are employed in the semiconductor industry -- up 13% over the last three years. The global semiconductor market nearly tripled in size between 1990 and 1995 -- and sales are expected to reach $200 billion by the year 2000 -- a fourfold increase over a decade.
- Exports of goods and services have risen from about 4% of GDP in the early 1960's to over 13% today. Over 15% of the total American workforce is employed in the manufacturing sector. U.S. exports have grown 3 times faster than Japan's, 5 times faster than Germany's since the mid 1980's.

II. TO ENSURE THAT ALL AMERICAN WORKERS BENEFIT FROM EXPANDED TRADE, THE CLINTON ADMINISTRATION HAS FOUGHT FOR INCREASED TRAINING AND EDUCATION OPPORTUNITIES.

We need a growth strategy in which we take every action possible to ensure that all Americans can benefit from economic change. We need to break out of the old arguments that say you are either for blocking change or you are for the market, but everyone has to fend for themselves. Government needs to help workers, communities and those not in the job market realize the benefits of expanded trade.

- **The Administration is developing a comprehensive plan to help communities and workers who have been affected by trade.** President Clinton is building on his strong record of helping workers and families secure more opportunities to improve their educations and obtain higher paying jobs. The President will announce his plan early next week.

<u>A Record of Strong Action to Help Families and Workers</u>

- **Fought To Ensure Low-Income Families Benefitted from Child Tax Credit.** Because of the President's efforts, 13 million children from families with incomes below $30,000 will receive the tax credit -- up to 7.5 million more than under the House plans. Families making under $30,000 -- such as young teachers, police officers, farmers, nurses and others who work hard and play by the rules -- will now receive the child credit.
- **20% Tuition Tax Credit.** The balanced budget deals provides for a 20% tuition tax credit applied to the first $5,000 of qualified education expenses and to the first $10,000 thereafter for college juniors, seniors, graduate students, and working Americans pursuing lifelong learning.
- **$1,500 Hope Scholarship Tax Credit.** The balanced budget deal also includes a $1,500 Hope Scholarship to make the first two years of college universally available. For a student attending the average four-year college, the Tuition Tax and HOPE Scholarship tax credits will provide tax savings of up to $5,000.
- **Doubled Dislocated Worker Funding.** The funding for dislocated workers has been doubled, from $651 million in FY93 to $1,286 million in FY97. This year, the dislocated worker program will assist 580,000 workers, up about 300,000 since President Clinton took office.
- **Largest Pell Grant Increase in Two Decades.** The Balanced Budget agreement boosts the maximum 1998 Pell grant from $2,700 to $3,000, and expands the program to more poor independent students -- that's the largest increase in two decades.

III. IF THE PRESIDENT DOES NOT HAVE THE SAME AUTHORITY THAT EVERY PRESIDENT HAS HAD SINCE 1974, OUR COMPETITORS, NOT AMERICAN WORKERS, WILL REALIZE THE BENEFITS OF THE NEW ECONOMY.

Today, we have the opportunity to permanently create the types of jobs that pay more and provide our workers with more security -- if we continue to increase our exports and open more markets. But if the President does not have the authority to negotiate tough and fair trade agreements with Congress' consent, our competitors will get the best jobs for their workers, while the U.S. will be relegated to the sidelines.

- **Without fast track, the U.S. will lack credibility to push for a fast start on global negotiations scheduled to start at the end of 1999. The United States stands the most to gain in these negotiations because of its comparative advantage in agriculture, commercial services and government procurement.**

  - ☞ **Agriculture.** Agricultural exports support nearly a million U.S. jobs. Agriculture remains one of the most protected and subsidized sectors in the world economy. American exports still continue to face trade barriers through high tariffs and preferential trade deals that exclude the U.S.

  - ☞ **Commercial Services.** Service exports of U.S. firms supported nearly 4 million jobs in 1996. Unless negotiated away, barriers will inhibit increased U.S. service exports. In Korea, a number of service sectors remain restrictive for foreign investment including telecommunications and insurance. Brazil has restrictive investment laws, lack of transparency in administrative procedures and limits on foreign capital participation. Distribution in the domestic market is restricted in Indonesia.

  - ☞ **Government Procurement.** Some sectors relating to government procurement include civil aircraft, energy equipment, environmental technologies and services and medical equipment which employ over 2 million American workers. The vast majority of low and middle-income countries have not signed the WTO Government Procurement Code and the U.S. cannot negotiate government procurement obligations in plurilateral negotiations.

TALKING POINTS ON FAST TRACK AND FOREIGN POLICY

Fast Track and American Leadership -- Overview

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

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

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

Exports and U.S. Growth

- **For the U.S., the case for fast track is clear: if we are to sustain our economic growth, we must export.** Since 1993, one-third of our growth has come from exports. Over the next decade, the economies of Latin America and Asia are expected to grow at three times the rate of the U.S. economy. In a world where 96% of the world's consumers live outside our borders, we must export to grow. It's that simple.

- **We are in a perfect position to compete. Our economy is the envy of the world.** We are once again the world's most competitive economy, the world's largest exporter, the leading producer in key industries like automobiles, semiconductors and pharmaceuticals. It makes no sense to sideline ourselves now.

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

Fast track and American Foreign Policy

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

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

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

- **The cause of democracy and free markets would also suffer.** After decades of failed experiments and anti-Americanism, many of the world's emerging markets today are embracing free markets, democracy and other American values. Today -- for the first time in history -- on behalf of the world's population lives under elected rulers. But this fragile progress will continue only if we continue to press countries to embrace free trade policies, build stronger middle classes and strengthen the building blocks of democracy. Rejecting fast track would send a terrible signal that we are not serious about trade liberalization and reform.

Conclusion

- **The United States faces a critical choice.** We can continue to make our economy the model for the rest of the world, open foreign markets, and reaffirm our global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to take our place. The choice is that stark -- and that important.

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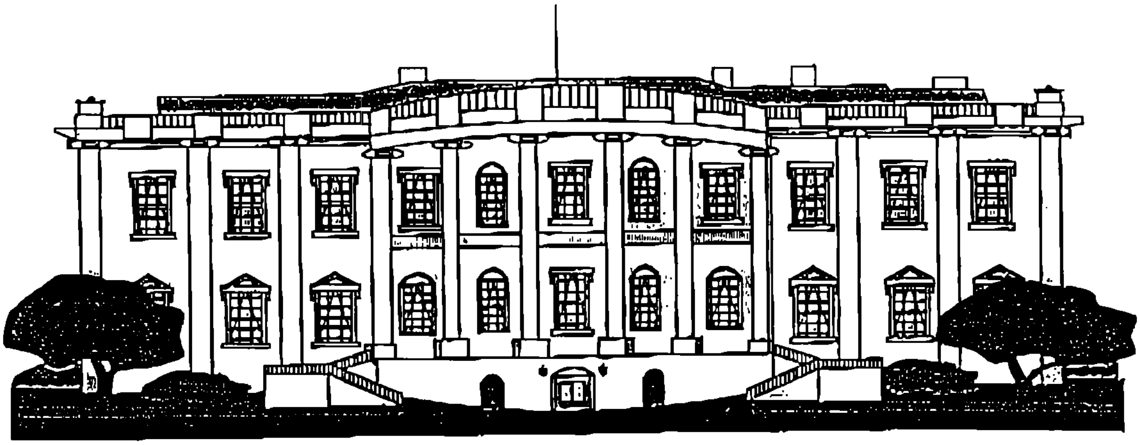

The White House

National Economic Council

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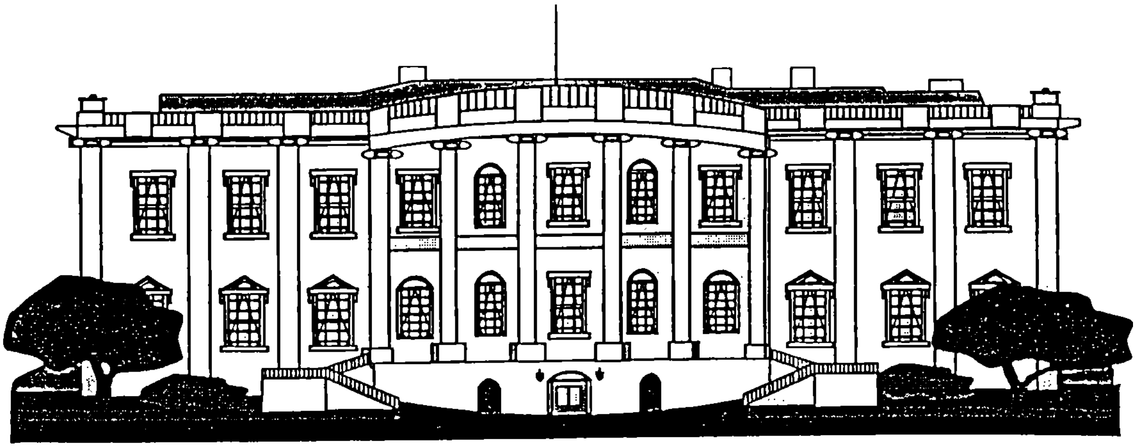

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Comments:

As discussed - hope at least somewhat useful.

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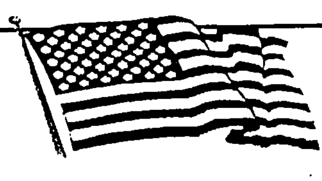

WHY AMERICA WON'T GET ITS FAIR SHARE OF JOBS WITHOUT FAST TRACK

America needs fast track to continue to create higher-paying jobs for more Americans. Without it, America's role as the largest exporter in the world will be put in jeopardy. And with more markets opening around the world, it is now more important than ever to give the President traditional trade authority to break down trade barriers for American goods and services.

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

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

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

AGRICULTURE

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

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

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

- **U.S. agriculture will pay a price if fast track is not granted.**
  - ☞ More than 30 bilateral and regional trade agreements are already operating here in the Western Hemisphere, and the U.S. is party to only one -- NAFTA. While these preferential trade agreements multiply, the U.S. share of the region's total agricultural imports is declining.
  - ☞ Chile has already signed trade agreements with Bolivia, Colombia, Ecuador, Mexico, Venezuela, MERCOSUR and most recently Canada. The U.S. has already lost an estimated $500 million in exports to other countries that have duty preferences already in place.
  - ☞ Chilean fresh fruit pays a 2% duty when entering Venezuela (due to the Chile-Venezuela FTA) whereas American producers pay a 15% tariff. The U.S. Embassy estimates that the U.S. market share would grow from its current 39% to 67% if U.S. producers had equivalent access to the Venezuelan market.

Without fast track, the U.S. will lack credibility to push for a fast start on WTO agricultural negotiations scheduled to start at the end of 1999. Agriculture remains one of the most protected and subsidized sectors in the world economy. American exports still continue to face trade barriers through high tariffs and preferential trade deals that exclude the U.S. **Already, since 1992, in Latin America and Asia alone, our competitors have negotiated 20 trade agreements that do not include the United States.**

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

COMMERCIAL SERVICES

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

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

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

- **Unless negotiated away, barriers will inhibit increased U.S. service exports.** In Korea, a number of service sectors remain restrictive for foreign investment, including audio-visual services, insurance, telecommunications and advertising. Brazil has restrictive investment laws, lack of transparency in administrative procedures and limits on foreign capital participation. Distribution in the domestic market is restricted in Indonesia.

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

GOVERNMENT PROCUREMENT

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

Civil Aircraft

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

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

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

Energy Equipment

- **Since 1990, U.S. exports of energy equipment have doubled reaching $15.5 billion in 1996 with a trade surplus of $6.5 billion.** U.S. exports to the big emerging markets, China and FTAA countries more than doubled since 1990. Exports account for an estimated 34% of the U.S. industry's product shipments. By 2005, energy equipment exports are expected to exceed domestic shipments.

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

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

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

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

Environmental Technologies and Services

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

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

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

Medical Equipment

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

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

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

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

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

KEEPING AMERICA AND ITS WORKERS THE MOST COMPETITIVE IN THE WORLD

America Needs Fast Track to Continue to Create Higher-Paying Jobs for More Americans. Without it, America's role as the largest exporter in the world will be put in jeopardy. And with new markets opening around the world, it is more important than ever to give the President traditional trade authority to break down trade barriers that put American products made by American workers at a disadvantage. We will continue to ensure that America's workers will benefit from expanded trade by fighting for increased training and education opportunities.

I. AMERICAN WORKERS STILL FACE A DISADVANTAGE BECAUSE TOO MANY FOREIGN COUNTRIES PLACE RESTRICTIONS ON AMERICAN GOODS. WE NEED FAST TRACK TO LEVEL THE PLAYING FIELD FOR AMERICAN WORKERS.

What We Inherited. In 1993, President Clinton came into office at a time when the U.S. continued its commitment to free and fair trade, but other countries maintained high tariffs and other obstacles to fair trade to the disadvantage of America's workers.

President Clinton Moved to Address this Disadvantage by Completing the Uruguay Round Agreements, Negotiated Under Fast Track Authority. We have repeatedly leveled the playing field by negotiating tough, fair agreements -- securing more concessions from our trading partners than we had to give up. For example, Australia has cut its tariffs five times more than we have had to, Korea six times more than the U.S. and Peru has cut its tariffs ten times more than the U.S. since the Uruguay Round of GATT. Because of the ongoing benefits from the Uruguay Round, it is estimated that trade will continue to grow by an average of 9% per year until 2000.

American Workers Still Face a Disadvantage. Even with the recent progress in GATT, American exports still face higher tariff rates than our own. For instance, U.S. agricultural exports average 38%, while our own rates average 11%. U.S. electric machinery exports average 5%, while our rates average under 2%. Without Fast track authority, these conditions will only persist when more and more countries negotiate their own preferential trade deals to the detriment of America's workers. American workers deserve better.

Open and Fair Trade is in the Best Interest of American Workers and their Families. As the American people prepare for the challenges of the 21st century, we face a critical choice: We can meet the challenges of the future, write the trade rules and continue America's remarkable economic growth -- or we can turn our back on the world and fail to compete for new markets, new contracts, new business and new jobs. All over America, jobs have been created in small, medium and large companies that would not be here today if we did not have the ability to negotiate fair trade agreements.

- Over the last four years, American manufacturing exports rose 42%, high technology exports jumped 46%, service exports climbed 33% and farm exports rose 41%.
- From 1990-1996, U.S. auto exports to the biggest emerging markets (excluding Mexico) rose $500 million and are estimated to reach $6.1 billion by 2010. U.S. parts exports to these emerging markets are expected to more than triple from the current $3 billion to $10 billion in 2010.
- The U.S. dominates 75% of the global software market. More than one-half million workers are employed in the industry -- double the level a decade ago. This industry is expected to grow 9% *per year* worldwide over the next decade.

- The U.S. once again dominates the world's semiconductor industry -- after trailing Japan for years. More than one-quarter million American are employed in the semiconductor industry -- up 13% over the last three years. The global semiconductor market nearly tripled in size between 1990 and 1995 -- and sales are expected to reach $200 billion by the year 2000 -- a fourfold increase over a decade.
- Exports of goods and services have risen from about 4% of GDP in the early 1960's to over 13% today. Over 15% of the total American workforce is employed in the manufacturing sector. U.S. exports have grown 3 times faster than Japan's, 5 times faster than Germany's since the mid 1980's.

II. TO ENSURE THAT ALL AMERICAN WORKERS BENEFIT FROM EXPANDED TRADE, THE CLINTON ADMINISTRATION HAS FOUGHT FOR INCREASED TRAINING AND EDUCATION OPPORTUNITIES.

We need a growth strategy in which we take every action possible to ensure that all Americans can benefit from economic change. We need to break out of the old arguments that say you are either for blocking change or you are for the market, but everyone has to fend for themselves. Government needs to help workers, communities and those not in the job market realize the benefits of expanded trade.

- **The Administration is developing a comprehensive plan to help communities and workers who have been affected by trade.** President Clinton is building on his strong record of helping workers and families secure more opportunities to improve their educations and obtain higher paying jobs. The President will announce his plan early next week.

<u>A Record of Strong Action to Help Families and Workers</u>

- **Fought To Ensure Low-Income Families Benefitted from Child Tax Credit.** Because of the President's efforts, 13 million children from families with incomes below $30,000 will receive the tax credit -- up to 7.5 million more than under the House plans. Families making under $30,000 -- such as young teachers, police officers, farmers, nurses and others who work hard and play by the rules -- will now receive the child credit.
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- **Largest Pell Grant Increase in Two Decades.** The Balanced Budget agreement boosts the maximum 1998 Pell grant from $2,700 to $3,000, and expands the program to more poor independent students -- that's the largest increase in two decades.

III. IF THE PRESIDENT DOES NOT HAVE THE SAME AUTHORITY THAT EVERY PRESIDENT HAS HAD SINCE 1974, OUR COMPETITORS, NOT AMERICAN WORKERS, WILL REALIZE THE BENEFITS OF THE NEW ECONOMY.

Today, we have the opportunity to permanently create the types of jobs that pay more and provide our workers with more security -- if we continue to increase our exports and open more markets. But if the President does not have the authority to negotiate tough and fair trade agreements with Congress' consent, our competitors will get the best jobs for their workers, while the U.S. will be relegated to the sidelines.

- **Without fast track, the U.S. will lack credibility to push for a fast start on global negotiations scheduled to start at the end of 1999. The United States stands the most to gain in these negotiations because of its comparative advantage in agriculture, commercial services and government procurement.**

  - ☞ **Agriculture.** Agricultural exports support nearly a million U.S. jobs. Agriculture remains one of the most protected and subsidized sectors in the world economy. American exports still continue to face trade barriers through high tariffs and preferential trade deals that exclude the U.S.

  - ☞ **Commercial Services.** Service exports of U.S. firms supported nearly 4 million jobs in 1996. Unless negotiated away, barriers will inhibit increased U.S. service exports. In Korea, a number of service sectors remain restrictive for foreign investment including telecommunications and insurance. Brazil has restrictive investment laws, lack of transparency in administrative procedures and limits on foreign capital participation. Distribution in the domestic market is restricted in Indonesia.

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Eric R. Biel
11/01/97 12:13:59 PM

Record Type: Record

To: Russell W. Horwitz/OPD/EOP

cc: Victoria Radd/WHO/EOP, LEAVY_D @ A1 @ CD @ LNGTWY
Subject: Revised fast track materials

In the course of working with David on materials for the fast track package being distributed Monday, I reviewed the attached three documents and made some minor changes (choice of words, a few grammatical things, etc.). The revised versions, to go in the package, are attached.

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FAST TRACK:
IN THE INTEREST OF AMERICA AND AMERICAN WORKERS

"*[T]o keep America growing, to continue creating jobs and opportunities, we must continue to expand exports. We must use every tool we have to pry open foreign markets to American-made products. We must act now, to continue our progress so our new economy works for all Americans. America must continue to fight for open trade around the world -- and that means Congress must renew the President's traditional authority to negotiate trade agreements.*"

-- President Clinton, 9/10/97

Fast Track Will Create More Higher Paying Jobs For America's Workers.
The United States needs fast track to continue to create higher-paying jobs for more of its workers. Without it, America's role as the largest exporter in the world will be put in jeopardy. And with new markets opening around the world, it is more important than ever to give the President traditional trade authority to break down foreign trade barriers. These barriers put American products made by American workers at a disadvantage.

Fast Track Background

Q: *What is fast track?*

A: *Fast track legislation is essentially an agreement between Congress and the President on how Congress will consider trade agreements negotiated by the President. As part of that arrangement, the President agrees to extensively consult and coordinate with Congress throughout trade negotiations. In return, Congress votes on legislation implementing trade agreements on an up or down basis, with no amendments. This ensures that other countries will give us their bottom line best offer. Every President since 1974 has had fast track authority.*

President Clinton Has Helped American Workers...
President Clinton has a strong record of helping the families of American workers. The President's record includes: ensuring low-income families received tax relief in the form of a child tax credit in this year's balanced budget deal; securing a 20% tuition tax credit in the balanced budget agreement; creating a $1,500 HOPE Scholarship to make college universally available; doubling dislocated worker funding; and obtaining the largest Pell Grant increase in two decades.

...And Will Continue To Ensure That All Workers Benefit From Expanded Trade
President Clinton will continue to build on his strong record of supporting American workers and ensuring that all workers benefit from expanded trade by fighting for increased training and education opportunities. The Administration is currently developing a comprehensive plan to help communities and workers who have been affected by trade.

Fast Track Will Ensure America's Role As Global Leader.
The fast track debate is about much more than trade. It is about American leadership in the world. It is a test of whether the United States intends to maintain our half century of leadership -- or retreat and turn inward. And while our economy is currently the envy of the world -- once again the world's most competitive economy -- we cannot afford to take this success for granted. <u>We need to continue to open and expand markets in order to maintain our position as the global economic leader.</u>

Failure To Lead On Trade Will Hurt Our Foreign Policy.
Fast track is a test of our foreign policy. America's failure to lead on trade will have harmful effects on our ability to lead in other areas as well. For example, if Latin America is permitted -- by default in our leadership -- to turn increasingly to Europe and Asia for trade relations, the U.S. relationship with Latin America will weaken. As the sole remaining superpower, the United States has a fundamental interest in aiding both security and prosperity around the world -- particularly in our own hemisphere.

-- Fast Facts --

- Exports support over 11 million American jobs, including one in five manufacturing jobs.
- One third of America's economic growth over the past five years has come from exports.
- The United States is once again the world's most competitive economy; the world's leading exporter; the largest producer of automobiles and semiconductors.
- Export related jobs pay on average 15% more than non-export related jobs.
- Expanding trade is increasingly tied to America's future economic growth; 96% of world's consumers live outside the U.S.

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

America needs fast track to continue to create higher-paying jobs for more Americans. Without it, America's role as the largest exporter in the world will be put in jeopardy. And with more markets opening around the world, it is now more important than ever to give th President traditional trade negotiating authority to break down foreign trade barriers to American goods and services.

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

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

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

AGRICULTURE

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

- **U.S. agricultural exports support nearly a million jobs and this number is rising.** Since 1990, the value of U.S. agricultural exports has increased by $20 billion, or nearly 50%. Each week last year, on average, American producers and processors shipped out more than $1.1 billion in farm and food products to foreign markets.
- **Last year, our agricultural exports were twice the level of our imports -- a claim no other sector can make.** Dollar for dollar, we export more corn than coal, more wheat than steel, more meat than aluminum, and more fruits and vegetables than CDs, records, and tapes. U.S. exports are growing more than three times as fast as domestic demand for foods.
- **U.S. agriculture will pay a high price if fast track is not granted.**
  - ☞ More than 20 bilateral and regional trade agreements are already in place in the Western Hemisphere, and the U.S. is party to only one. While these preferential trade agreements multiply, the U.S. share of the region's total agricultural imports is declining.
  - ☞ Chile has already signed trade agreements with Bolivia, Colombia, Ecuador, Mexico, Venezuela, MERCOSUR and most recently Canada. The U.S. has already lost an estimated $500 million in exports to other countries that have duty preferences in place.
  - ☞ Chilean fresh fruit pays a 2% duty when entering Venezuela (due to the Chile-Venezuela FTA), whereas American producers pay a 15% tariff. The U.S. Embassy estimates that the U.S. market share would grow from its current 39% to 67% if U.S. producers had equivalent access to the Venezuelan market.

Without fast track, the U.S. will lack the credibility to push for a fast start on WTO agricultural negotiations, scheduled to start at the end of 1999. Agriculture remains one of the most protected and subsidized sectors in the world economy. American exports still continue to face trade barriers through high tariffs and preferential trade deals that exclude the U.S. **Since 1992, in Latin America and Asia alone, our competitors have negotiated 20 trade agreements that do not include the United States.**

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

COMMERCIAL SERVICES

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

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

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

- **Unless negotiated away, barriers will inhibit increased U.S. service exports.** In Korea, a number of service sectors remain restrictive for foreign investment, including audio-visual services, insurance, telecommunications and advertising. Brazil has restrictive investment laws, lack of transparency in administrative procedures and limits on foreign capital participation. Distribution in the domestic market is restricted in Indonesia and many other countries.

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

GOVERNMENT PROCUREMENT

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

Civil Aircraft

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

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

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

Energy Equipment

- **Since 1990, U.S. exports of energy equipment have doubled reaching $15.5 billion in 1996 with a trade surplus of $6.5 billion.** U.S. exports to the big emerging markets, China and FTAA countries more than doubled since 1990. Exports account for an estimated 34% of the U.S. industry's product shipments. By 2005, energy equipment exports are expected to exceed domestic shipments.

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

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

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

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

Environmental Technologies and Services

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

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

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

Medical Equipment

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

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

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

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

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

KEEPING AMERICA AND ITS WORKERS THE MOST COMPETITIVE IN THE WORLD

America Needs Fast Track to Continue to Create Higher-Paying Jobs for More Americans. Without it, America's role as the largest exporter in the world will be put in jeopardy. And with new markets opening around the world, it is more important than ever to give the President traditional trade authority to break down trade barriers that put American products made by American workers at a disadvantage. We will continue to ensure that America's workers will benefit from expanded trade by fighting for increased training and education opportunities.

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President Clinton Has Moved to Address this Disadvantage by Completing the Uruguay Round and Successfully Pursuing an International Technology Agreement -- Both Under Fast Track Authority. We have worked to level the playing field by negotiating tough, fair agreements -- securing more concessions from our trading partners than we had to give up. For example, Australia has cut its tariffs five times more than we have had to, Korea six times more, and Peru ten times more than the U.S. Because of the ongoing benefits from the Uruguay Round, it is estimated that trade will continue to grow by an average of 9% per year until 2000.

Even So, American Workers Still Face a Disadvantage. Even with this substantial progress, American exports still face higher tariff rates than our own. For instance, tariffs on U.S. agricultural exports average 38%, while our own rates average 11%. Tariffs on U.S. electric machinery exports average 5%, while our rates average under 2%. Without fast track authority, these conditions will only persist -- especially as other countries negotiate their own preferential trade deals to the detriment of our workers and firms. American workers deserve better.

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*** TX REPORT ***
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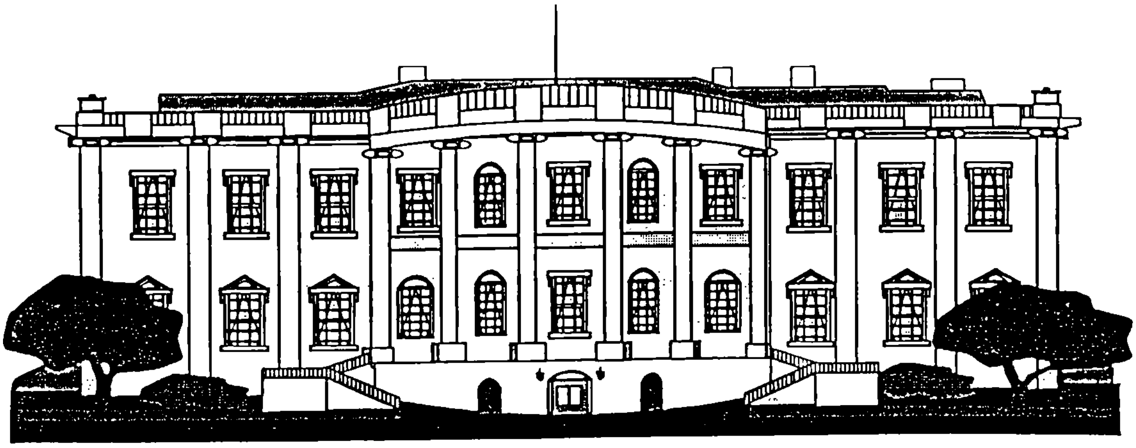


The White House

National Economic Council

To: David Pearce - Rep. Houghton

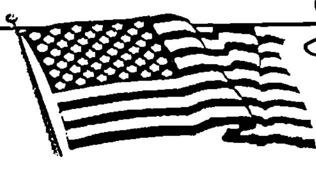
Phone: 225-3161 Fax: 225-5574

From: Eric Bell

Phone: (202) 456-~~6630~~ 5370 Fax: (202) 456-2223

Pages including cover sheet: 17

Comments:
Hope this isn't overkill -
please call if questions.
EB



November 5, 1997

MEMORANDUM

TO: David Pearce, Office of Rep. Amo Houghton
FROM: Eric Biel
SUBJECT: Materials Being Faxed

Per our phone conversation, I am faxing some materials that make the case for fast track -- and, in so doing, hopefully are helpful in responding to some of the criticisms of fast track opponents about the alleged negative effects on American workers. I don't know how many of the statistics and arguments here will be new to you, but hopefully you can decide on the best way to "package" them in a letter.

The materials being sent are: (1) a one-page general "response to critics" piece we put together; (2) two pieces (three and four pages) from the NEC making the general case on why fast track helps American workers and firms; and (3) Bill Daley's September 30 testimony before the Senate Commerce Committee -- organized in the same "myth-reality" form you mentioned.

My understanding is that you wanted your focus to be on responding to broad claims that fast track hurts U.S. workers economically. If you also want any paper responding to specific criticisms or setting out other arguments in favor (foreign policy, American leadership, etc.), I'd be happy to try to send those along as well.

Attachments

RESPONSES TO OPPONENTS' CRITICISM OF FAST TRACK BILLS

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

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

- The opponents neglect to mention that the House and Senate fast track bills both set out specific negotiating objectives to address foreign governments' labor practices -- the most detailed provisions of this type ever included in fast track legislation. The opponents also ignore the fact that these fast track bills *for the first time* include trade-distorting environmental, health, and safety practices in the principal fast track negotiating objectives.

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

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

- The opponents also are wrong when they claim that the bills will significantly restrict Congress' ability to include provisions of importance to American workers in future trade agreement implementing legislation. In fact, both bills ensure that future fast track legislation can include trade adjustment assistance for U.S. workers and firms, must protect our strong laws addressing unfair foreign trade practices, and can accommodate other relevant provisions of interest to Members of Congress.

- Look at it this way: if we have fast track, Chile will conclude labor and environmental agreements with us -- in fact, they already have agreed to do so. If we don't, they won't. Rejecting fast track won't clean up a single toxic waste site or keep a single child out of a sweatshop overseas: it will simply ensure that such issues are ignored in the years ahead.

KEEPING AMERICA AND ITS WORKERS THE MOST COMPETITIVE IN THE WORLD

America Needs Fast Track to Continue to Create Higher-Paying Jobs for More Americans. Without it, America's role as the largest exporter in the world will be put in jeopardy. And with new markets opening around the world, it is more important than ever to give the President traditional trade authority to break down trade barriers that put American products made by American workers at a disadvantage. We will continue to ensure that America's workers will benefit from expanded trade by fighting for increased training and education opportunities.

I. AMERICAN WORKERS STILL FACE A DISADVANTAGE BECAUSE TOO MANY FOREIGN COUNTRIES PLACE RESTRICTIONS ON AMERICAN GOODS. WE NEED FAST TRACK TO LEVEL THE PLAYING FIELD FOR AMERICAN WORKERS.

What We Inherited. In 1993, President Clinton came into office at a time when the U.S. continued its commitment to free and fair trade, but other countries maintained high tariffs and other obstacles to fair trade to the disadvantage of America's workers.

President Clinton Moved to Address this Disadvantage by Completing the Uruguay Round Agreements, Negotiated Under Fast Track Authority. We have repeatedly leveled the playing field by negotiating tough, fair agreements -- securing more concessions from our trading partners than we had to give up. For example, Australia has cut its tariffs five times more than we have had to, Korea six times more than the U.S. and Peru has cut its tariffs ten times more than the U.S. since the Uruguay Round of GATT. Because of the ongoing benefits from the Uruguay Round, it is estimated that trade will continue to grow by an average of 9% per year until 2000.

American Workers Still Face a Disadvantage. Even with the recent progress in GATT, American exports still face higher tariff rates than our own. For instance, U.S. agricultural exports average 38%, while our own rates average 11%. U.S. electric machinery exports average 5%, while our rates average under 2%. Without Fast track authority, these conditions will only persist when more and more countries negotiate their own preferential trade deals to the detriment of America's workers. American workers deserve better.

Open and Fair Trade is in the Best Interest of American Workers and their Families. As the American people prepare for the challenges of the 21st century, we face a critical choice: We can meet the challenges of the future, write the trade rules and continue America's remarkable economic growth -- or we can turn our back on the world and fail to compete for new markets, new contracts, new business and new jobs. All over America, jobs have been created in small, medium and large companies that would not be here today if we did not have the ability to negotiate fair trade agreements.

- Over the last four years, American manufacturing exports rose 42%, high technology exports jumped 46%, service exports climbed 33% and farm exports rose 41%.
- From 1990-1996, U.S. auto exports to the biggest emerging markets (excluding Mexico) rose $500 million and are estimated to reach $6.1 billion by 2010. U.S. parts exports to these emerging markets are expected to more than triple from the current $3 billion to $10 billion in 2010.
- The U.S. dominates 75% of the global software market. More than one-half million workers are employed in the industry -- double the level a decade ago. This industry is expected to grow 9% *per year* worldwide over the next decade.

- The U.S. once again dominates the world's semiconductor industry -- after trailing Japan for years. More than one-quarter million American are employed in the semiconductor industry -- up 13% over the last three years. The global semiconductor market nearly tripled in size between 1990 and 1995 -- and sales are expected to reach $200 billion by the year 2000 -- a fourfold increase over a decade.
- Exports of goods and services have risen from about 4% of GDP in the early 1960's to over 13% today. Over 15% of the total American workforce is employed in the manufacturing sector. U.S. exports have grown 3 times faster than Japan's, 5 times faster than Germany's since the mid 1980's.

II. TO ENSURE THAT ALL AMERICAN WORKERS BENEFIT FROM EXPANDED TRADE, THE CLINTON ADMINISTRATION HAS FOUGHT FOR INCREASED TRAINING AND EDUCATION OPPORTUNITIES.

We need a growth strategy in which we take every action possible to ensure that all Americans can benefit from economic change. We need to break out of the old arguments that say you are either for blocking change or you are for the market, but everyone has to fend for themselves. Government needs to help workers, communities and those not in the job market realize the benefits of expanded trade.

- **The Administration is developing a comprehensive plan to help communities and workers who have been affected by trade.** President Clinton is building on his strong record of helping workers and families secure more opportunities to improve their educations and obtain higher paying jobs. The President will announce his plan this week.

<u>A Record of Strong Action to Help Families and Workers</u>

- **Fought To Ensure Low-Income Families Benefitted from Child Tax Credit.** Because of the President's efforts, 13 million children from families with incomes below $30,000 will receive the tax credit -- up to 7.5 million more than under the House plans. Families making under $30,000 -- such as young teachers, police officers, farmers, nurses and others who work hard and play by the rules -- will now receive the child credit.
- **20% Tuition Tax Credit.** The balanced budget deals provides for a 20% tuition tax credit applied to the first $5,000 of qualified education expenses and to the first $10,000 thereafter for college juniors, seniors, graduate students, and working Americans pursuing lifelong learning.
- **$1,500 Hope Scholarship Tax Credit.** The balanced budget deal also includes a $1,500 Hope Scholarship to make the first two years of college universally available. For a student attending the average four-year college, the Tuition Tax and HOPE Scholarship tax credits will provide tax savings of up to $5,000.
- **Doubled Dislocated Worker Funding.** The funding for dislocated workers has been doubled, from $651 million in FY93 to $1,286 million in FY97. This year, the dislocated worker program will assist 580,000 workers, up about 300,000 since President Clinton took office.
- **Largest Pell Grant Increase in Two Decades.** The Balanced Budget agreement boosts the maximum 1998 Pell grant from $2,700 to $3,000, and expands the program to more poor independent students -- that's the largest increase in two decades.

III. IF THE PRESIDENT DOES NOT HAVE THE SAME AUTHORITY THAT EVERY PRESIDENT HAS HAD SINCE 1974, OUR COMPETITORS, NOT AMERICAN WORKERS, WILL REALIZE THE BENEFITS OF THE NEW ECONOMY.

Today, we have the opportunity to permanently create the types of jobs that pay more and provide our workers with more security -- <u>if we continue to increase our exports and open more markets</u>. But if the President does not have the authority to negotiate tough and fair trade agreements with Congress' consent, our competitors will get the best jobs for their workers, while the U.S. will be relegated to the sidelines.

- **Without fast track, the U.S. will lack credibility to push for a fast start on global negotiations scheduled to start at the end of 1999. <u>The United States stands the most to gain in these negotiations because of its comparative advantage in agriculture, commercial services and government procurement.</u>**

  ☞ **Agriculture.** Agricultural exports support nearly a million U.S. jobs. Agriculture remains one of the most protected and subsidized sectors in the world economy. American exports still continue to face trade barriers through high tariffs and preferential trade deals that exclude the U.S.

  ☞ **Commercial Services.** Service exports of U.S. firms supported nearly 4 million jobs in 1996. Unless negotiated away, barriers will inhibit increased U.S. service exports. In Korea, a number of service sectors remain restrictive for foreign investment including telecommunications and insurance. Brazil has restrictive investment laws, lack of transparency in administrative procedures and limits on foreign capital participation. Distribution in the domestic market is restricted in Indonesia.

  ☞ **Government Procurement.** Some sectors relating to government procurement include civil aircraft, energy equipment, environmental technologies and services and medical equipment which employ over 2 million American workers. The vast majority of low and middle-income countries have not signed the WTO Government Procurement Code and the U.S. cannot negotiate government procurement obligations in plurilateral negotiations.

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

America needs fast track to continue to create higher-paying jobs for more Americans. Without it, America's role as the largest exporter in the world will be put in jeopardy. And with more markets opening around the world, it is now more important than ever to give th President traditional trade negotiating authority to break down foreign trade barriers to American goods and services.

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

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

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

AGRICULTURE

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

- **U.S. agricultural exports support nearly a million jobs and this number is rising.** Since 1990, the value of U.S. agricultural exports has increased by $20 billion, or nearly 50%. Each week last year, on average, American producers and processors shipped out more than $1.1 billion in farm and food products to foreign markets.
- **Last year, our agricultural exports were twice the level of our imports -- a claim no other sector can make.** Dollar for dollar, we export more corn than coal, more wheat than steel, more meat than aluminum, and more fruits and vegetables than CDs, records, and tapes. U.S. exports are growing more than three times as fast as domestic demand for foods.
- **U.S. agriculture will pay a high price if fast track is not granted.**
  - ☞ More than 20 bilateral and regional trade agreements are already in place in the Western Hemisphere, and the U.S. is party to only one. While these preferential trade agreements multiply, the U.S. share of the region's total agricultural imports is declining.
  - ☞ Chile has already signed trade agreements with Bolivia, Colombia, Ecuador, Mexico, Venezuela, MERCOSUR and most recently Canada. The U.S. has already lost an estimated $500 million in exports to other countries that have duty preferences in place.
  - ☞ Chilean fresh fruit pays a 2% duty when entering Venezuela (due to the Chile-Venezuela FTA), whereas American producers pay a 15% tariff. The U.S. Embassy estimates that the U.S. market share would grow from its current 39% to 67% if U.S. producers had equivalent access to the Venezuelan market.

Without fast track, the U.S. will lack the credibility to push for a fast start on WTO agricultural negotiations, scheduled to start at the end of 1999. Agriculture remains one of the most protected and subsidized sectors in the world economy. American exports still continue to face trade barriers through high tariffs and preferential trade deals that exclude the U.S. **Since 1992, in Latin America and Asia alone, our competitors have negotiated 20 trade agreements that do not include the United States.**

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

COMMERCIAL SERVICES

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

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

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

- **Unless negotiated away, barriers will inhibit increased U.S. service exports.** In Korea, a number of service sectors remain restrictive for foreign investment, including audio-visual services, insurance, telecommunications and advertising. Brazil has restrictive investment laws, lack of transparency in administrative procedures and limits on foreign capital participation. Distribution in the domestic market is restricted in Indonesia and many other countries.

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

GOVERNMENT PROCUREMENT

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

Civil Aircraft

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

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

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

Energy Equipment

- **Since 1990, U.S. exports of energy equipment have doubled reaching $15.5 billion in 1996 with a trade surplus of $6.5 billion.** U.S. exports to the big emerging markets, China and FTAA countries more than doubled since 1990. Exports account for an estimated 34% of the U.S. industry's product shipments. By 2005, energy equipment exports are expected to exceed domestic shipments.

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

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

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

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

Environmental Technologies and Services

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

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

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

Medical Equipment

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

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

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

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

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

Testimony of
Secretary of Commerce William M. Daley
Renewal of Trade Negotiating Authority
Commerce, Science and Transportation Committee
United States Senate
Sept. 30, 1997

Thank you for the opportunity to appear before this Committee on the President's request for fast track legislation. The Commerce Committee has an important role to play in trade matters. Let me open my remarks today by pledging to work closely with you and the Members of this Committee at all stages of negotiations on future trade agreements pursued under fast track, including seeking your advice in setting trade priorities before negotiations, consulting with you as the negotiations progress and finally, seeking to ensure that your views are reflected in the final agreement and in the manner in which it is carried out. As the legislation proceeds through the Congress, we will work with you to ensure that the legislation itself reflects this high level of coordination with this Committee.

This morning, I released export data for 253 U.S. metropolitan areas that I believe are very germane to our deliberations today about trade authority. Exports are becoming increasingly important to the well-being of our cities throughout the Nation, with more than 90 percent of the metro areas examined reporting export sales growth over the 1993-96 period. In fact, some of our star performers are represented on this committee, including Lexington, Kentucky, with a 140% increase in exports; Charleston, West Virginia, with a 130% increase; Augusta, Georgia, and Aiken, South Carolina, with 95% increases; and Kansas City, that great metropolis that extends into both Missouri and Kansas, with a 79% increase.

Results like these compel me to try to dispel a few myths about trade and about fast-track. Fundamentally, just like a general needs tanks to win a war, the President needs fast-track authority to help negotiate trade agreements that knock down barriers to U.S. exports in key markets and in our most competitive sectors. This is in all of our interests, and the first myth I would like to dispel is:

Myth 1: We don't need fast-track.

The jobs of tomorrow are going to go to those who seize the opportunity today. If we choose to stand still, our competitors will move ahead.

Ambassador Barshefsky has laid out the Administration's comprehensive trade agenda for the next several years that would be severely hampered without fast track. Without fast track, key trading partners will not negotiate comprehensive agreements with us. These countries will not provide us with their "bottom line" knowing that the U.S. Congress may alter the terms of what the negotiators agreed to when considering legislation to implement the agreement. No fast track compromises our ability:

- o to compete on an even footing in the world's services market, valued at $1.2 trillion;
- o to introduce the chance to compete in transparent foreign government procurement, especially in the developing markets where new infrastructure projects will approach trillions of dollars over the next decade; and,
- o to eliminate foreign subsidies that compete against U.S. agricultural products and to further open this important market, estimated at $600 billion globally.

No fast track would also hamstring initiatives such as the one just beginning in APEC, where we have identified a number of our most competitive sectors for trade talks. For example, reducing barriers to medical equipment would help U.S. companies like Arbor Technologies in Michigan, a small manufacturer of medical devices, that attributes 20 of its 57 employees to exporting, or Clinical Diagnostics of South Carolina which has added thirteen employees to their initial staff of seven as a result of their first overseas sale last year. Other sectors that the United States has put forward for APEC trade talks include telecommunications and information technologies, chemicals, the automotive sector, oilseeds, energy-related equipment and services, environmental technology and services, and forest products (wood and paper.)

From the Commerce Department's perspective, however, I would like to take a few minutes to focus on where we see competition heating up most, and that is right here in our own hemisphere. The 33 countries that would join us in creating the Free Trade Area of the Americas by 2005 are underpinning our export growth this year -- accounting for nearly *two-thirds* of our export gains *in dollar terms* -- but our competitors are working overtime to change that.

Take Chile. When the U.S. was unable to secure fast-track authority in 1995, Chile broke off discussions with the United States. But Chile did go on to negotiate trade agreements with the four countries of MERCOSUR (Brazil, Argentina, Paraguay and Uruguay), they are in the process of upgrading their agreement with Mexico, and they implemented a free trade deal with Canada just this past July. As a result, U.S. exporters face a Chilean duty of 11 percent on virtually every single product they sell, while their competitors from these countries do not. Already, the American Chamber of Commerce in Chile has been able to identify $0.5 billion in lost U.S. sales. And Prime Minister Chretien of Canada just announced that next January he will lead a "Team Canada" trade mission of several hundred business and provincial leaders to make sure that Canada takes full advantage of its increased access to Chile's market, as well as its plans for Brazil and Argentina where Canada has proposed the start of free trade talks.

But it is not just Chile, and not just Canada, that we need to be concerned about. Europe competes head-to-head with the United States as the major supplier to Latin America. In just the last few years, the European Community has set up 28 "Eurocenters" throughout Latin America to ensure, as French Prime Minister Chirac declared in his visit last year, "The future of Latin America is ... in Europe," not the United States. Taking advantage of our position on the sidelines, the EU -- already the world's largest trading bloc -- is poised for a major expansion in the hemisphere and confidently announced two weeks ago that it would conclude an EU-MERCOSUR free trade agreement before the end of 1999.

So, not only does the United States have the dubious distinction of being the only major country in this hemisphere not to already have a free trade agreement with Chile, but by the turn of the century we may find ourselves disadvantaged across-the-board in markets which by sheer geography ought to be establishing their closest trade ties with us.

U.S. exporters are already feeling the pinch. Stupp Corporation, a producer of custom steel pipe in Louisiana, recently lost out on a pipeline job in Argentina because it simply could not compete with another company that did not have to pay the same duties. They stressed to me that the impact of these lost sales reverberate throughout our economy. The company estimates, that in addition to its own work, winning a $100 million pipeline project like this would:

- require the equivalent of two days of production at a major U.S. steel plant;
- utilize 1,600 rail cars in the transportation of steel and pipe (or alternatively, 67 barges and 1,900 trucks if transported by water and road); and,
- provide more than two months of work for a U.S. pipe coating facility.

When you multiply this impact several times over, you begin to appreciate the dimension of the problem.

Nor are the costs of our inaction limited to Latin America. While we have hesitated to pursue our own interests, the EU has been negotiating trade agreements for its exporters with its own neighbors, the emerging markets of Central and Eastern Europe. On the other side of the world, ASEAN is integrating its own free trade area. The only way to limit the effects of these agreements is to grant the President fast-track authority so the United States can get back in the game -- bilaterally, regionally, multilaterally, and sectorally.

Myth 2: We do not enforce the trade agreements we have.

Just as important as negotiating new market openings is making sure that U.S. exporters can take advantage of the agreements that we have in place. This means that the U.S. government must be vigilant in monitoring other countries' compliance with our trade agreements, and in calling them up short, when we need to.

No country has been more aggressive than the United States in pursuing its trade interests under the improved dispute settlement mechanism of the WTO. We have brought a record number of complaints to the WTO -- 32 so far -- and have either won or settled to our satisfaction all ten that have gone through final resolution, and have panel decisions in our favor on two others that may be appealed. Early victories include issues as diverse as Japan's discriminatory liquor taxes, Canada's restrictions on U.S. magazines, the EU's preferential banana regime, and Korea's shelf-life restrictions on food products that act as a disguised trade barrier. The remaining cases are before panels or in consultation, but I am sure this Committee will be especially interested in the decisions regarding EU, UK, and Ireland local area network (LAN) equipment expected in late November.

We will not hesitate to use all tools available to us to ensure compliance and to eliminate unfair trade practices. That includes Super 301 actions, the latest of which will be announced tomorrow by Ambassador Barshefsky. I don't want to preview this year's announcement, but since Super 301 was reinstituted the Clinton Administration used it to launch 8 cases in 1995 and 1996. Two of these resulted in the favorable WTO rulings I just mentioned, and we have also worked out a solution with the EU regarding their reference prices on grains. The others are still pending before a panel or are in consultation.

At the Department of Commerce, we have redoubled our efforts in the enforcement area, spearheaded by a new Trade Compliance Center to get maximum results from the compliance efforts of our country and industry teams. The Center is accessible to industry and workers to explain what rights and obligations exist under our array of trade agreements. We will help American firms strengthen their negotiating positions with foreign officials and executives. We will work with you and your constituents whenever you come up against resistance to trade agreements, as well as corruption, bureaucratic hassles and flat out unlawful conduct in the course of doing business in foreign markets. This work complements the work of USTR's Monitoring and Enforcement unit.

Unfair competition in our own market can be every bit as damaging as trade barriers overseas, and the Commerce Department will continue to vigorously enforce our antidumping and countervailing duty laws. It is vitally important to protect our workers and companies from the kind of unfair pricing and subsidy practices that once nearly destroyed our semiconductor and steel industries. This is not an abstraction; it translates into American jobs and economic growth. Industries that have suffered injury from unfairly traded imports are using these laws -- we are currently administering almost 400 antidumping and countervailing duty orders.

One prevalent misconception I'd like to dispel is that somehow the "goodwill" engendered by concluding a trade agreement neutralizes our will to insist upon adherence to its terms or to protect our firms and workers from injurious practices. Quite the contrary. Using NAFTA as an example, the Administration diligently pressed to have Mexico accept U.S. product safety data for telecommunications equipment, as required by the Agreement, and forcefully pursued a softwood lumber agreement with Canada and a dumping agreement on Mexican tomatoes. In fact, the mechanisms contained in a trade agreement can make it easier to address the thorny issues, while at the same time providing a venue for finding cooperative solutions even where an obligation may not apply (such as Mexico's streamlined procedure for approving U.S. tires.)

Let me extend my pledge to this Committee to consult closely with you on the Administration's negotiating and enforcement priorities, and especially on the use of fast-track authority.

Myth 3: The United States will give more than it gets in any future negotiation.

The United States stands to gain substantially under more liberalized trade. Currently, we have an essentially open market. Our duty rates are low, and we have little in the way of non-tariff barriers.

By contrast, our most competitive products still face significant barriers overseas that can only be overcome by fast track. For example, in the automotive sector, where collectively parts and vehicles' exports account for more than 10 percent of our exports, we face average tariffs 5 to 10 times as much as our duties in the ASEAN market, where sales are expected to top two million units by the year 2000.

But tariffs are only the most direct form of trade barrier, and today's negotiations must encompass a comprehensive set of rules to both remove existing non-tariff barriers and to ensure that new ones don't take their place. These negotiations will be about ensuring that newly opened markets remain that way, that intellectual property is respected, and that we increase the transparency with which we do business. This can only benefit our entrepreneurs.

For example, the United States is the world leader in discovering and developing new medicines, and our pharmaceutical industry already earns two-fifths of its income from exports. But tariffs, inadequate intellectual property protection, discriminatory government procurement practices, and other barriers limit the ability of U.S. companies to compete on a level playing field. Our industry faces up to 14 percent tariffs in Brazil, the fourth largest pharmaceutical market in the world, while our Argentine competitors enter their pharmaceuticals duty-free. When the EU completes its free trade talks with MERCOSUR, it too will have a significant price advantage over our industry.

I know that some argue that the investment provisions in modern trade agreements encourage plants and capital to move abroad, but as the first such agreement, NAFTA has not led to an exodus of U.S. capital. In fact, it has had no discernible impact on aggregate U.S. investment levels. Looking at just one oft-cited sector by way of example, since NAFTA the Big Three U.S. auto companies have invested $39 billion in new plant and equipment in the United States, while investing only $3 billion in Mexico. At the same time, several major foreign producers, including Toyota, Mercedes and BMW, have chosen the United States as the most competitive site for their new North American plants.

A stronger argument can be made that *trade barriers* induce U.S. companies to move overseas, since they preclude access to foreign markets any other way. And these protected markets can be excellent platforms for competing globally against U.S. output, including in our own market. We need fast track to aggressively go after foreign trade barriers. Put simply, the Administration wants to have market forces influence trade and investment decisions, not foreign government policies that distort the marketplace. In today's global economy, there will always be some reasons to produce in several markets, whether it is to be close to inputs or to better serve customer needs. But with our competitive strengths, the U.S. will remain an attractive investment site, as evidenced by the nearly $800 billion in total private business fixed investment in the United States last year alone. (To put this incremental investment into context, it is somewhat larger than the entire Mexican economy.)

Myth 4: Trade agreements are for big business.

Trade agreements are for all U.S. companies and all U.S. workers. Trade plays a key role in driving our economic engine and has accounted for one-third of our economic growth in the last four years. In fact, without these export gains, our GDP today would be $230 billion lower than it actually is.

The dollar impact of increased export sales reverberates throughout our economy, and small and medium sized companies are the fabric of our export base. Some of them may not know it, as their product is incorporated by their domestic customer into a product that is ultimately exported. Boeing Corporation, for example, procured more than $13 billion in components, parts and other goods and services from suppliers across the United States, many of them small companies.

But increasingly, small companies are doing the exporting themselves. The Department's Census Bureau has been able to identify more than 113,000 known exporters. The bulk of them -- 108,000 -- consists of small and medium sized firms, those with less than 500 workers. Their ranks are growing in terms of their contribution both to the total number of U.S. exporters and to the total value of our foreign sales. These small and mid-sized companies export more than $100 billion, indicative of about 30 percent of our total merchandise exports (1992, latest data available).

Among these companies are:

- the smallest of firms, like the 6-employee International Student Exchange Cards, Inc., in the Chairman's home state, for whom exports account for 60 percent of their business;

- JWH Industries of South Carolina whose overseas sales of its unique environmental technology based on earthworms allowed it to double the number of its farm sites and its staff (from 7 to 15);

- Systems & Electronics of Missouri whose $12 million sale to Israel this summer saved 200 jobs at its St. Louis plant.

All of these companies, by the way, are among the nearly 4,000 U.S. firms which credit the Commerce Department with helping them initiate or expand export opportunities last year.

Nonetheless, anecdotes alone cannot begin to convey the stories of the more than 12 million U.S. workers whose livelihoods today depend on exports. The transformation of our economy has been so fundamental that today exports account for *one out of every five manufacturing jobs* and *one out of every three acres planted.*

Myth 5: Developing nations can't afford to buy our goods, and we cannot compete with them because of their low wages and lax environmental laws.

It was not that long ago that a best seller titled The Rise and Fall of the Great Powers included a chapter on "The United States: The Problem of Number One in Relative Decline." But we have to shed that mind set. Defying conventional wisdom, and through a period of difficult restructuring, the United States has resumed its place as the world's Number 1 exporter. We have rejuvenated our automobile and semiconductor industries, and recovered our crown as the world's largest producer in industries once thought inexorably squeezed by foreign competition from both the high- and low-end.

For five years in a row, the United States has been judged as the most competitive economy in the world by the prestigious World Economic Forum. This group's assessment looks not just at wages -- we *want* to be a high-wage country-- but also at other important competitive factors like technology, management and labor flexibility.

We know export-related jobs pay roughly 15 percent better than jobs in the non-traded sector. More and more U.S. jobs are dependent on exports -- an additional 2.2 million workers since 1992. Rising exports increase U.S. living standards by putting our resources to work at what we do best. These overall income gains have not come by sacrificing workers at the bottom of the economic ladder. As our economy continues to grow, the real incomes of every segment of the U.S. workforce increased between 1993 and 1996, with the largest percentage increase for the lowest-paid workers.

This does not mean we can afford to rest on our laurels. While America can be proud of the best firms, the finest workers, and the most innovative products, we are also proud of the rules we live by to keep our workers safe and our communities clean. There are labor and environmental issues we must address with our partners, and trade is a good avenue to do so because it delivers as it demands responsibility. American leadership in the global economy carries an obligation with it to support and encourage labor standards and environmental protections around the world. The President has pledged that free trade will not lower our standards, but will be a way to persuade other countries to build on the prosperity that comes with trade and lift their own people up.

Finally, it is simply not true that we cannot sell overseas to developing countries. Ninety-six percent of the world's consumers live outside of the United States. Over the past eight years -- during which our global exports almost doubled -- the developing nations accounted for about half of that growth. Where in 1988 the developing countries purchased just over one-third of our exports, they now buy more than 40 percent. As these countries develop, they will become an even more attractive market for our products.

We fully expect that over the coming decade, developing countries will grow faster than our industrial partners, and therefore their share of our exports will grow as well. We believe that participating in these export opportunities will be critical to our overall economic well-being. If we can tap these markets, we can expect to see exports account for about 20 percent of our national income by 2010, about double its current contribution.

Conclusion

Let me conclude by mentioning the biggest myth of all: that is, if we put off the decision on fast-track authority now, we can do it "right" later. The time is now. This legislation is in our national interest, and in the coming weeks we need to find ways to bridge the differences between us to achieve the broadest possible bipartisan support.

Thank you.

Russell W. Horwitz
10/22/97 10:24:54 AM

Record Type: Record

To: Ronda H. Jackson/WHO/EOP

cc: See the distribution list at the bottom of this message
Subject: Fast Track documents for Cabinet Briefing

Murray 2
Feingold 2
Durbin 4
Reed 3
Bryan - 1 ("FP")

others
Biden
Cleland
Lautenberg
Conrad

fasttrk.fp fastrac.wto fasttrac.o21 fasttrk.tps

first is foreign policy/fast track talking points

second is fact sheet on what U.S. will miss out on by not participating in WTO negotiations

third is talking points on fast track and American workers

fourth is general talking points on fast track.

Russ - can give to Hamilton (except genl. t/k pts)

Message Copied To:

Victoria - same

Victoria Radd/WHO/EOP
Jason Berman/WHO/EOP
Eric R. Biel/WHO/EOP
Jake Siewert/OPD/EOP
LEAVY_D @ A1 @ CD @ LNGTWY
Glen M. Weiner/WHO/EOP
MITSLER_E @ A1 @ CD @ LNGTWY
KYLE_R @ A1 @ CD @ LNGTWY

Kevin S. Moran
10/21/97 11:55:23 AM

Record Type: Record

To: All OPD Users, All WHO Users

cc: Lawrence J. Haas/OMB/EOP
Subject: Fast Track Message Documents

Attached are two Fast Track message documents. The first is focused on Fast Track and workers, the second on Fast Track implications for foreign policy.

fasttrac.o21 fasttrk.fp

Eric R. Biel
10/22/97 04:50:47 PM

Record Type: Record

To: Victoria Radd/WHO/EOP, Russell W. Horwitz/OPD/EOP

cc:
Subject: Distributing the four documents

Thanks for getting back to me on appropriate distribution of the four documents Russell e-mailed around this morning. Just so you know: I have given a full set (including the general talking points) to Bob Novick for Charlene (he said no indication she got them from Cabinet meeting), Dave Marchick for Eizenstat/Albright, and Kari Dohn for Daley. I sent up just the three -- not the general talking points, of course -- to Lee Hamilton's chief trade staffer, who had been asking for this sort of thing for the past few days in connection with some materials he is putting together.

Russell W. Horwitz
10/20/97 12:11:06 PM

Record Type: Record

To: Eric R. Biel/WHO/EOP
cc:
Subject: Draft Fast Track

fasttrac.pts

Can you quickly look the headings over.

Comments to Russell 2:40 pm 10/20

"Economic Nationalism"
"points of Gene"

– send out all t/o
New Trade initiative

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

America needs fast track to continue to create higher-paying jobs for more Americans. Without it, America's role as the largest exporter in the world will be put in jeopardy. And with more markets opening around the world, it is now more important than ever to give the President traditional trade authority to break down trade barriers for American goods and services.

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

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

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

AGRICULTURE

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

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

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

- **U.S. agriculture will pay a price if fast track is not granted.**
  - ☞ More than 30 bilateral and regional trade agreements are already operating here in the Western Hemisphere, and the U.S. is party to only one -- NAFTA. While these preferential trade agreements multiply, the U.S. share of the region's total agricultural imports is declining.
  - ☞ Chile has already signed trade agreements with Bolivia, Colombia, Ecuador, Mexico, Venezuela, MERCOSUR and most recently Canada. The U.S. has already lost an estimated $500 million in exports to other countries that have duty preferences already in place.
  - ☞ Chilean fresh fruit pays a 2% duty when entering Venezuela (due to the Chile-Venezuela FTA) whereas American producers pay a 15% tariff. The U.S. Embassy estimates that the U.S. market share would grow from its current 39% to 67% if U.S. producers had equivalent access to the Venezuelan market.

Without fast track, the U.S. will lack credibility to push for a fast start on WTO agricultural negotiations scheduled to start at the end of 1999. Agriculture remains one of the most protected and subsidized sectors in the world economy. American exports still continue to face trade barriers through high tariffs and preferential trade deals that exclude the U.S. **Already, since 1992, in Latin America and Asia alone, our competitors have negotiated 20 trade agreements that do not include the United States.**

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

COMMERCIAL SERVICES

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

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

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

- **Unless negotiated away, barriers will inhibit increased U.S. service exports.** In Korea, a number of service sectors remain restrictive for foreign investment, including audio-visual services, insurance, telecommunications and advertising. Brazil has restrictive investment laws, lack of transparency in administrative procedures and limits on foreign capital participation. Distribution in the domestic market is restricted in Indonesia.

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

GOVERNMENT PROCUREMENT

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

Civil Aircraft

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

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

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

Energy Equipment

- **Since 1990, U.S. exports of energy equipment have doubled reaching $15.5 billion in 1996 with a trade surplus of $6.5 billion.** U.S. exports to the big emerging markets, China and FTAA countries more than doubled since 1990. Exports account for an estimated 34% of the U.S. industry's product shipments. By 2005, energy equipment exports are expected to exceed domestic shipments.

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

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

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

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

Environmental Technologies and Services

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

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

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

Medical Equipment

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

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

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

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

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

KEEPING AMERICA AND ITS WORKERS THE MOST COMPETITIVE IN THE WORLD

America Needs Fast Track to Continue to Create Higher-Paying Jobs for More Americans. Without it, America's role as the largest exporter in the world will be put in jeopardy. And with new markets opening around the world, it is more important than ever to give the President traditional trade authority to break down trade barriers that put American products made by American workers at a disadvantage. We will continue to ensure that America's workers will benefit from expanded trade by fighting for increased training and education opportunities.

I. AMERICAN WORKERS STILL FACE A DISADVANTAGE BECAUSE TOO MANY FOREIGN COUNTRIES PLACE RESTRICTIONS ON AMERICAN GOODS. WE NEED FAST TRACK TO LEVEL THE PLAYING FIELD FOR AMERICAN WORKERS.

What We Inherited. In 1993, President Clinton came into office at a time when the U.S. continued its commitment to free and fair trade, but other countries maintained high tariffs and other obstacles to fair trade to the disadvantage of America's workers.

President Clinton Moved to Address this Disadvantage by Completing the Uruguay Round Agreements, Negotiated Under Fast Track Authority. We have repeatedly leveled the playing field by negotiating tough, fair agreements -- securing more concessions from our trading partners than we had to give up. For example, Australia has cut its tariffs five times more than we have had to, Korea six times more than the U.S. and Peru has cut its tariffs ten times more than the U.S. since the Uruguay Round of GATT. Because of the ongoing benefits from the Uruguay Round, it is estimated that trade will continue to grow by an average of 9% per year until 2000.

American Workers Still Face a Disadvantage. Even with the recent progress in GATT, American exports still face higher tariff rates than our own. For instance, U.S. agricultural exports average 38%, while our own rates average 11%. U.S. electric machinery exports average 5%, while our rates average under 2%. Without Fast track authority, these conditions will only persist when more and more countries negotiate their own preferential trade deals to the detriment of America's workers. American workers deserve better.

Open and Fair Trade is in the Best Interest of American Workers and their Families. As the American people prepare for the challenges of the 21st century, we face a critical choice: We can meet the challenges of the future, write the trade rules and continue America's remarkable economic growth -- or we can turn our back on the world and fail to compete for new markets, new contracts, new business and new jobs. All over America, jobs have been created in small, medium and large companies that would not be here today if we did not have the ability to negotiate fair trade agreements.

- Over the last four years, American manufacturing exports rose 42%, high technology exports jumped 46%, service exports climbed 33% and farm exports rose 41%.
- From 1990-1996, U.S. auto exports to the biggest emerging markets (excluding Mexico) rose $500 million and are estimated to reach $6.1 billion by 2010. U.S. parts exports to these emerging markets are expected to more than triple from the current $3 billion to $10 billion in 2010.
- The U.S. dominates 75% of the global software market. More than one-half million workers are employed in the industry -- double the level a decade ago. This industry is expected to grow 9% *per year* worldwide over the next decade.

- The U.S. once again dominates the world's semiconductor industry -- after trailing Japan for years. More than one-quarter million American are employed in the semiconductor industry -- up 13% over the last three years. The global semiconductor market nearly tripled in size between 1990 and 1995 -- and sales are expected to reach $200 billion by the year 2000 -- a fourfold increase over a decade.
- Exports of goods and services have risen from about 4% of GDP in the early 1960's to over 13% today. Over 15% of the total American workforce is employed in the manufacturing sector. U.S. exports have grown 3 times faster than Japan's, 5 times faster than Germany's since the mid 1980's.

II. TO ENSURE THAT ALL AMERICAN WORKERS BENEFIT FROM EXPANDED TRADE, THE CLINTON ADMINISTRATION HAS FOUGHT FOR INCREASED TRAINING AND EDUCATION OPPORTUNITIES.

We need a growth strategy in which we take every action possible to ensure that all Americans can benefit from economic change. We need to break out of the old arguments that say you are either for blocking change or you are for the market, but everyone has to fend for themselves. Government needs to help workers, communities and those not in the job market realize the benefits of expanded trade.

- **The Administration is developing a comprehensive plan to help communities and workers who have been affected by trade.** President Clinton is building on his strong record of helping workers and families secure more opportunities to improve their educations and obtain higher paying jobs. The President will announce his plan early next week.

<u>A Record of Strong Action to Help Families and Workers</u>

- **Fought To Ensure Low-Income Families Benefitted from Child Tax Credit.** Because of the President's efforts, 13 million children from families with incomes below $30,000 will receive the tax credit -- up to 7.5 million more than under the House plans. Families making under $30,000 -- such as young teachers, police officers, farmers, nurses and others who work hard and play by the rules -- will now receive the child credit.
- **20% Tuition Tax Credit.** The balanced budget deals provides for a 20% tuition tax credit applied to the first $5,000 of qualified education expenses and to the first $10,000 thereafter for college juniors, seniors, graduate students, and working Americans pursuing lifelong learning.
- **$1,500 Hope Scholarship Tax Credit.** The balanced budget deal also includes a $1,500 Hope Scholarship to make the first two years of college universally available. For a student attending the average four-year college, the Tuition Tax and HOPE Scholarship tax credits will provide tax savings of up to $5,000.
- **Doubled Dislocated Worker Funding.** The funding for dislocated workers has been doubled, from $651 million in FY93 to $1,286 million in FY97. This year, the dislocated worker program will assist 580,000 workers, up about 300,000 since President Clinton took office.
- **Largest Pell Grant Increase in Two Decades.** The Balanced Budget agreement boosts the maximum 1998 Pell grant from $2,700 to $3,000, and expands the program to more poor independent students -- that's the largest increase in two decades.

III. IF THE PRESIDENT DOES NOT HAVE THE SAME AUTHORITY THAT EVERY PRESIDENT HAS HAD SINCE 1974, OUR COMPETITORS, NOT AMERICAN WORKERS, WILL REALIZE THE BENEFITS OF THE NEW ECONOMY.

Today, we have the opportunity to permanently create the types of jobs that pay more and provide our workers with more security -- <u>if we continue to increase our exports and open more markets</u>. But if the President does not have the authority to negotiate tough and fair trade agreements with Congress' consent, our competitors will get the best jobs for their workers, while the U.S. will be relegated to the sidelines.

- **Without fast track, the U.S. will lack credibility to push for a fast start on global negotiations scheduled to start at the end of 1999. <u>The United States stands the most to gain in these negotiations because of its comparative advantage in agriculture, commercial services and government procurement.</u>**

  ☞ **Agriculture.** Agricultural exports support nearly a million U.S. jobs. Agriculture remains one of the most protected and subsidized sectors in the world economy. American exports still continue to face trade barriers through high tariffs and preferential trade deals that exclude the U.S.

  ☞ **Commercial Services.** Service exports of U.S. firms supported nearly 4 million jobs in 1996. Unless negotiated away, barriers will inhibit increased U.S. service exports. In Korea, a number of service sectors remain restrictive for foreign investment including telecommunications and insurance. Brazil has restrictive investment laws, lack of transparency in administrative procedures and limits on foreign capital participation. Distribution in the domestic market is restricted in Indonesia.

  ☞ **Government Procurement.** Some sectors relating to government procurement include civil aircraft, energy equipment, environmental technologies and services and medical equipment which employ over 2 million American workers. The vast majority of low and middle-income countries have not signed the WTO Government Procurement Code and the U.S. cannot negotiate government procurement obligations in plurilateral negotiations.

TALKING POINTS ON FAST TRACK AND FOREIGN POLICY

Fast Track and American Leadership -- Overview

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

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

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

Exports and U.S. Growth

- **For the U.S., the case for fast track is clear: if we are to sustain our economic growth, we must export.** Since 1993, one-third of our growth has come from exports. Over the next decade, the economies of Latin America and Asia are expected to grow at three times the rate of the U.S. economy. In a world where 96% of the world's consumers live outside our borders, we must export to grow. It's that simple.

- **We are in a perfect position to compete. Our economy is the envy of the world.** We are once again the world's most competitive economy, the world's largest exporter, the leading producer in key industries like automobiles, semiconductors and pharmaceuticals. It makes no sense to sideline ourselves now.

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

Fast track and American Foreign Policy

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

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

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

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

Conclusion

- **The United States faces a critical choice.** We can continue to make our economy the model for the rest of the world, open foreign markets, and reaffirm our global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to take our place. The choice is that stark -- and that important.

GENERAL TALKING POINTS ON THE IMPORTANCE OF FAST TRACK

Introduction

- I think you know the arguments for fast track authority. One-third of our growth since 1993 has come from exports. About 96% of the world's consumers live outside our borders. If we are to continue to grow, we must export. It's that simple. And that's all we are seeking under fast track: the opportunity to negotiate new agreements that break down foreign trade barriers, level the playing field, and increase our ability to export our world-class goods and services.

- We are in a perfect position to compete. Our economy is the envy of the world. We are once again the world's most competitive economy, the world's largest exporter, the leading producer of automobiles, semiconductors, and pharmaceuticals. It makes no sense to sideline ourselves now.

Fast Track and American Leadership

- We also must understand that the importance of fast track extends beyond trade alone; it is about American leadership in the world today. This debate is being viewed in Latin America and other world capitals as nothing less than a test of whether we intends to maintain our leadership role -- or to retreat and turn inward.

- Defaulting on our leadership role would be a terrible mistake. Under our lead, average tariffs have fallen from 40% at the end of World War II to about 5% today. This has led to a 90-fold increase in trade, which has benefited us enormously. One-third of our strong economic growth over the past five years has come from exports. We must not turn our back on those achievements.

- We cannot afford to take our leadership for granted. Throughout the world, especially in Latin America, others are moving to reach trade deals opening their markets. And they are not waiting for us -- with some 20 preferential trade deals already that exclude the United States. The EU is seeking such an agreement with MERCOSUR -- a market of over 200 million people with a GDP exceeding $1 trillion. And President Chirac has stated that "the future of the region rests with Europe, not the United States."

- Let's face it: American leadership is not divisible. If we do not lead on trade, our influence is bound to suffer in other areas as well. The patterns of trade affect our national security and strategic interests as well -- particularly in this hemisphere. Trade agreements can bind us together through shared interests and institutions. If by default in our leadership we permit Latin America to turn increasingly to Europe and Asia in its trade relations, it will weaken our relationship with them in other areas as well -- from drug interdiction to immigration to environmental protection to fighting corruption.

- Rejecting fast track would send the wrong signal to developing countries in particular. After decades of failed experiments and anti-Americanism, many today are embracing free markets, democracy, and other American values. But this progress is still fragile -- and it will continue only if we continue to press countries to embrace free trade policies, build stronger middle classes, and strengthen the building blocks of democracy. Having preached the benefits of open trade to these countries for so long, the United States must not turn in precisely the opposite direction at this critical time.

Efforts to Address Members' Concerns

- I believe that as we expand trade, we should ensure that everyone shares in the benefits. That not only is the right thing to do – it is also essential if we want to keep public support for a policy of expanded trade. That begins with extending the Trade Adjustment Assistance program -- as the Finance Committee has done with bipartisan support. The Administration has been working on a series of other initiatives to help both workers and communities, which we will be announcing in the next few days.

- Let me also tell you why our critics have it wrong on labor and the environment. I am convinced we can break down foreign trade barriers and advance worker rights and environmental protection at the same time. The Finance Committee bill strikes a sensible, balanced approach to allow us to do just that. And look at it this way: if we have fast track, Chile will conclude labor and environmental side agreements with us -- in fact, they already have agreed to do so. If we don't, they won't. Rejecting fast track is the best way to ensure that labor and environmental concerns simply are ignored in the years ahead.

Conclusion

- This is a very important vote. We face a critical choice. We can continue to make our economy the model for the rest of the world, open foreign markets, and exert global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to take our place. The choice is that stark – and that important. That's why I feel so strongly about fast track, and why I ask for your support.

POSSIBLE FAST TRACK QUESTIONS AND PROPOSED RESPONSES

Labor and the Environment

Q: Why have you embraced fast track bills in both the Senate and House that treat labor and the environment as second-tier concerns, not fundamental parts of trade agreements?

- Your characterization of these bills is wrong. They contain principal negotiating objectives aimed specifically at worker rights and the environment. That's more than has ever been contained in fast track legislation before. Under the bills, we will be able to use trade agreements to keep other governments from weakening their labor, environmental, or health and safety laws to gain an advantage in trade or investment (House bill)/to attract investment or inhibit U.S. exports (Senate bill).

- The President also retains ample authority to address these issues in a variety of international fora, as my Administration has been doing for the past 4 ½ years. And with fast track, the President also will be able to pursue labor and environmental side agreements where appropriate, including with Chile. Our goal should be to work with other countries to help them better protect the rights of their workers and improve their environments -- whether or not we are engaged in trade negotiations with them at any given point in time.

The Need for Fast Track

Q: How can you claim fast track is needed for trade agreements, when you have concluded over 200 such agreements without it?

- Fast track is needed only when we intend to make changes to U.S. law. Many agreements we negotiate with Japan and other countries include changes only by the foreign government, not us -- usually in response to our pressure to open their markets. But the largest and most important agreements -- like NAFTA and the Uruguay Round, and the future agreements we are seeking on agriculture, services, and in other areas -- require that all countries involved make some changes to their laws. We need fast track for those agreements.

- If we don't have fast track, other countries simply will not negotiate with us. They won't enter into one negotiation with the President, then let Congress unilaterally change the terms of the deal reached -- in effect, a second negotiation. Either the foreign country won't give the Administration their bottom line, best offer (fearing they'll have to make additional concessions to Congress), or they will simply refuse to negotiate in the first place. That's Chile's position; they have refused to negotiate with us unless we have fast track.

- History bears this out. In the late 1960s, the Administration brought back a GATT trade agreement that Congress amended unilaterally. After that, other countries simply refused to negotiate with us for several years. That's precisely why fast track procedures were enacted by Congress in 1974 -- to get us back in the game and leading again on trade.

Effects of NAFTA

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

- First, I reject the critics' claims about NAFTA. The best available information shows that NAFTA has had a *positive* job impact -- creating 90,000 to 160,000 U.S. jobs, despite the 1995 peso crisis and its effect on Mexico's economy. And thanks to NAFTA, our exports to Mexico are already recovering from that temporary setback -- whereas we needed seven years for our exports to rebound after Mexico's last major financial crisis in the early 1980s. NAFTA has given us the chance to sell more to Mexico -- and to work more closely than ever before on other issues, including labor and the environment.

- But regardless what you think, this fast track debate is not about NAFTA. It is about our global trade agenda, our ability to negotiate new international agreements on agriculture and services and in those sectors in which we are the most competitive nation in the world. And it is about our ability to go after foreign trade barriers that remain much higher than our own -- to work to level the playing field for our workers and firms.

Helping Workers and Communities

Q: Why should I support fast track without guarantees that trade-impacted workers and communities will be helped adequately?

- President Clinton has done more than any other President to ensure that American workers benefit from expanded trade. And for those who may not share in the benefits of our strong economy, this Administration has fought successfully for increased training and educational opportunities. We have doubled the funding for dislocated workers since 1993 to nearly $1.3 billion; have fought to ensure that 13 million children from low-income families benefit from the child tax credit; have made college more affordable with the Hope Scholarship and tuition tax credit programs; and have pushed successfully for a variety of other measures.

- And the President is committed to doing even more to build on this strong record. The Administration has been working on a set of additional initiatives to help both individuals and communities that may be affected by trade flows, and President Clinton will be announcing the details of those plans in just a few more days.

The U.S. Trade Deficit

Q: Why should we move ahead with fast track and new trade agreements when our trade deficit continues to balloon?

- The trade deficit is the result of a range of complex factors, and is not the sign of a weak economy. It is hard to argue that this is harming us when we have been growing at about 3% annually over the past five years, have the lowest unemployment in 23 years, rising income levels, a rapidly shrinking budget deficit, high consumer demand, and record exports.

- And we are seeing some very positive signs: our exports are up 10% this year, despite sluggish growth in many other countries and a strong U.S. dollar. And our trade balances with our NAFTA partners -- now our two largest export markets -- have improved greatly this year, as we have cut the deficit with Canada 24% and with Mexico 15%.

- In any event, the best way to attack the deficit is to increase our exports -- and the best way to do that is through fast track trade agreements that break down foreign barriers. If you are concerned about the trade deficit, you should support giving the President the authority to attack the remaining trade barriers and negotiate tough new agreements to help our exporters.

<u>Trade Agreements with Developing Countries</u>

Q: Why should we negotiate trade agreements with countries where workers earn a fraction of U.S. wages?

- The truth is we are competing quite successfully with low-wage countries. Over the past decade, our exports to those countries are up 240% -- nearly double the increase to richer countries and more than three times the gain in domestic sales. Today, they account for 42% of our total exports -- creating jobs that pay about 15% more than non-export related jobs.

- We remain the strongest economy in the world, with the most productive workers. And we will gain through trade agreements with developing countries, whose existing barriers are several times higher than our own.

TALKING POINTS FOR FAST TRACK DISCUSSION WITH DEMOCRATIC SENATORS

Introduction

- I am asking for your support for the fast track legislation when it comes up for a vote this week. A strong, bipartisan Senate vote -- just as we achieved in the Finance Committee last month -- will be critical to getting work on fast track completed this year.

- I think you know the basic arguments for fast track. One-third of our economic growth since I became President has come from exports. About 96% of the world's consumers live outside our borders. If we are to continue to grow, we must export. And to open foreign markets, we need fast track authority to negotiate tough, fair trade agreements. It's that simple.

- We are in a perfect position to compete. Our economy is the envy of the world. We are once again the world's most competitive economy, the world's largest exporter, the leading producer of automobiles, semiconductors, and pharmaceuticals. It makes no sense to sideline ourselves now.

- We also must understand that the importance of fast track extends beyond trade alone; it is about American leadership in the world today. Defaulting on our leadership role would be a terrible mistake. Under our lead, average tariffs have fallen from 40% at the end of World War II to about 5% today. This has led to a 90-fold increase in trade, which has benefited us enormously. We must not turn our back on those achievements.

- Let's face it: American leadership is not divisible. If we do not lead on trade, our influence is bound to suffer in other areas as well. Trade agreements can bind us together through shared interests and institutions. If by default in our leadership we permit Latin America to turn increasingly to Europe and Asia in its trade relations, it will weaken our relationship with them in other areas as well -- from drug interdiction to immigration to environmental protection to fighting corruption.

New Initiatives to Address Members' Concerns

- I believe that as we expand trade, we should ensure that everyone shares in the benefits. That not only is the right thing to do – it is also essential if we want to keep public support for our trade policy. To accomplish that, and ensure that Democratic concerns are addressed, I have been working closely over the past several weeks with Senator Daschle to respond to issues many of you have raised on labor, the environment, and agriculture. Today, we are announcing a set of new initiatives on these fronts. These include:

    - Each time a free trade agreement is brought back to Congress, we will submit a review of the broader relevant conditions in the other FTA countries -- including their enforcement of labor and environmental laws, the integrity and effectiveness of their legal system, and their overall macroeconomic policies and practices (including exchange rate system). This will ensure that Members of Congress and the American public can evaluate thoroughly the merits of future free trade agreements.

    - We will propose a series of specific steps to strengthen how the international financial institutions, such as the World Bank and IMF, incorporate labor and environmental issues into their operations -- including by calling for a screening mechanism to ensure these issues are taken into account in any planning and programming activities.

- To promote a greater understanding of the labor conditions in our NAFTA partners, the Labor Department will report annually on each country's labor laws, practices, and conditions -- and how they are responding to cases brought under the NAFTA labor side agreement.

- We will build on our existing efforts to address child labor practices in other countries, including by establishing an Administration task force to implement the recent change to U.S. trade law that permits us to keep out products made with forced or bonded child labor.

- We will pursue a number of steps to promote greater openness and transparency in the operations of the World Trade Organization (WTO), including in its dispute settlement proceedings. We also will propose that the WTO establish an "eminent persons group" to examine and report on the relationship between trade and environmental principles. Both of these initiatives have been major priorities of U.S. environmental organizations, and we are pleased to be responsive to them.

- I am also committed to doing more to help both workers and communities who have not shared in the benefits from expanded trade. That begins with extending the Trade Adjustment Assistance program -- as the Finance Committee did with bipartisan support.

    - Later this week, we also will be announcing a packages of additional initiatives to help both workers and communities affected by trade, and which expand on our broader efforts to tap the full potential of our inner cities and poorer rural communities -- those areas that have not shared in our overall economic prosperity.

    - That's all part of our Democratic growth plan -- which means that when we balance the budget we also invest in our people, and when we work to open markets we also make certain we don't leave anyone behind.

- The bottom line is that our critics have it wrong on labor and the environment. I am convinced we can break down foreign trade barriers and advance worker rights and environmental protection at the same time -- and the initiatives we are announcing today will help us do just that. And look at it this way: if we have fast track, Chile will conclude labor and environmental agreements with us -- in fact, they already have agreed to do so. If we don't, they won't. Rejecting fast track won't clean up a single toxic waste site or keep a single child out of a sweat shop overseas -- it will simply ensure that our legitimate labor and environmental concerns are ignored in the years ahead.

Conclusion

- This is a very important vote. We face a critical choice. We can continue to make our economy the model for the rest of the world, open foreign markets, and exert global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to take our place. The choice is that stark – and that important. That's why I feel so strongly about fast track, and why I ask for your support.

Eric R. Biel
10/21/97 07:10:50 PM

Record Type: Record

To: Victoria Radd/WHO/EOP

cc:
Subject: Attached fast track talking points

Sorry--forgot to attach. Here they are. EB talkpts.do

---------------------- Forwarded by Eric R. Biel/WHO/EOP on 10/21/97 07:18 PM ---------------------------

Eric R. Biel
10/21/97 07:09:54 PM

Record Type: Record

To: Victoria Radd/WHO/EOP

cc:
Subject: Attached fast track talking points

Attached for your review are talking points and Q&As, both slightly revised from the set delivered this afternoon for the POTUS meetings tomorrow and Thurs. Hopefully I have rewritten wherever necessary so that these can be used by any senior Admin. official. I also reordered the Q&A, deleting the Senate-specific stuff and adding in a similar one under "The Need for Fast Track." See what you think. Presumably these can be used fairly broadly, though we'll need to tailor and update periodically in any event. EB

= talkpts.doc
As distributed 10/22
via Vicki Radd

GENERAL TALKING POINTS ON THE IMPORTANCE OF FAST TRACK

Introduction

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- History bears this out. In the late 1960s, the Administration brought back a GATT trade agreement that Congress amended unilaterally. After that, other countries simply refused to negotiate with us for several years. That's precisely why fast track procedures were enacted by Congress in 1974 -- to get us back in the game and leading again on trade.

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Glen M. Weiner 66276
10/22/97 05:32:14 PM

Record Type: Record

To: Eric R. Biel/WHO/EOP, Jake Siewert/OPD/EOP, LEAVY_D @ A1 @ CD @ LNGTWY, Russell W. Horwitz/OPD/EOP

cc: Thomas D. Janenda/WHO/EOP
Subject: Final Draft -- Fast Track Points

outside.tp

Please review the attached final draft of Fast Track Talking Points for outside folks as soon as possible.

let me know if you have any corrections, suggestions, problems, etc.

thanks

Eric R. Biel
10/21/97 03:59:05 PM

Record Type: Record

To: Michael W. Williams/WHO/EOP
cc:
Subject: Final POTUS talking points/Q&A--I hope

Attached is the final version, unless Dan Tarullo weighs in (I have told Kristen there to contact you directly if so). Hope all looks okay. EB potussen.do

Eric R. Biel
10/21/97 04:00:46 PM

Record Type: Record

To: Kristen E. Panerali/OPD/EOP

cc:
Subject: POTUS talking points

I have to go over to Commerce for a meeting, and then have a meeting back here at 5, so I have sent the talking points with Q&As to Mike Williams. If Dan has any edits/comments (and of course I hope he doesn't), you should get in touch directly with Mike at 67767 or by e-mail. Thanks, EB

TALKING POINTS FOR FAST TRACK MEETINGS WITH SENATORS

Introduction/General Economic Points

- I want to talk with you about fast track – and ask for your support in the coming weeks. I greatly welcomed the strong, bipartisan vote in the Senate Finance Committee on October 1, and hope that we will achieve the same result when the full Senate takes up the fast track legislation.

- I think you know the arguments for fast track authority. One-third of our growth since I became President has come from exports. About 96% of the world's consumers live outside our borders. If we are to continue to grow, we must export. It's that simple.

- We are in a perfect position to compete. Our economy is the envy of the world. We are once again the world's most competitive economy, the world's largest exporter, the leading producer of automobiles, semiconductors, and pharmaceuticals. It makes no sense to sideline ourselves now.

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- I believe that as we expand trade, we should ensure that everyone shares in the benefits. That not only is the right thing to do – it is also essential if we want to keep public support for a policy of expanded trade. That begins with extending the Trade Adjustment Assistance program -- as the Finance Committee has done with bipartisan support. The Administration has been working on a series of other initiatives to help both workers and communities, which we will be announcing in the next few days.

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- I also retain ample authority to address these issues in a variety of international fora, as my Administration has been doing for the past 4 ½ years. And with fast track, I also will be able to pursue labor and environmental side agreements where appropriate, including with Chile. I want to work with other countries to help them protect the rights of workers and improve their environments -- whether or not we are engaged in trade negotiations with them.

Effects of NAFTA

Q: Why should we support fast track when we see such negative effects from NAFTA on our workers and economy?

- First, I reject the critics' claims about NAFTA. The best available information shows that NAFTA has had a *positive* job impact -- creating 90,000 to 160,000 U.S. jobs, despite the 1995 peso crisis and its effect on Mexico's economy. And thanks to NAFTA, our exports to Mexico are already recovering from that temporary setback -- whereas we needed seven years for our exports to rebound after Mexico's last major financial crisis in the early 1980s. NAFTA has given us the chance to sell more to Mexico -- and to work more closely than ever before on other issues, including labor and the environment.

- But regardless what you think, this fast track debate is not about NAFTA. It is about our global trade agenda, our ability to negotiate new international agreements on agriculture and services and in those sectors in which we are the most competitive nation in the world. And it is about our ability to go after foreign trade barriers that remain much higher than our own -- to work to level the playing field for our workers and firms.

Helping Workers and Communities

Q: Why should I support fast track without guarantees that trade-impacted workers and communities will be helped adequately?

- I have done more than any other President to ensure that American workers benefit from expanded trade. And for those who may not share in the benefits of our strong economy, I have fought successfully for increased training and educational opportunities. I have doubled the funding for dislocated workers since 1993 to nearly $1.3 billion. I also have fought to ensure that 13 million children from low-income families benefit from the child tax credit, made college more affordable through the Hope Scholarship and tuition tax credit programs, and pushed successfully for a variety of other measures.

- And I am committed to doing even more to build on this strong record. We have been working on a set of additional initiatives to help both individuals and communities that may be affected by trade flows, and will be announcing the details of those plans in just a few more days.

<u>**The U.S. Trade Deficit**</u>

Q: Why should we move ahead with fast track and new trade agreements when our trade deficit continues to balloon?

- The trade deficit is the result of a range of complex economic factors, and is hardly the sign of a weak economy. It is hard to argue that the trade deficit is harming us when we have been growing at about 3% annually over the past five years, have the lowest unemployment in 23 years, rising income levels, a rapidly shrinking budget deficit, high consumer demand, and record exports.

- And we are seeing some very positive signs: our exports are up 10% this year, despite sluggish growth in many other countries and a strong U.S. dollar. And our trade balances with our NAFTA partners -- now our two largest export markets -- have improved greatly this year, as we have cut the deficit with Canada 24% and with Mexico 15%.

- In any event, the best way to attack the deficit is to increase our exports -- and the best way to do that is through fast track trade agreements that break down foreign barriers. If you are concerned about the trade deficit, you should support giving me the authority to attack the remaining trade barriers and negotiate tough new agreements to help our exporters.

<u>**Trade Agreements with Developing Countries**</u>

Q: Why should we negotiate trade agreements with low-wage countries where workers earn a fraction of U.S. wages?

- The truth is we are competing quite successfully with low-wage countries. Over the past decade, our exports to those countries are up 240% -- nearly double the increase to richer countries and more than three times the gain in domestic sales. Today, they account for 42% of our total exports -- creating jobs that pay about 15% more than non-export related jobs.

- We remain the strongest economy in the world, with the most productive workers. And we will gain through trade agreements with developing countries, whose existing barriers are several times higher than our own.

<u>Fast Track and Senate Prerogatives</u>

Q: How can you claim fast track is needed for trade agreements, when you have concluded over 200 such agreements without it?

- Fast track is needed only when we intend to make changes to U.S. law. Many agreements we negotiate with Japan and other countries include changes only by the foreign government, not us -- usually in response to our pressure to open their markets. But the largest and most important agreements -- like NAFTA and the Uruguay Round, and the future agreements we are seeking on agriculture, services, and in other areas -- require that all countries involved make some changes to their laws. We need fast track for those agreements.

- If we don't have fast track, other countries simply will not negotiate with us. They won't enter into one negotiation with the President, then let Congress unilaterally change the terms of the deal reached -- in effect, a second negotiation. Either the foreign country won't give the Administration their bottom line, best offer (fearing they'll have to make additional concessions to Congress), or they will simply refuse to negotiate in the first place. That's Chile's position; they have refused to negotiate with us unless we have fast track.

- History bears this out. In the late 1960s, the Administration brought back a GATT trade agreement that Congress amended unilaterally. After that, other countries simply refused to negotiate with us for several years. That's precisely why fast track procedures were enacted by Congress in 1974 -- to get us back in the game and leading again on trade.

Q: Why aren't the trade agreements you expect to negotiate subject to Senate approval as <u>treaties</u> under Article II of the Constitution? Isn't the fast track process directly at odds with this constitutional requirement?

- No. This issue was thoroughly reviewed during consideration of the Uruguay Round agreements in 1994. The vast majority of constitutional scholars expressly rejected the argument that trade agreements must be submitted to the Senate as treaties. Pointing out that executive agreements are far more common than treaties, they found that the House and Senate can act under Article I of the Constitution and use fast track procedures to approve these agreements. And the Senate itself rejected the treaty argument and passed the Uruguay Round legislation overwhelmingly by a 76-to-24 vote.

Jason Berman
10/21/97 01:56:41 PM

Record Type: Record

To: Eric R. Biel/WHO/EOP

cc:
Subject: Talking Points

The fourth bullet should be rephrased. The phrase "just trade" is demeaning in a way. It is about trade and about how trade and foreign policy are increasingly tied together--in the same way that military security and foreign policy were tied together in the Cold War. "beyond trade alone"

On page 2 change "terrible signal" to "wrong signal."

Add that the side agreements with Chile will carry penalties. These civil fines can run into the millions of dollars. – problem here – how do we know? disagree

In regard to low wage countries, the bulk of our imports are not from low wage countries. In the near term, we are not contemplating negotiating any agreeements with low wage countries. – not the point Chile = developing

As to why fast track is necessary, the so-called 200 trade agreements done without it are often unilateral requests by us for others to open their markets--not negotiations. And very often these unilateral requests have no enforcement mechanism. In addition, we can't do the WTO agenda or sectoral without it.

Eric R. Biel
10/21/97 01:22:57 PM

Record Type: Record

To: Jason Berman/WHO/EOP, Victoria Radd/WHO/EOP, Kristen E. Panerali/OPD/EOP, Michael W. Williams/WHO/EOP

cc:
Subject: Attached revised POTUS talking points

Attached for your review are revised talking points, as well as a few Q&As, for the President's meetings with Senators tomorrow and Thursday (and which may be useful, with some minor changes, for other meetings as well). It would be helpful to get any comments by 3 p.m. today, given busy schedules later in the afternoon. Thanks, EB

potussen.do

TALKING POINTS FOR FAST TRACK MEETINGS WITH SENATORS

Introduction/General Economic Points

- I want to talk with you about fast track – and ask for your support in the coming weeks. I greatly welcomed the strong, bipartisan vote in the Senate Finance Committee on October 1, and hope that we will achieve the same result when the full Senate takes up the fast track legislation.

- I think you know the arguments for fast track authority. One-third of our growth since I became President has come from exports. About 96% of the world's consumers live outside our borders. If we are to continue to grow, we must export. It's that simple.

- We are in a perfect position to compete. Our economy is the envy of the world. We are once again the world's most competitive economy, the world's largest exporter, the leading producer of automobiles, semiconductors, and pharmaceuticals. It makes no sense to sideline ourselves now.

Fast Track and American Leadership

- We also must understand that fast track is about more than just trade: it is about American leadership in the world today. I can tell you that this debate is being viewed in Latin America and other world capitals as nothing less than a test of whether we intends to maintain our leadership role -- or to retreat and turn inward.

- Defaulting on our leadership role would be a terrible mistake. Under our lead, average tariffs have fallen from 40% at the end of World War II to about 5% today. This has led to a 90-fold increase in trade, which has benefited us enormously. One-third of our strong economic growth over the past five years has come from exports. We must not turn our back on those achievements.

- We cannot afford to take our leadership for granted. Throughout the world, especially in Latin America, others are moving to reach trade deals opening their markets. And they are not waiting for us -- with some 20 preferential trade deals already that exclude the United States. The EU is seeking such an agreement with MERCOSUR -- a market of over 200 million people with a GDP exceeding $1 trillion. And President Chirac has stated that "the future of the region rests with Europe, not the United States."

- Let's face it: American leadership is not divisible. If we do not lead on trade, our influence is bound to suffer in other areas as well. The patterns of trade affect our national security and strategic interests as well -- particularly in this hemisphere. Trade agreements can bind us together through shared interests and institutions. If by default in our leadership we permit Latin America to turn increasingly to Europe and Asia in its trade relations, it will weaken our relationship with them in other areas as well -- from drug interdiction to immigration to environmental protection to fighting corruption.

- Rejecting fast track would send a terrible signal to developing countries in particular. After decades of failed experiments and anti-Americanism, many today are embracing free markets, democracy, and other American values. But this progress is still fragile -- and it will continue only if we continue to press countries to embrace free trade policies, build stronger middle classes, and strengthen the building blocks of democracy. Having preached the benefits of open trade to these countries for so long, the United States must not turn in precisely the opposite direction at this critical time.

<u>Efforts to Address Members' Concerns</u>

- I believe that as we expand trade, we should ensure that everyone shares in the benefits. That not only is the right thing to do – it is also essential if we want to keep public support for a policy of expanded trade. That begins with extending the Trade Adjustment Assistance program -- as the Finance Committee has done with bipartisan support. The Administration has been working on a series of other initiatives to help both workers and communities, which we will be announcing in the next few days.

- Let me also tell you why our critics have it wrong on labor and the environment. I am convinced we can break down foreign trade barriers and advance worker rights and environmental protection at the same time. The Finance Committee bill strikes a sensible, balanced approach to allow us to do just that. And look at it this way: if we have fast track, Chile will conclude labor and environmental side agreements with us -- in fact, they already have agreed to do so. If we don't, they won't. Rejecting fast track is the best way to ensure that labor and environmental concerns simply are ignored in the years ahead.

<u>Conclusion</u>

- This is a very important vote. We face a critical choice. We can continue to make our economy the model for the rest of the world, open foreign markets, and exert global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to take our place. The choice is that stark – and that important. That's why I feel so strongly about fast track, and why I ask for your support.

POSSIBLE QUESTIONS AND ANSWERS FOR MEETINGS WITH SENATORS

Labor and the Environment

Q: Why have you embraced fast track bills in both the Senate and House that treat labor and the environment as second-tier concerns, not fundamental parts of trade agreements?

- Your characterization of these bills is wrong. They contain principal negotiating objectives aimed specifically at worker rights and the environment. That's more than has ever been contained in fast track legislation before. Under the Senate bill, we will be able to use trade agreements to keep other governments from weakening their labor, environmental, or health and safety standards to attract investment or inhibit our exports.

- I also retain ample authority to address these issues in a variety of international fora, as my Administration has been doing for the past 4 ½ years. I want to work with other countries to help them protect the rights of their workers and improve their environments -- whether or not we are engaged in trade negotiations with them at any given point in time.

Effects of NAFTA

Q: Why should we support fast track when we see such negative effects from NAFTA on our workers and economy?

- First, I reject the critics' claims about NAFTA. The best available information shows that NAFTA has had a *positive* job impact -- creating 90,000 to 160,000 U.S. jobs, despite the 1995 peso crisis and its effect on Mexico's economy. And thanks to NAFTA, our exports to Mexico are already recovering from that temporary setback -- whereas we needed seven years for our exports to rebound after Mexico's last major financial crisis in the early 1980s. NAFTA has given us the chance to sell more to Mexico -- and to work more closely than ever before on other issues, including labor and the environment.

- But regardless what you think, this fast track debate is not about NAFTA. It is about our global trade agenda, our ability to negotiate new international agreements on agriculture and services and in those sectors in which we are the most competitive nation in the world. And it is about our ability to go after foreign trade barriers that remain much higher than our own -- to work to level the playing field for our workers and firms.

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Q: Why should I support fast track without guarantees that trade-impacted workers and communities will be helped adequately?

- I have done more than any other President to ensure that American workers benefit from expanded trade. And for those who may not share in the benefits of our strong economy, I have fought successfully for increased training and educational opportunities. I have doubled the funding for dislocated workers since 1993 to nearly $1.3 billion. I also have fought to ensure that 13 million children from low-income families benefit from the child tax credit, made college more affordable through the Hope Scholarship and tuition tax credit programs, and pushed successfully for a variety of other measures.

- And I am committed to doing even more to build on this strong record. We have been working on a set of additional initiatives to help both individuals and communities that may be affected by trade flows, and will be announcing the details of those plans in just a few more days.

<u>**The U.S. Trade Deficit**</u>

Q: Why should we move ahead with fast track and new trade agreements when our trade deficit continues to balloon?

- The trade deficit is the result of a range of complex economic factors, and is hardly the sign of a weak economy. It is hard to argue that the trade deficit is harming us when we have been growing at about 3% annually over the past five years, have the lowest unemployment in 23 years, rising income levels, a rapidly shrinking budget deficit, high consumer demand, and record exports.

- And we are seeing some very positive signs: our exports are up 10% this year, despite sluggish growth in many other countries and a strong U.S. dollar. And our trade balances with our NAFTA partners -- now our two largest export markets -- have improved greatly this year, as we have cut the deficit with Canada 24% and with Mexico 15%.

- In any event, the best way to attack the deficit is to increase our exports -- and the best way to do that is through fast track trade agreements that break down foreign barriers. If you are concerned about the trade deficit, you should support giving me the authority to attack the remaining trade barriers and negotiate tough new agreements to help our exporters.

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- We remain the strongest economy in the world, with the most productive workers. And we will gain through trade agreements with developing countries, whose existing barriers are several times higher than our own.

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Q: How can you claim fast track is needed for trade agreements, when you have concluded over 200 such agreements without it?

- Fast track is needed only when we intend to make changes to U.S. law. Many agreements we negotiate with Japan and other countries include changes only by the foreign government, not us. But the largest and most important agreements -- like NAFTA and the Uruguay Round -- require that all countries involved make some changes to their laws. We need fast track for those agreements.

- If we don't have fast track, other countries simply will not negotiate with us. They won't enter into one negotiation with the President, then let Congress unilaterally change the terms of the deal reached -- in effect, a second negotiation. Either the foreign country won't give the Administration their bottom line, best offer (fearing they'll have to make additional concessions to Congress), or they will simply refuse to negotiate in the first place. That's Chile's position; they have refused to negotiate with us unless we have fast track.

- History bears this out. In the late 1960s, the Administration brought back a GATT trade agreement that Congress amended unilaterally. After that, other countries simply refused to negotiate with us for several years. That's precisely why fast track procedures were enacted by Congress in 1974 -- to get us back in the game and leading again on trade.

Q: Why aren't the trade agreements you expect to negotiate subject to Senate approval as treaties under Article II of the Constitution? Isn't the fast track process directly at odds with this constitutional requirement?

- No. This issue was thoroughly reviewed during consideration of the Uruguay Round agreements in 1994. The vast majority of constitutional scholars expressly rejected the argument that trade agreements must be submitted to the Senate as treaties. Pointing out that executive agreements are far more common than treaties, they found that the House and Senate can act under Article I of the Constitution and use fast track procedures to approve these agreements. And the Senate itself rejected the treaty argument and passed the Uruguay Round legislation overwhelmingly by a 76-to-24 vote.

Michael W. Williams

10/20/97 10:18:57 AM

Record Type: Record

To: Eric R. Biel/WHO/EOP

cc:

Subject: Fast Track Meeting

EVENT:	Congressional Fast Track Meeting
DATE:	Thursday, October 23
TIME:	6:00 - 7:00 PM
LOCATION:	Map Room

Get specifics of other mtgs

Bob wants their MEMOS

**Note: Members should enter the NW Gate at 5:15pm and park on ~~Pennsylvania Avenue.~~

MEMBERS INVITED TO ATTEND:

also get [illegible] mtgs

esp. Daschle or staff work out etc + Lott points

May need specific

Senator Wendell Ford
Senator Jeff Bingaman
Senator Tom Harkin
Senator Jack Reed
Senator Ted Kennedy
Senator Mary Landrieu
Senator Frank Lautenberg
Senator Carol Moseley-Braun
Senator Patty Murray

For meetings

MW thinks esp. issue [illegible] talk pts Lott + Daschle together - thinks Not Gingrich

as part of pre-briefing by Tarullo, etc

Senator Bill Frist
Senator Tim Hutchinson
Senator James Inhofe
Senator Jim Jeffords
Senator Richard Lugar
Senator Mitch McConnell
Senator William Roth
Senator Robert Smith
Senator Gordon Smith
Senator Dan Coats
Senator Orrin Hatch

B-List

Senator Richard Bryan
Senator Dale Bumpers
Senator John Glenn
Senator Ron Wyden

Senator John Ashcroft
Senator Kit Bond
Senator Robert Bennett
Senator Thad Cochran
Senator Paul Coverdell
Senator Rod Grams
Senator Chuck Hagel
Senator Pat Roberts
Senator John Warner
Senator Connie Mack

EVENT:	Congressional Fast Track Meeting
DATE:	Wednesday, October 22
TIME:	5:30 - 6:30 PM
LOCATION:	Map Room

**Note: Members should enter the NW Gate at 5:15pm and park on Pennsylvania Avenue.

MEMBERS INVITED TO ATTEND:

Senator Tom Daschle
Senator Daniel Patrick Moynihan
Senator Joseph Biden
Senator Max Cleland
Senator Richard Durbin
Senator Robert Kerrey
Senator John Kerry
Senator Patrick Leahy
Senator Tim Johnson
Senator Herb Kohl
Senator Charles Robb

Senator Trent Lott
Senator Spencer Abraham
Senator Wayne Allard
Senator Mike DeWine
Senator Mike Enzi
Senator Fred Thompson

Senator Craig Thomas
Senator Rick Santorum
Senator Jon Kyl
Senator Judd Gregg
Senator Slade Gorton

Eric R. Biel
10/20/97 05:09:21 PM

Record Type: Record

To: Ben A. Freeland/WHO/EOP

cc:
Subject: Attached talking points for tomorrow's POTUS meeting with Daschle

---------------------- Forwarded by Eric R. Biel/WHO/EOP on 10/20/97 05:16 PM ---------------------------

Eric R. Biel
10/20/97 05:02:46 PM

Record Type: Record

To: Susan A. Brophy/WHO/EOP, Michael W. Williams/WHO/EOP, Jeffrey A. Forbes/WHO/EOP

cc: Victoria Radd/WHO/EOP, Jason Berman/WHO/EOP, Russell W. Horwitz/OPD/EOP
Subject: Attached talking points for tomorrow's POTUS meeting with Daschle

Attached are four short talking points to be integrated into your document for the Daschle meeting tomorrow a.m.--obviously your call on how and where to fit them into the overall document These have been reviewed/edited/approved by Bob Kyle. We are assuming nothing needed from us on fast track for the Lott meeting.
Separately, a longer set of talking points is being developed for the Wed. and Thurs. meetings with 18-20 Senators apiece; will have those to you by sometime tomorrow. Please let us know if anything else pending on the Hill that requires materials. Thanks, EB

potusdas.do

Fast Track

- I know you have proposed a series of labor, environmental, and agricultural initiatives -- most of which can be implemented through my executive authority -- that we could announce in connection with fast track to secure Democratic votes. I appreciate your leadership and your ideas. I understand our staffs have worked out an agreement in concept, with a few details to be nailed down very soon.

- As you know, we have announced our support for your bill, S. 219, establishing a "Special 301" process for value-added agricultural products (under which USTR annually will identify and respond to countries with the most significant trade barriers to these products). We will also be making information available about other agricultural trade matters we plan to address.

- The broad package of labor/environmental initiatives includes: (1) funding new environmental projects; (2) a review of the laws/practices of new free trade agreement partners when the agreements come back for Congressional approval; (3) a Labor Department report on the operation of the NAFTA labor side agreement; and (4) pressing labor/environmental concerns in the international financial institutions. We have developed some initiatives on Trade Adjustment Assistance and related programs as well.

- We still need to decide how and when to announce these plans. Let's have our staffs work together on that.

Eric - My edits (based largely on your draft) attached. Bob

(Fast Track talking points -- to be integrated into overall Daschle meeting memo)

__Fast Track__

- I greatly appreciate your leadership and your ideas on how the Administration can work together with Congressional Democrats to advance the trade, labor, and environmental objectives that we share. I understand our staffs have worked out ~~met yesterday to discuss our responses to the agriculture, labor, and environmental issues you have raised. We have~~ a conceptual agreement on those, with a few ~~though some of the~~ details remain to be worked out.

- As you know, we have announced our support for your bill, S. 219 -- under which USTR will identify each year those countries that place unfair restrictions on U.S. value-added agricultural products, and will focus its resources on removing those barriers. We also have made a number of other important commitments on agricultural trade. And we have put together a broad package for addressing the labor and environmental issues -- ranging from funding new environmental projects to pressing these concerns with our trading partners and in the World Bank and other international financial institutions.

- We still need to decide on the best strategy and timing for announcing these initiatives, as well as the measures we will be taking to improve Trade Adjustment Assistance and other programs designed to help our workers and communities. Our staffs will be working together in the next few days to work out the plans on that front.

Daschle Talking Points

- I know you have proposed a series of labor, environment and agriculture initiatives (mostly to be implemented through executive authority) that we could announce in connection with the fast track fight to secure Democratic votes. I appreciate your leadership and your ideas. I understand our staffs have worked out agreement in concept, with a few details to be nailed down soon.

- As you know, we have announced support for your bill S.219 establishing a "Special 301" process for value-added agricultural products (i.e., USTR annually will identify and respond to countries with trade barriers to these products). We will also make more information available about agricultural trade.

- The broad package of labor/environment initiatives include: 1) funding new environmental projects; 2) review of laws and practices of new free trade agreement partners when those agreements come back for Congressional approval; 3) Labor Department report on the operation of the NAFTA side agreement; 4) pressing labor/environment issues in the international financial institutions, among others. We have developed some Trade Adjustment Assistance initiatives too.

- We still need to decide how and when to announce these. Let's have our staffs work together on that.

Eric R. Biel
10/08/97 06:16:20 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: Final version of POTUS talking points

I suppose that you might actually want the memo attached this time--so here it is. EBpotus109.do

--------------------- Forwarded by Eric R. Biel/WHO/EOP on 10/08/97 06:21 PM ---------------------------

Eric R. Biel
10/08/97 06:11:26 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: Final version of POTUS talking points

Final talking points for tomorrow's meeting with Congressional Dems., as delivered to Staff Secretary.

Message Sent To:

Russell W. Horwitz/OPD/EOP
Jason Berman/WHO/EOP
Victoria Radd/WHO/EOP
MITSLER_E @ A1 @ CD @ LNGTWY
Jake Siewert/OPD/EOP
Kristen E. Panerali/OPD/EOP
Michael W. Williams/WHO/EOP
Susan A. Brophy/WHO/EOP
Jason S. Goldberg/WHO/EOP
rnovick @ ustr.gov @ INET @ LNGTW

TALKING POINTS FOR FAST TRACK MEETING WITH UNDECIDED HOUSE DEMOCRATS

General Points

- I am encouraged by the bipartisan votes in the Ways and Means and Senate Finance Committees. These bills address our core objectives -- not only by expanding trade, but also by promoting improved worker rights and environmental protection.

- You know the arguments for fast track authority. One-third of our growth since I became President has come from exports. About 96% of the world's consumers live outside our borders. If we are to continue to grow, we must export. It's that simple.

- We also both recognize this is about more than just trade: it is about American leadership in the world. Fast track is being viewed in world capitals as nothing less than a test of whether the U.S. intends to maintain our leadership role, or to retreat and turn inward. Rejecting fast track will hamper our ability to address other important issues as well.

- I am simply asking that you extend to me the same kind of negotiating authority that Democratic Congresses gave to Presidents Reagan and Bush. I am not asking you to support any particular trade agreement; you will be able to vote on each agreement as it arises. I am simply asking for the opportunity to try to negotiate good agreements that are in the interests of American workers and companies.

Addressing Democratic Members' Concerns

- I share your concerns that as we expand trade, we must pay attention to individuals and communities who do not share in those benefits. Addressing these concerns not only is the right thing to do – it's also essential if we want to keep public support for a policy of expanded trade.

- The Administration has been working closely with Members of Congress to address these concerns. Our initiatives here fall into three broad categories:

  Retraining Dislocated Workers: We need to be honest about the fact that not everyone benefits from more open trade. To help dislocated workers adjust:

  - We will pursue several measures to help American workers through strengthened job training and adjustment assistance programs. The two-year extension of the Trade Adjustment Assistance (TAA) programs, part of both the Ways and Means and Finance Committee bills, was a good start, but we can do even more.

- The National Economic Council, working with the Labor Department, has set out several steps to improve both the general TAA and NAFTA-TAA programs. We will work to ensure that these programs work more quickly and more efficiently than ever before -- and that no trade-impacted workers are left behind.

Rebuilding Communities: One of our chief jobs must be to rebuild those communities hurt by trade. Our efforts here include:

- Expanding assistance to regions affected by plant closings -- including those impacted by trade.
- Establishing a new body to coordinate the Federal response to regions and communities that need help in developing economic adjustment strategies.
- Increasing the amount of credit available through community development funds to help distressed regions -- including those along the border with Mexico.
- Developing a range of other new domestic initiatives, including: a second round of urban Empowerment Zones, an expanded Job Corps and a "YouthBuild" program to help at-risk young people gain needed job and other skills, and ensuring adequate welfare-to-work transportation funds.

Labor/Environment: I am convinced we can break down trade barriers while, at the same time, advancing worker rights and the environment, and am committed to do just that:

- Both the Ways and Means and Finance Committee bills preserve my ability to address labor and environmental issues. I can do this both in trade agreements and through additional labor and environmental agreements using my executive authority.
- We will make more progress on labor and the environment with fast track than without it. Consider this. If we have fast track, Chile will conclude labor and environment side agreements with us -- in fact, they have already agreed to do so. If we don't, Chile won't. Rejecting fast track is the surest way to ensure that labor and environmental concerns simply are ignored in the years ahead.

Conclusion

- This is a very important vote. It would be a real blow to my leadership if Democrats in Congress refused to give me the authority that every President has had since 1974. I certainly have proven that I deserve the same chance to break down foreign barriers -- and that I will do so while also addressing the labor and environmental goals we share.

- This is important for America. We face a critical choice. We can continue to make our economy the model for the rest of the world, open foreign markets, and exert global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to take our place. The choice is that stark – and that important. That's why I feel so strongly about fast track, and why I ask for your support.

Michael W. Williams

10/08/97 11:02:36 AM

Record Type: Record

To: Eric R. Biel/WHO/EOP

cc:
Subject: Thursday's Meeting

EVENT:	Congressional Fast Track Meeting
DATE:	Thursday, September 9
TIME:	12:30 - 1:15pm
LOCATION:	Cabinet Room

MEMBERS CONFIRMED TO ATTEND:

Rep. Juanita Millender-McDonald
Rep. Bob Etheridge
Rep. Darlene Hooley
Rep. Leonard Boswell
Rep. Eva Clayton

timing - wait for W&M
general or [illegible]?
repeat 10/7 at W&M Dems?

MEMBERS PENDING:

Rep. Harold Ford Jr.
Rep. Bob Clement
Rep. Lloyd Doggett
Rep. Bill Luther
Rep. Karen McCarthy
Rep. Donald Payne
Rep. Ciro Rodriquez
Rep. Ed Towns

~~Simply extend existing~~
~~not to prejudge any particular agreement~~
~~all Dems~~

Gen'l pts
- all facts/less rhetoric
- update on dev'ts
SFC & W&M votes - have now had...
remaining obstacle: global leadership
+ developing [illegible]
+ rest of world
("demands of respect")
95 FC Dem ~~[illegible]~~
~~goes to Rep's. President~~

MEMBERS INVITED BUT UNABLE TO ATTEND:

Rep. Tom Sawyer
Rep. Charles Stenholm
Rep. Tony Hall

describe NTS
FC dynamics
China/Korea
other issues

Eric R. Biel
10/06/97 08:20:43 PM

10/7
Smaller mtg w/ R
Jefferson +
Becerra –
addt'l commitments
promised

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: Attached memos for tomorrow's POTUS meetings with Ways and Means Dems.

Attached are the four memos for tomorrow's meetings with Rangel, Becerra, Jefferson, and a group of undecided W&M Dems. Hope that they cover the particulars without too much detail.

potusran.do potusbec.do potusjef.do potusmem.d

Message Sent To:

Russell W. Horwitz/OPD/EOP
Victoria Radd/WHO/EOP
Susan A. Brophy/WHO/EOP
Michael W. Williams/WHO/EOP
Jason S. Goldberg/WHO/EOP
Anne H. Lewis/OPD/EOP
Jonathan Orszag/OPD/EOP
MITSLER_E @ A1 @ CD @ LNGTWY

Russell W. Horwitz
10/06/97 06:09:31 PM

Record Type: Record

To: Eric R. Biel/WHO/EOP

cc:
Subject: Re: Memos for tomorrow's POTUS meetings with Rangel, W&M Dems.

staff secretary said 7:00 was fine.

Victoria Radd
10/06/97 06:08:19 PM

Record Type: Record

To: Eric R. Biel/WHO/EOP

cc: KYLE_R @ A1 @ CD @ LNGTWY

Subject: Re: Memos for tomorrow's POTUS meetings with Rangel, W&M Dems.

Thanks -- No doubt you have by now heard from Bob that we also need some talking points for meetings with Becerra and Jefferson. The Jefferson points are comparable to Rangel's -- but Becerra's points will need more individualized work with Gene.

V.

TALKING POINTS FOR MEETING ON FAST TRACK WITH UNDECIDED WAYS AND MEANS COMMITTEE DEMOCRATS

Introduction

- I want to talk with you about fast track – and ask for your support when the Ways & Means Committee holds its markup tomorrow.

- I think you know the arguments for fast track authority. One-third of our growth since I became President has come from exports. About 96% of the world's consumers live outside our borders. If we are to continue to grow, we must export. It's that simple.

- We also both recognize this is about more than just trade: it is about American leadership in the the world today. I can tell you that fast track is being viewed in world capitals as nothing less than a test of whether the U.S. intends to maintain our leadership role, or to turn inward.

Domestic Efforts to Address Democratic Members' Concerns

- I realize that as we expand trade, we must pay attention to communities and individuals who are not sharing in those benefits. You have correctly underscored that concern during this debate – and I share your concern. Addressing these problems is the right thing to do – and it's also essential if we want to keep public support for a policy of expanded trade.

- The Administration has been working to develop initiatives to address these concerns. These fall into three broad categories:

  Rebuilding Communities: One of our chief jobs has to be to rebuild those communities hurt by trade or left behind. Our initiatives here include:
  - Expanding assistance to regions affected by plant closings -- including those impacted by trade.
  - Establishing a new body to coordinate the response to regions and communities that need help in developing economic adjustment strategies.
  - Working to increase the amount of credit available through community development funds to help distressed regions -- including those along the border with Mexico.
  - Developing new initiatives for a second round of urban Empowerment Zones, for an expanded "YouthBuild" program to help high school dropouts gain job and other needed skills, for additional JobCorps Centers, and for welfare-to-work transportation funds.

  Retraining Dislocated Workers: Not everyone benefits from more open trade. We should be honest about that and help dislocated workers adjust:

- We will pursue a variety of initiatives to help American workers through strengthened job training and adjustment assistance programs. The two-year extension of the Trade Adjustment Assistance (TAA) programs passed by the Senate Finance Committee last week was a good start.
- The National Economic Council, working with officials from the Labor Department, has outlined several steps to improve the performance of both the general TAA and NAFTA-TAA programs -- to make sure that the programs work more quickly and more efficiently than ever before.

Labor/Environment: I am convinced we can break down trade barriers while advancing workers rights and the environment:

- We are generally pleased with the language here in the Senate Finance Committee's bill, and Chairman Archer has shown some flexibility on this issue in recent days. Regardless what is in the bill, I commit to reaching labor and environmental side agreements with countries when appropriate.
- I am convinced we will make more progress on labor/environment with fast track than without it. Consider this. If we have fast track, Chile will conclude labor/environment side agreements with us. If we do not, Chile won't. Simply put, we make more progress with fast track.

Conclusion

- This is a very important vote. It would be a real blow to my leadership if Democrats in this Congress refused to give me fast track authority, when Democratic Congresses in the past gave it to Presidents Bush and Reagan. Certainly, I've proven that I deserve the same opportunity they had to break down foreign barriers.

- This is important for America. We face a critical choice. We can continue to make our economy the model for the rest of the world, open foreign markets, and exert global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to assume the initiative. The choice is that stark – and that important.

- It would be a real blow to the United States if we fail to act. It would be a form of unilateral disarmament, putting us on the sidelines as others press ahead. The continued prosperity of our economy is at stake – and so is our ability to influence the spread of democratic values and to foster our own national security. That's why I feel so strongly about fast track, and why I ask for your support.

TALKING POINTS FOR MEETING ON FAST TRACK
WITH REPRESENTATIVE CHARLES B. RANGEL

Introduction

- I want to talk with you about fast track – and ask for your support when the Ways & Means Committee holds its markup Wednesday.

- I think you know the arguments for fast track authority. One-third of our growth since I became President has come from exports. About 96% of the world's consumers live outside our borders. If we are to continue to grow, we must export. It's that simple.

- We also both recognize this is about more than just trade: it is about American leadership in the the world today. I can tell you that fast track is being viewed in world capitals as nothing less than a test of whether the U.S. intends to maintain our leadership role, or to turn inward. When this debate first started, you were one of the first ones to recognize that – and you were exactly right.

Domestic Efforts/Congressman Rangel's Concerns

- I realize that as we expand trade, we must pay attention to communities and individuals who are not sharing in those benefits. You have correctly underscored that concern during this debate – and I share your concern. Addressing these problems is the right thing to do – and it's also essential if we want to keep public support for a policy of expanded trade.

- The Administration has been working to develop initiatives to address these concerns. They fall into three broad categories:

  Rebuilding Communities: One of our chief jobs has to be to rebuild those communities hurt by trade or left behind -- whether in Harlem or along the U.S.-Mexican border. These include:
  - Expanding assistance to regions affected by plant closings -- including those impacted by trade.
  - Establishing a new body to coordinate the response to regions and communities that need help in developing economic adjustment strategies.
  - Working to increase the amount of credit available through community development funds to help distressed regions.
  - Developing new initiatives for a second round of urban Empowerment Zones, for an expanded "YouthBuild" program to help high school dropouts gain job and other needed skills, for additional JobCorps Centers, and for welfare-to-work transportation funds.

  Retraining Dislocated Workers: Not everyone benefits from more open trade. We should be honest about that and help dislocated workers adjust:

- We will pursue a variety of initiatives to help American workers through strengthened job training and adjustment assistance programs. The two-year extension of the Trade Adjustment Assistance (TAA) programs passed by the Senate Finance Committee last week was a good start.
- The National Economic Council, working with officials from the Labor Department, has outlined several steps to improve the performance of both the general TAA and NAFTA-TAA programs -- to make sure that the programs work more quickly and more efficiently than ever before.

Labor/Environment: I am convinced we can break down trade barriers while advancing workers rights and the environment:

- We are generally pleased with the language in the Senate Finance Committee's bill, and Chairman Archer has shown some flexibility on this issue in recent days. Regardless what is in the bill, I commit to reaching labor/environment side agreements with countries when appropriate.
- I am convinced we will make more progress on labor/environment with fast track than without it. Consider this. If we have fast track, Chile will conclude labor/environment side agreements with us. If we do not, Chile won't. Simply put, we make more progress with fast track.

[Background: For additional details on the programs referenced above, please see the attached list of 15 policy ideas for job creation and trade adjustment assistance, which was prepared by the NEC and sent to Congressman William Jefferson on October 4. Most of these initiatives that require new spending already are included in your FY 1999 budget submission.]

Conclusion

- This is a very important vote. It would be a real blow to my leadership if Democrats in this Congress refused to give me fast track authority, when Democratic Congresses in the past gave it to Presidents Bush and Reagan. Certainly, I've proven that I deserve the same opportunity they had to break down foreign barriers.

- This is important for America. We face a critical choice. We can continue to make our economy the model for the rest of the world, open foreign markets, and exert global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to assume the initiative. The choice is that stark – and that important.

- It would be a real blow to the United States if we fail to act. It would be a form of unilateral disarmament, putting us on the sidelines as others press ahead. The continued prosperity of our economy is at stake – and so is our ability to influence the spread of democratic values and to foster our own national security. That's why I feel so strongly about fast track, and why I ask for your support.

TALKING POINTS FOR MEETING ON FAST TRACK WITH REPRESENTATIVE WILLIAM L. JEFFERSON

Introduction

- I want to talk with you about fast track – and ask for your support when the Ways & Means Committee holds its markup Wednesday.

- I think you know the arguments for fast track authority. One-third of our growth since I became President has come from exports. About 96% of the world's consumers live outside our borders. If we are to continue to grow, we must export. It's that simple.

- We also both recognize this is about more than just trade: it is about American leadership in the the world today. I can tell you that fast track is being viewed in world capitals as nothing less than a test of whether the U.S. intends to maintain our leadership role, or to turn inward.

Domestic Efforts/Congressman Jefferson's Concerns

- I realize that as we expand trade, we must pay attention to communities and individuals who are not sharing in those benefits. You have correctly underscored that concern during this debate – and I share your concern. Addressing these problems is the right thing to do – and it's also essential if we want to keep public support for a policy of expanded trade.

- The Administration has been working to develop initiatives to address these concerns. I understand that we provided you on October 4 with a set of possible initiatives covering both adjustment assistance and job creation. These initiatives fall into three broad categories:

  Rebuilding Communities: One of our chief jobs has to be to rebuild those communities hurt by trade or left behind -- whether in New Orleans or along the U.S.-Mexican border. These include:
  - Expanding assistance to regions affected by plant closings -- including those impacted by trade.
  - Establishing a new body to coordinate the response to regions and communities that need help in developing economic adjustment strategies.
  - Working to increase the amount of credit available through community development funds to help distressed regions.
  - Developing new initiatives for a second round of urban Empowerment Zones, for an expanded "YouthBuild" program to help high school dropouts gain job and other needed skills, for additional JobCorps Centers, and for welfare-to-work transportation funds.

Retraining Dislocated Workers: Not everyone benefits from more open trade. We should be honest about that and help dislocated workers adjust:

- We will pursue a variety of initiatives to help American workers through strengthened job training and adjustment assistance programs. The two-year extension of the Trade Adjustment Assistance (TAA) programs passed by the Senate Finance Committee last week was a good start.
- The National Economic Council, working with officials from the Labor Department, has outlined several steps to improve the performance of both the general TAA and NAFTA-TAA programs -- to make sure that the programs work more quickly and more efficiently than ever before.

Labor/Environment: I am convinced we can break down trade barriers while advancing workers rights and the environment:

- We are generally pleased with the language here in the Senate Finance Committee's bill, and Chairman Archer has shown some flexibility on this issue in recent days. Regardless what is in the bill, I commit to reaching labor and environmental side agreements with countries when appropriate.
- I am convinced we will make more progress on labor/environment with fast track than without it. Consider this. If we have fast track, Chile will conclude labor/environment side agreements with us. If we do not, Chile won't. Simply put, we make more progress with fast track.

[Background: For additional details on the programs referenced above, please see the attached list of 15 policy ideas for job creation and trade adjustment assistance, prepared by the NEC and sent to Congressman Jefferson on October 4. Most of these initiatives that require new spending already are included in your FY 1999 budget submission.]

Conclusion

- This is a very important vote. It would be a real blow to my leadership if Democrats in this Congress refused to give me fast track authority, when Democratic Congresses in the past gave it to Presidents Bush and Reagan. Certainly, I've proven that I deserve the same opportunity they had to break down foreign barriers.

- This is important for America. We face a critical choice. We can continue to make our economy the model for the rest of the world, open foreign markets, and exert global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to assume the initiative. The choice is that stark – and that important.

- It would be a real blow to the United States if we fail to act. It would be a form of unilateral disarmament, putting us on the sidelines as others press ahead. The continued prosperity of our economy is at stake – and so is our ability to influence the spread of democratic values and to foster our own national security. That's why I feel so strongly about fast track, and why I ask for your support.

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

October 4, 1997

I. Reauthorization of TAA:

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

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

II. Possible Improvements to TAA:

LEGISLATIVE CHANGES:

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

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

3. **MODIFY WAIVER FOR TRAINING REQUIREMENTS FOR TAA AND NAFTA-TAA SO THAT THEY ARE SIMILAR.** Theoretically, TAA requires that a participant be enrolled in training in order to qualify for income support, but waivers are granted very often. In contrast, there is no waiver authority under NAFTA-TAA. As part of reauthorization, the Administration could propose to narrow waiver authority under TAA and loosen it under NAFTA-TAA. This would serve to both reduce the abuse of the waive provision under TAA and to harmonize the two programs.

   - The costs of this proposal are still being determined, but it is likely revenue-neutral. This proposal could also be done administratively.

ADMINISTRATIVE CHANGES:

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

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

5. **IMPLEMENT PERFORMANCE MEASURES FOR TAA/NAFTA-TAA PROGRAMS.** The Labor Department does not receive information on how workers do after they participate in either TAA or NAFTA-TAA programs. To ensure that the programs work effectively, the Labor Department is developing and implementing performance measures, and collecting outcome-based performance data for workers who receive adjustment assistance. This will permit better tracking of TAA/NAFTA-TAA program effectiveness, and thus, improved outcomes for participants.

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

III. Community Adjustment Assistance and Expansion of Trade Adjustment to Include Secondary Workers:

6. **$200 MILLION TO EXPAND EDA SO THEY CAN EFFECTIVELY DEAL WITH TRADE ADJUSTMENT.** Expand EDA's budget by $200 million over the next five years, so that they could provide comprehensive economic development assistance to regions affected by major plant closings. Some priority could be given to trade-impacted regions.

   - So that EDA could provide more comprehensive economic development assistance, including trade-impacted areas, the Administration would propose expanding EDA's budget by $200 million over the next five years.

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

   - The Administration would propose $50 million over five years for funding this coordinating body.

SECONDARY WORKERS:

We are currently working with Congressman Becerra on a package to cover secondary workers under the Trade Adjustment Assistance program. Our discussions have focused on providing more dislocated worker funding for secondary workers. We are also working to initiate an informational campaign to increase the take-up rate of dislocated worker benefits by secondary workers.

IV. Job Creation Initiatives (Combined With Proposals Outlined in Section III):

8. **MAKE FLEXIBLE FUNDING AVAILABLE FOR SECOND-ROUND URBAN EMPOWERMENT ZONES.** The Administration would request $100 million per year -- or $500 million over five years -- in grant funds for second-round urban EZs. This funding could be used for a wide range of activities, including economic development and housing projects, project-based rental assistance, and job training. Although the Administration requested $100 million in flexible urban EZ funding for FY 1998, the FY98 VA-HUD conference report includes only $5 million in EZ planning funds, with no guarantee of actual program funding for FY 1999.

   - Providing flexible funding for the second-round of urban Empowerment Zones would cost $100 million per year, or $500 million over the next five years.

9. **EXPAND THE YOUTHBUILD PROGRAM**. YouthBuild provides high school dropouts 16-24 with general academic and job skills training, as well as apprenticeships constructing and rehabilitating affordable housing. The FY 1998 VA-HUD conference report will likely include $35 million for YouthBuild. This proposal would provide, beginning in FY 1999, an increase of $10 million per year for YouthBuild (above the FY 98 conference level).

   - Expanding the YouthBuild program would cost $10 million per year or $50 million over five years.

10. **CREATE OPPORTUNITY AREAS FOR OUT-OF-SCHOOL YOUTH**. The Administration requested and continues to advocate strongly for $250 million in competitive grants to selected high-poverty urban and rural areas, including designated EZs and ECs, to increase youth employment. The House Labor-HHS-Education Appropriations bill includes $100 million in forward funding for FY 1999; the Senate bill $250 million (also forward funded).

- The Administration would work to ensure that the out-of-school youth program receive $250 million per year or $1.25 billion over the next five years.

11. **$250 MILLION IN DISLOCATED WORKER FUNDING.** In order to provide training to more dislocated workers, the Administration would increase funding for the dislocated worker program.

- The Administration will propose a $50 million increase in JTPA Title III in our FY99 budget. Between FY99 and FY03, this expansion of dislocated worker funding would mean an additional $250 million of resources for dislocated workers.

12. **$500 MILLION IN WELFARE-TO-WORK TRANSPORTATION FUNDS.** The Administration requested $100 million for an unspecified number of projects. The initial House bill provided $42 million for 10 projects. The Senate transit legislation reported by the Banking Committee fully funds the President's request. To help move people from welfare-to-work, the Administration will continue working to secure full funding for welfare-to-work transportation funds.

- The Administration will work to ensure that welfare-to-work transportation funds receive $500 million over the next five years.

13. **PERMIT STATES TO SET ASIDE ON-THE-JOB TRAINING POSITIONS FOR WELFARE RECIPIENTS AND EZ/EC RESIDENTS ON FEDERALLY-FUNDED HIGHWAY PROJECTS.** The Administration would work to permit states to set aside on-the-job training positions for welfare recipients and residents of EZ/ECs on Federally-funded highway projects. This NEXTEA provision is not included as proposed in either the House or Senate transportation bills, although the House bill does include a preference for welfare recipients.

- The annual cost of this proposal is zero.

14. **$250 MILLION TO OPEN ADDITIONAL JOBCORPS CENTERS AND IMPROVE EXISTING ONES.** JobCorps centers provide basic education, training, work experience, and other support to economically disadvantaged youth typically from debilitating environments. The Administration would propose to increase funding for JobCorps so that additional centers could be opened and existing centers could be improved.

- The Administration would propose a $50 million increase in JobCorps funding -- over five years, that's an additional $250 million.

15. **$225 MILLION FOR CDFIs TO EXPAND THE AVAILABILITY OF CREDIT IN DISTRESSED URBAN AND RURAL AREAS.** The Community Development Financial Institution (CDFI) fund is designed to expand the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities. The Administration requested $125 million for CDFIs, but the Treasury-Postal conference report provided $80 million for FY98.

- The Administration will propose a $45 million increase over the conference report in our next budget -- that's $225 million over five years for CDFIs.

TALKING POINTS FOR MEETING ON FAST TRACK WITH REPRESENTATIVE XAVIER BECERRA

Introduction

I want to talk with you about fast track – and ask for your support when the Ways & Means Committee holds its markup tomorrow.

- I think you know the arguments for fast track authority. One-third of our growth since I became President has come from exports. About 96% of the world's consumers live outside our borders. If we are to continue to grow, we must export. It's that simple.

- We also both recognize this is about more than just trade: it is about American leadership in the the world today. I can tell you that fast track is being viewed in world capitals as nothing less than a test of whether the U.S. intends to maintain our leadership role, or to turn inward.

Domestic Efforts/Congressman Becerra's Concerns

- I realize that as we expand trade, we must pay attention to communities and individuals who are not sharing in those benefits. You have correctly underscored that concern during this debate – and I share your concern. Addressing these problems is the right thing to do – and it's also essential if we want the public to support expanded trade.

- I appreciate your leadership on these issues, and that of the other members of the Congressional Hispanic Caucus, and have been working to address your concerns:
    - As my letter to you last week described, we are prepared to undertake a series of measures to improve the funding of environmental and other infrastructure projects along the U.S.-Mexico border
    - I understand that we also provided you last week with a ten-point "action plan" that focuses on your concerns about improving Trade Adjustment Assistance and, in particular, to ensure that all trade-affected workers are covered.

- Our initiatives fall into three broad categories.
  Rebuilding Communities: One of our chief jobs has to be to rebuild those communities hurt by trade or left behind. These include:
    - Expanding assistance to regions affected by plant closings -- including those impacted by trade.
    - Establishing a new body to coordinate the response to regions and communities that need help in developing economic adjustment strategies.
    - Increasing the amount of credit available through community development funds to help distressed regions -- in particular, those along the border with Mexico.
    - Developing new initiatives for a second round of urban Empowerment Zones, an expanded "YouthBuild" program to help high school dropouts gain needed skills, additional JobCorps Centers, and welfare-to-work transportation funds.

Retraining Dislocated Workers: Not everyone benefits from more open trade. We should be honest about that and help dislocated workers adjust:

- We will pursue a variety of initiatives to help American workers through strengthened job training and assistance programs. The two-year extension of the TAA programs passed by the Senate Finance Committee was a good start.
- The NEC, working with officials from the Labor Department, has outlined several steps to improve the performance of both the general TAA and NAFTA-TAA programs -- to make sure that the programs work more quickly and more efficiently than ever before.

Labor/Environment: I am convinced we can break down trade barriers while advancing workers rights and the environment:

- We are generally pleased with the language here in the Senate Finance Committee's bill, and Chairman Archer has shown some flexibility on this issue in recent days. Regardless what is in the bill, I commit to reaching labor and environmental side agreements with countries when appropriate.
- I am convinced we will make more progress on labor/environment with fast track than without it. Consider this. If we have fast track, Chile will conclude labor/environment side agreements with us. If we do not, Chile won't. Simply put, we make more progress with fast track.

[Background: For additional details on the programs referenced above, please see the attached ten-point action plan sent last week to Congressman Becerra and your September 21 letter to him focusing on environmental and other infrastructure projects along the U.S.-Mexico border.]

Conclusion

- This is a very important vote. It would be a real blow to my leadership if Democrats in this Congress refused to give me fast track authority, when Democratic Congresses in the past gave it to Presidents Bush and Reagan. Certainly, I've proven that I deserve the same opportunity they had to break down foreign barriers.

- This is important for America. We face a critical choice. We can continue to make our economy the model for the rest of the world, open foreign markets, and exert global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to assume it. The choice is that stark – and that important.

- It would be a real blow to the United States if we fail to act. It would be a form of unilateral disarmament, putting us on the sidelines as others press ahead. The continued prosperity of our economy is at stake – and so is our ability to influence the spread of democratic values and to foster our own national security. That's why I feel so strongly about fast track, and why I ask for your support.

THE WHITE HOUSE

WASHINGTON

September 21, 1997

Dear Xavier:

I understand that Secretary Rubin, Secretary Herman, Administrator Alvarez and National Economic Adviser Sperling had a constructive exchange with you and other members of the Hispanic Caucus last week on NAFTA.

Since that meeting, Gene Sperling has been working with Cabinet members to provide you with the attached written document specifically detailing the efforts we are committed to taking to strengthen the implementation of NAFTA. Although I recognize the steps outlined in this document are not the full answer to the concerns voiced by your constituents, my top advisers, Cabinet members, and I are committed to continuing to work with you to make sure that our trade initiatives fulfill their promise for all Americans, as are my Cabinet members and senior advisors.

During last week's discussions, several members of your Caucus pointed out that the challenges posed by the new economy are broader than those associated directly with trade, and consequently that we must look to broader solutions. I could not agree more. I am confident that the numerous discussions that are taking place under the joint leadership of members of the Hispanic Caucus along with Education Secretary Riley and White House senior officials Maria Echaveste, Mickey Ibarra, and Gene Sperling will identify significant actions we can take to help more young Latinos reach their full potential.

Globalization presents us all with challenges and opportunities. This week, I transmitted to Congress legislation on fast track trade negotiating authority, to give us the tools we need to shape the global economy in America's best interests. I will need your help building support for future trade agreements that help America compete in the global economy and contribute to improved living standards and environmental protection.

I hope that we can continue this dialogue.

Sincerely,

Bill

The Honorable Xavier Becerra
House of Representatives
Washington, D.C. 20515-0530

Washington, D.C. 20510

NAFTA-TAA

Secretary Herman is strongly committed to addressing the challenges faced by low-skilled workers in the global economy. Her discussions with you and her recent visit to El Paso have provided important insights into needed improvements to the NAFTA-TAA:

- **Reducing Certification Times:** The Department of Labor will cut by one-third the amount of time required for a determination on a Trade Adjustment Assistance petition.

- **Early Response:** The Department of Labor will strengthen outreach and early intervention services provided to workers even before an assessment of the trade impact has been made.

- **Outreach to Secondary Workers:** It is important to increase awareness among workers experiencing secondary trade impacts that they are eligible for the full range of benefits and services available to primary workers under NAFTA-TAA. The Department of Labor is strengthening efforts to reach secondary workers by calling attention to the explicit secondary worker provisions on NAFTA-TAA petitions and utilizing information from primary certifications to identify secondary workers. They will provide technical assistance to the states to help identify secondary workers.

- **Involving Workers and Local Communities:** The Department of Labor will work with the states to encourage the establishment of worker transition committees in planning the delivery of comprehensive services and collaboration with local elected officials, economic development agencies, and community-based organizations to address the needs of trade-impacted workers, including secondary workers.

- **Measuring Outcomes:** In order to ensure that the effectiveness of NAFTA-TAA improves as it develops, the Department of Labor will begin to collect outcome-based performance data for workers who receive adjustment assistance.

Community Adjustment

Secretary Rubin and Administrator Alvarez are confident that the recent designation of 35 eligible areas and approval of three loans under the NADBank Community Adjustment and Investment Plan (CAIP) are only the first steps in developing an innovative program to address the needs of local communities challenged by trade and production shifts. Future plans include:

- **El Paso Meeting of the Presidential Advisory Committee:** The CAIP will hold a public meeting of the Presidential Advisory Committee in El Paso, Texas to hear first-hand from members of a trade-impacted community.

- **Additional Areas:** This month, the CAIP Finance Committee expect to announce approximately twelve additional communities that will be eligible for assistance.

- **Coordination with NAFTA-TAA:** The Departments of Labor and Treasury will establish formal links in the administration of NAFTA-TAA and CAIP, including on marketing and outreach, in order to magnify the effectiveness of both programs in assisting individual workers and communities affected by trade.

- **Full-time Staffing:** Both the Department of Agriculture and the Small Business Administration are currently in the process of selecting staff that will be dedicated full-time to administering the CAIP program.

- **Significant New Lending from the Small Business Administration (SBA):** SBA estimates that the new CAIP/SBA program could increase SBA's loan volume by about $146 million over the duration of the program. With this increased funding capacity, SBA could guarantee loans to over 1,000 small firms. CAIP/SBA will afford greater access to capital, and eligible small firms will not be charged a guaranty fee.

- **Increased Outreach and Marketing by SBA:** SBA will significantly increase marketing and outreach efforts this fall. This will include extensive briefings of SBA resource partners such as SCORE and the SBDCs to help them provide management assistance to CAIP borrowers.

<u>**Environmental Protection along the Border**</u>

Secretary Rubin and Environmental Protection Agency (EPA) Administrator Carol Browner have worked hard to make sure that the NADBank and its sister organization, the Border Environment Cooperation Commission (BECC), are effectively addressing border environmental problems. They will concentrate future efforts on making infrastructure financing affordable for poor communities, expanding technical assistance, and accelerating the pace of project development.

- **Making Environmental Infrastructure Affordable:** To address the needs of poor border communities, the NADBank is establishing cofinancing arrangements with U.S. and Mexican grant programs. NADBank has recently entered into a cooperative agreement with EPA for a Border Environment Infrastructure Fund that will provide access to up to $170 million in EPA grants. NADBank is working on a proposal that would help smaller U.S. communities to access the tax exempt bond market by working with the State Revolving Funds in the U.S. border states to establish reserve funds for debt servicing.

- **Assisting Communities in Project Development:** In cooperation with the EPA, the BECC is establishing a Project Development Assistance Program (PDAP) that will begin committing and disbursing up to $10 million in funds to communities by the end of the year.

- **Upgrading Management Capabilities:** NADBank has established an Institutional Development Program (IDP) to help communities on both sides of the border achieve effective and efficient operation of their water, sewage and solid waste management services. So far, NADBank has approved $1.8 million in technical assistance for 12 projects under this program, and it now plans to double total IDP resources to $4 million.

- **Accelerating Project Development:** The NADBank and BECC have developed a work plan for accelerating project development. They have identified more than 30 projects and potential projects with a total cost of more than $500 million as the core of their 1997-99 work plan.

Pres MBK 9/30

POINTS TO BE MADE FOR MEETING ON FAST TRACK

Introduction

- I want to talk with you about why it is in our nation's interest to renew fast track trade negotiating authority. This is one of the most important votes you will cast this year. In fact, I think it will be one of the most important decisions we will make this decade.

- There is a great deal at stake in this debate. This is not only about trade. It is about American economic leadership – and American leadership in the world more broadly. This debate has become a litmus test of whether America will continue to exert global leadership – or whether it will retreat.

- I can tell you fast track is being viewed in world capitals as much more than a debate on American trade policy; it is seen as a milestone decision of whether the U.S. intends to turn inward or maintain our leadership role as the world's only superpower. Other countries, from Europe to Latin America to Asia to Africa, are extraordinarily sensitive to any appearance that the U.S. may retreat from its leadership position.

American Economic Leadership

- Fast track authority is critical if we want to continue to exert global economic leadership. Throughout the world, other countries are moving to reach trade deals opening their markets. We can either lead this process – or watch from the sidelines.

  - In Latin American and Asia alone, other countries have reached more than 20 preferential trade agreements without us.
  - Today every major economy in this hemisphere has a preferential trade deal with Chile, except the United States.
  - President Chirac has declared "the future of the region rests with Europe, not the United States".

- Other countries want to reach agreements with the U.S., but they can't if I don't have fast track authority. When Bob Rubin was in Hong Kong, the ASEAN nations told him they favor trade with the United States, but will be forced increasingly to turn to Japan if we do not have fast track authority.

- These agreements are critical because our future is increasingly tied to exports. Over the next decade, the global economy is expected to grow at three times the rate of the U.S. economy. In a world where over 96% of the world's consumers live outside the U.S., we must export to grow.

- And exports have been good for us. Since 1992, exports have grown in 49 of the 50 states. We are once again the world's largest producer of semiconductors, of automobiles, the world's largest exporter. Since I became President, one-third of our growth has come from exports.

- If we fail to lead, it will seriously weaken our role in the world. When Bob Rubin was in Hong Kong, he was struck by how many Finance Ministers asked about fast track. They see this as a litmus test of American economic leadership. They know that for over 50 years we have led the world toward freer markets – reducing average tariffs from 40% at the end of the World War II to about 5% today. That has led to a 90-fold increase in trade, which has enormously benefited the U.S. We must not cede that role to others.

American Leadership More Broadly

- Let me emphasize there is more at stake than just economics. The patterns of trade developed in the coming decades will also create patterns affecting our national security, foreign relations and political interests. If Latin America is permitted – by default in our leadership – to turn increasingly to Europe and Asia in its trade relations, that will have an impact on the rest of our relationship with Latin America. The costs far exceed lost export opportunities.

- The same is true in Asia. We elevated the APEC meetings to the head of state level to ensure we remained engaged in Asia as it developed economically. If we don't get fast track, we will be sitting on the sidelines at APEC. For Asia, fast track and APEC are symbols of continued American engagement – and Asia's faith in a continued American presence is critical to maintaining security and stability in the entire region.

Conclusion

- We face a critical choice. We can recognize the American economy is the model for the world, continue to open foreign markets, exercise global leadership and seize the initiative. Or we can convince ourselves that we cannot compete, that we should turn inward, cede U.S. leadership and let others steal the initiative when it comes to global markets. The choice is that clear – and that important.

- With fast track, we send a message to the world reaffirming American leadership. Without fast track, we disarm the President and weaken the United States in the years to come. Much is at stake – the continued prosperity of the American economy, the spread of democracy around the globe, American influence in the world and our national security. That's why I feel so strongly about this fast track debate. I ask for your support on this critical issue.

Victoria Radd
09/29/97 11:39:03 AM

Record Type: Record

To: Eric R. Biel/WHO/EOP, LEAVY_D @ A1 @ CD @ LNGTWY, Antony J. Blinken/NSC/EOP

cc:
Subject: American Leadership Argument

In meeting with the Cabinet on Friday, Sandy made some very useful points about the necessity of fast track to America's leadership in the world. The group that met in Erskine's office thought that the President should make these points with the Congressional members on Tuesday. The following are my notes:

1. Although the economic argument is strong, we cannot overstate the importance of fast track to America's leadership in the world. It is now clear with the end of the Cold War, that the US is the world's only superpower. The world is very sensitive to any appearance that the US is about to retreat from its leadership role. The world is only now beginning to believe that Clinton intends to maintain its leadership (against America's own history).

2. The fast track debate has taken on enormously important symbolic significance. This is an issue that has gone far beyond discussion by trade ministers. All are waiting to see whether Congress empowers the President to do trade -- or whether they will take away his license to negotiate. If fast track is defeated, it will be viewed as a manifestation of our turning inward, becoming more insular and protectionist.

3. We must remember that patterns of trade are not simply economic -- they have political and security consequences. If Latin America begins to turn not to the US, but to Europe, Japan and China. . . .

4. Nor is this a zero sum game. As lesser developed countries increase their trade and their prosperity, they become more stable and more hospitable to American values. There continues to be an important relationship between global trade and stability.

5. With this vote, members of Congress must see the national interest at stake. They cannot vote to disarm the President by taking away his capacity to negotiate trade agreements in the world. Should the President not have fast track authority, . . . (list of specific adverse consequences from Berger's shop) — see talking points?

TALKING POINTS FOR FAST TRACK MEETINGS WITH SENATORS

Introduction/General Economic Points

- I want to talk with you about fast track – and ask for your support in the coming weeks. I greatly welcomed the strong, bipartisan vote in the Senate Finance Committee on October 1, and hope that we will achieve the same result when the full Senate takes up the fast track legislation.

- I think you know the arguments for fast track authority. One-third of our growth since I became President has come from exports. About 96% of the world's consumers live outside our borders. If we are to continue to grow, we must export. It's that simple.

- We are in a perfect position to compete. Our economy is the envy of the world. We are once again the world's most competitive economy, the world's largest exporter, the leading producer of automobiles, semiconductors, and pharmaceuticals. It makes no sense to sideline ourselves now.

Fast Track and American Leadership

- We also must understand that the importance of fast track extends beyond trade alone; it is about American leadership in the world today. I can tell you that this debate is being viewed in Latin America and other world capitals as nothing less than a test of whether we intends to maintain our leadership role -- or to retreat and turn inward.

- Defaulting on our leadership role would be a terrible mistake. Under our lead, average tariffs have fallen from 40% at the end of World War II to about 5% today. This has led to a 90-fold increase in trade, which has benefited us enormously. One-third of our strong economic growth over the past five years has come from exports. We must not turn our back on those achievements.

- We cannot afford to take our leadership for granted. Throughout the world, especially in Latin America, others are moving to reach trade deals opening their markets. And they are not waiting for us -- with some 20 preferential trade deals already that exclude the United States. The EU is seeking such an agreement with MERCOSUR -- a market of over 200 million people with a GDP exceeding $1 trillion. And President Chirac has stated that "the future of the region rests with Europe, not the United States."

- Let's face it: American leadership is not divisible. If we do not lead on trade, our influence is bound to suffer in other areas as well. The patterns of trade affect our national security and strategic interests as well -- particularly in this hemisphere. Trade agreements can bind us together through shared interests and institutions. If by default in our leadership we permit Latin America to turn increasingly to Europe and Asia in its trade relations, it will weaken our relationship with them in other areas as well -- from drug interdiction to immigration to environmental protection to fighting corruption.

- Rejecting fast track would send the wrong signal to developing countries in particular. After decades of failed experiments and anti-Americanism, many today are embracing free markets, democracy, and other American values. But this progress is still fragile -- and it will continue only if we continue to press countries to embrace free trade policies, build stronger middle classes, and strengthen the building blocks of democracy. Having preached the benefits of open trade to these countries for so long, the United States must not turn in precisely the opposite direction at this critical time.

Efforts to Address Members' Concerns

- I believe that as we expand trade, we should ensure that everyone shares in the benefits. That not only is the right thing to do – it is also essential if we want to keep public support for a policy of expanded trade. That begins with extending the Trade Adjustment Assistance program -- as the Finance Committee has done with bipartisan support. The Administration has been working on a series of other initiatives to help both workers and communities, which we will be announcing in the next few days.

- Let me also tell you why our critics have it wrong on labor and the environment. I am convinced we can break down foreign trade barriers and advance worker rights and environmental protection at the same time. The Finance Committee bill strikes a sensible, balanced approach to allow us to do just that. And look at it this way: if we have fast track, Chile will conclude labor and environmental side agreements with us -- in fact, they already have agreed to do so. If we don't, they won't. Rejecting fast track is the best way to ensure that labor and environmental concerns simply are ignored in the years ahead.

Conclusion

- This is a very important vote. We face a critical choice. We can continue to make our economy the model for the rest of the world, open foreign markets, and exert global leadership. Or we can convince ourselves that we cannot compete, turn inward, and cede that leadership to others eager to take our place. The choice is that stark – and that important. That's why I feel so strongly about fast track, and why I ask for your support.

POSSIBLE QUESTIONS AND ANSWERS FOR MEETINGS WITH SENATORS

Labor and the Environment

Q: Why have you embraced fast track bills in both the Senate and House that treat labor and the environment as second-tier concerns, not fundamental parts of trade agreements?

- Your characterization of these bills is wrong. They contain principal negotiating objectives aimed specifically at worker rights and the environment. That's more than has ever been contained in fast track legislation before. Under the Senate bill, we will be able to use trade agreements to keep other governments from weakening their labor, environmental, or health and safety standards to attract investment or inhibit our exports.

- I also retain ample authority to address these issues in a variety of international fora, as my Administration has been doing for the past 4 ½ years. And with fast track, I also will be able to pursue labor and environmental side agreements where appropriate, including with Chile. I want to work with other countries to help them protect the rights of workers and improve their environments -- whether or not we are engaged in trade negotiations with them.

Effects of NAFTA

Q: Why should we support fast track when we see such negative effects from NAFTA on our workers and economy?

- First, I reject the critics' claims about NAFTA. The best available information shows that NAFTA has had a *positive* job impact -- creating 90,000 to 160,000 U.S. jobs, despite the 1995 peso crisis and its effect on Mexico's economy. And thanks to NAFTA, our exports to Mexico are already recovering from that temporary setback -- whereas we needed seven years for our exports to rebound after Mexico's last major financial crisis in the early 1980s. NAFTA has given us the chance to sell more to Mexico -- and to work more closely than ever before on other issues, including labor and the environment.

- But regardless what you think, this fast track debate is not about NAFTA. It is about our global trade agenda, our ability to negotiate new international agreements on agriculture and services and in those sectors in which we are the most competitive nation in the world. And it is about our ability to go after foreign trade barriers that remain much higher than our own -- to work to level the playing field for our workers and firms.

Helping Workers and Communities

Q: Why should I support fast track without guarantees that trade-impacted workers and communities will be helped adequately?

- I have done more than any other President to ensure that American workers benefit from expanded trade. And for those who may not share in the benefits of our strong economy, I have fought successfully for increased training and educational opportunities. I have doubled the funding for dislocated workers since 1993 to nearly $1.3 billion. I also have fought to ensure that 13 million children from low-income families benefit from the child tax credit, made college more affordable through the Hope Scholarship and tuition tax credit programs, and pushed successfully for a variety of other measures.

- And I am committed to doing even more to build on this strong record. We have been working on a set of additional initiatives to help both individuals and communities that may be affected by trade flows, and will be announcing the details of those plans in just a few more days.

The U.S. Trade Deficit

Q: Why should we move ahead with fast track and new trade agreements when our trade deficit continues to balloon?

- The trade deficit is the result of a range of complex economic factors, and is hardly the sign of a weak economy. It is hard to argue that the trade deficit is harming us when we have been growing at about 3% annually over the past five years, have the lowest unemployment in 23 years, rising income levels, a rapidly shrinking budget deficit, high consumer demand, and record exports.

- And we are seeing some very positive signs: our exports are up 10% this year, despite sluggish growth in many other countries and a strong U.S. dollar. And our trade balances with our NAFTA partners -- now our two largest export markets -- have improved greatly this year, as we have cut the deficit with Canada 24% and with Mexico 15%.

- In any event, the best way to attack the deficit is to increase our exports -- and the best way to do that is through fast track trade agreements that break down foreign barriers. If you are concerned about the trade deficit, you should support giving me the authority to attack the remaining trade barriers and negotiate tough new agreements to help our exporters.

Trade Agreements with Developing Countries

Q: Why should we negotiate trade agreements with low-wage countries where workers earn a fraction of U.S. wages?

- The truth is we are competing quite successfully with low-wage countries. Over the past decade, our exports to those countries are up 240% -- nearly double the increase to richer countries and more than three times the gain in domestic sales. Today, they account for 42% of our total exports -- creating jobs that pay about 15% more than non-export related jobs.

- We remain the strongest economy in the world, with the most productive workers. And we will gain through trade agreements with developing countries, whose existing barriers are several times higher than our own.

Fast Track and Senate Prerogatives

Q: How can you claim fast track is needed for trade agreements, when you have concluded over 200 such agreements without it?

- Fast track is needed only when we intend to make changes to U.S. law. Many agreements we negotiate with Japan and other countries include changes only by the foreign government, not us -- usually in response to our pressure to open their markets. But the largest and most important agreements -- like NAFTA and the Uruguay Round, and the future agreements we are seeking on agriculture, services, and in other areas -- require that all countries involved make some changes to their laws. We need fast track for those agreements.

- If we don't have fast track, other countries simply will not negotiate with us. They won't enter into one negotiation with the President, then let Congress unilaterally change the terms of the deal reached -- in effect, a second negotiation. Either the foreign country won't give the Administration their bottom line, best offer (fearing they'll have to make additional concessions to Congress), or they will simply refuse to negotiate in the first place. That's Chile's position; they have refused to negotiate with us unless we have fast track.

- History bears this out. In the late 1960s, the Administration brought back a GATT trade agreement that Congress amended unilaterally. After that, other countries simply refused to negotiate with us for several years. That's precisely why fast track procedures were enacted by Congress in 1974 -- to get us back in the game and leading again on trade.

Q: Why aren't the trade agreements you expect to negotiate subject to Senate approval as treaties under Article II of the Constitution? Isn't the fast track process directly at odds with this constitutional requirement?

- No. This issue was thoroughly reviewed during consideration of the Uruguay Round agreements in 1994. The vast majority of constitutional scholars expressly rejected the argument that trade agreements must be submitted to the Senate as treaties. Pointing out that executive agreements are far more common than treaties, they found that the House and Senate can act under Article I of the Constitution and use fast track procedures to approve these agreements. And the Senate itself rejected the treaty argument and passed the Uruguay Round legislation overwhelmingly by a 76-to-24 vote.

Russell W. Horwitz
10/08/97 05:41:12 PM

Record Type: Record

To: Lael Brainard/CEA/EOP, Jonathan Orszag/OPD/EOP, Eric R. Biel/WHO/EOP

cc:
Subject: final fast track op-ed

=> done by Charlene

trade.gs

FAST TRACK

By Gene Sperling, Chairman, National Economic Council

Five years ago, America was losing ground. Today, America is the world's strongest economy, leading the world from auto production to semiconductors. In New York alone, there have been 287,000 new jobs since the beginning of 1993, ~~while~~ goods exports from New York are up one-third to $55 billion, and As a result, 32,000 more higher paying jobs in New York have been created ~~are dependent on trade today than~~ since when President Clinton first took office. The America people deserve the credit for our remarkable economy. But President Clinton's three-part economic strategy -- reducing the deficit, investing in our people, and tearing down trade barriers -- played an important role in allowing the American people to realize their full potential and for our economy to once again be the envy of the world.

Whenever American workers have been given a fair chance to compete, we have won. That is why President Clinton moved aggressively to tear down trade barriers and open overseas markets to more U.S. goods and services. Through tough, fair trade agreements, we have repeatedly leveled the playing field -- securing more concessions from our trading partners than we had to give up. For example, Australia has had to cut its tariffs five times more than we have had to and Peru has cut its tariffs ten times more than the United States.

But with 96% of the world's consumers living outside America's borders, we need to look abroad -- to emerging markets -- where American products are still at a disadvantage. While U.S. tariff rates average 2.8%, the Philippines' rates average 19%, Peru's 14% and Brazil's nearly 12%. In fact, Latin American countries imposed over $6 billion and the major Asian countries imposed over $12 billion in taxes on U.S. exports in 1996. Since U.S. tariffs are already low, American workers will benefit when barriers to American exports are cut far more than our barriers to their products.

But as America debates how to seize the opportunities of the future, other countries are aggressively moving forward. Since 1992, in Latin America and Asia alone, our competitors have negotiated 20 trade agreements that help them, but exclude the United States. We need to have a fair shot at these markets of the future. Asia has several of the fastest growing economies in the world -- with expected real growth of 6-7% *annually* for the next 15 years. We cannot miss our chance to win in these markets too.

In upcoming global negotiations, President Clinton needs to have the flexibility to negotiate agreements in agriculture (a global market of $600 billion) commercial services (a $1.2 billion market), and government procurement (a market estimated to be worth $1 trillion in Asia alone in the next decade). In each of these areas, the U.S. stands to benefit the most.

Every President since Ford has had "fast track" authority, because, without it, we lose the credibility to negotiate tough, fair trade deals. Without fast track, our partners know that our hands are tied because Congress may reopen any agreement. As a result, they will not give us their bottom line best offers.

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

No country is better positioned to compete and win in the 21st century. The last five years have shown that we have every reason to have confidence in our economy, our companies, and our workers. Fast track is a test of that confidence.

Russell W. Horwitz
10/08/97 12:15:11 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: 3rd draft of fast-track op-ed

trade.gs Gene should be back her soon so make comments/edits and let's start the process of putting 15 copies in front of him before he looks at it.

Message Sent To:

Jake Siewert/OPD/EOP
Jonathan Orszag/OPD/EOP
Peter R. Orszag/OPD/EOP
Jonathan A. Kaplan/OPD/EOP
Eric R. Biel/WHO/EOP

FAST TRACK
By Gene Sperling, Chairman, National Economic Council

Five years ago, America was losing ground. Today, America is the world's strongest economy, leading the world from auto production to semiconductors. The America people deserve the credit for our remarkable economy. But President Clinton's three-part economic strategy -- reducing the deficit, investing in our people, and tearing down trade barriers -- played an important role in allowing the American people to realize their full potential and for our economy to once again be the envy of the world. In New York state alone, nearly 650,000 jobs are dependent on trade -- an increase of over 32,000 since 1992 ~~and~~ goods exports in 1997 are running at a rate of $55 billion -- up 31% since 1992.

Whenever American workers have been given a fair chance to compete, we have won. That is why President Clinton moved aggressively to tear down trade barriers and open overseas markets to more U.S. goods and services. Through tough, fair trade agreements, we have repeatedly leveled the playing field -- securing more concessions from our trading partners than we had to give up. For example, Australia has had to cut its tariffs five times more than we have had to and Peru has cut its tariffs ten times more than the United States.

But with 96% of the world's consumers living outside America's borders, we need to look abroad -- to emerging markets -- where American products are still at a disadvantage. While U.S. tariff rates average 2.8%, the Philippines' rates average 19%, Peru's 14% and Brazil's nearly 12%. In fact, Latin American countries imposed over $6 billion and the major Asian countries imposed over $12 billion in taxes on U.S. exports in 1996. Since U.S. tariffs are already low, American workers will benefit when barriers to American exports are cut far more than our barriers to their products.

But as America debates how to seize the opportunities of the future, other countries are aggressively moving forward. Since 1992, in Latin America and Asia alone, our competitors have negotiated 20 trade agreements that help them, but exclude the United States. We need to have a fair shot at these markets of the future. Asia has several of the fastest growing economies in the world -- with expected real growth of 6-7% *annually* for the next 15 years. We cannot miss our chance to win in these markets too.

In upcoming global negotiations, President Clinton needs to have the flexibility to negotiate agreements in agriculture (a global market of $600 billion) commercial services (a $1.2 billion market), and government procurement (a market estimated to be worth $1 trillion in Asia alone in the next decade). In each of these areas, the U.S. stands to benefit the most.

Every President since Ford has had "fast track" authority, because, without it, we lose the credibility to negotiate tough, fair trade deals. Without fast track, our partners know that our hands are tied because Congress may reopen any agreement. As a result, they will not give us their bottom line best offers.

As the American people prepare for the challenges of the 21st century, we face a critical choice: embrace the global economy, write the trade rules, and continue America's economic expansion

-- or turn our back on the world and fail to compete for new markets, new contracts, new business, and new job opportunities.

No country is better positioned to compete and win in the 21st century. The last five years have shown that we have every reason to have confidence in our economy, our companies, and our workers. Fast track is a test of that confidence.

Russell W. Horwitz
10/07/97 10:44:58 PM

Record Type: Record

To: Jonathan A. Kaplan/OPD/EOP, Eric R. Biel/WHO/EOP, Jake Siewert/OPD/EOP, Jonathan Orszag/OPD/EOP

cc:
Subject: Revised Fast Track Op-Ed — Mad #s, speakers, etc

trade.gs

Meet / Russ A. 10 am

Jake Siewert
10/07/97 07:23:45 PM

Record Type: Record

To: Russell W. Horwitz/OPD/EOP, Jonathan Orszag/OPD/EOP, Eric R. Biel/WHO/EOP
cc: Jonathan A. Kaplan/OPD/EOP
Subject: Fast track Op-Ed

trade.gs

It's still a couple of sentences too long. Let's try to see **tonight** if Gene wants to do this. We might want to take out the 49 states fact and add in how many jobs have been created in NY due to exports. Thanks.

FAST TRACK

By Gene Sperling, Chairman, National Economic Council

foreign

Five years ago, America is the ~~world's strongest~~ economy, leading the world from auto production to semiconductors. The America people deserve most of the credit for our remarkable economy. But President Clinton's three-part economic strategy -- reducing the deficit, investing in our people, and tearing down trade barriers -- played an important role in allowing the people to realize their full potential and for ~~the American~~ economy to once again be the envy of the world.

Whenever American workers have been given a fair chance to compete, we have won. That is why President Clinton moved agressively to tear down trade barriers and open overseas markets to more U.S. goods and services. Through tough, fair trade agreements, we have repeatedly leveled the ~~playing~~ field -- securing more concessions from our trading partners than we had to give up. For example, Australia has had to cut ~~their~~ tariffs five times more than we have had to and Singapore has cut ~~their tariffs 12 times more than America~~.

But with ~~19 out of 20~~ of the world's consumers living outside America's borders, we need to look abroad -- to emerging markets -- where American products are still at a disadvantage. While U.S. tariff rates average 2.8%, Philippines' rates average 19%, Peru's 14% and Brazil's nearly 12%. In fact, Latin American countries imposed over $6 billion and the Asian ~~members~~ of APEC imposed over $12 billion in taxes on U.S. exports in 1996. Since U.S. tariffs are already low, American workers will benefit w~~hen barriers to American exports are cut far more than our barriers to their products~~ future trade agreements.

But as America debates how to seize the opportunities of the future, other countries are aggressively moving forward. Since 1992, in Latin America and Asia alone, our competitors have negotiated 20 ~~new~~ trade agreements that help them, ~~but exclude~~ the United States. We need to have a fair shot at these markets of the future. Asia has ~~one~~ of the fastest growing economies in the world -- expected real growth of 6-7% *annually* for the next 15 years. We can not miss our chance to win in these markets too.

In ~~the~~ upcoming ~~World Trade Organization (WTO)~~ global negotiations, ~~President Clinton needs to~~ America have the flexibility to negotiate agreements in agriculture (a global market of $600 billion), commercial services (a $1.2 billion market), and government procurement (~~a market estimated~~ to be worth $1 trillion in Asia alone in the next decade). In each of these areas, the U.S. stands to benefit the most.

Every President since Ford has had "fast track" authority, because, without it, we lose the credibility to negotiate tough, fair trade deals. Without fast track, our partners know that our hands are tied because Congress may reopen ~~and relitigate~~ any agreement. As a result, they will not give us their bottom line best offers.

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

better example cite Singapore is more open than us today?

what know this

Marketing avoid "WTO" Chad knows

fine okay?

Cut Argentina? (Brazil, Venez.)

No country is better positioned to compete and win in the 21st century. The last five years have shown that we have every reason to have confidence in our economy, our companies, and our workers. Fast track is a test of that confidence. We must seize the opportunity.

More on trade & jobs —
focusing on N.Y. ~~#s~~ specifically?
Any specific NY examples of exports = jobs?
Any spec. sectors - exports?
Mfg. in general?

NYC ~~metro~~ ~~area~~ accd
for $28B in exports
in 1996 (2nd)

but down 0.8% fr. 1993!
up fr. 1995

+ $5B
Newark

+ $3.7B
Nassau-Suffolk

THE WHITE HOUSE

WASHINGTON

September 9, 1997

FAST TRACK KICKOFF PRESENTATION

DATE: Wednesday, September 10, 1997
TIME: 1:30-2:00 p.m.
LOCATION: East Room
FROM: Sandy Berger
Victoria Radd
Jay Berman
Gene Sperling
Dan Tarullo

I. PURPOSE

To formally begin the process of winning congressional approval of fast track trade negotiating authority this fall.

II. BACKGROUND

Tomorrow's event will focus on explaining: (1) fast track in the context of your three-part economic strategy of eliminating the deficit, investing in education and training, and opening markets abroad; (2) the importance of trade to American economic growth and job creation; (3) the need to renew fast track authority to build on the Administration's trade accomplishments (the theme of "compete or retreat"); (4) the consequences if fast track authority is not renewed (the "costs of inaction"); and (5) the importance of addressing labor and environmental concerns.

The fast track legislation itself will not be transmitted in conjunction with this kickoff event. Over the past ten days, senior Administration officials have held a series of meetings with Members of Congress and key congressional staff to consult on the legislation. We anticipate that the legislation will be ready for introduction early next week, following additional consultations with Members of Congress and prior to the first hearings on fast track authority, now scheduled to be held by the Senate Finance Committee on Wednesday, September 17th.

Our consultations have had two key objectives. First, we have been working to reassure congressional Republicans about the nature of fast track trade agreements and the inclusion of labor or environmental provisions in those agreements unless those provisions are directly trade-related. Republican leaders have made clear that they would oppose anything more, which would stall the process.

Second, we have sought to address the concerns of key Democrats, including Minority Leader Daschle, by discussing potential labor and environmental initiatives that we would be able to undertake outside the scope of fast track trade agreements -- including through side agreements modeled on the NAFTA labor and environmental agreements, separate measures that address particular labor or environmental concerns, and improvements to domestic programs that assist those American workers adversely affected by trade.

We hope that a bipartisan approach can be fashioned by early next week, when we hope to introduce the legislation. We have avoided setting a deadline, but early introduction is necessary to have any hope of enacting legislation this year. We plan to continue the congressional consultations for the remainder of this week -- including the possibility of your meeting with several groups of Members.

III. PARTICIPANTS

Pre-brief participants:

Sandy Berger
Jay Berman
Victoria Radd
Gene Sperling
Dan Tarullo
John Hilley
Secretary Rubin
Secretary Daley
Ambassador Barshefsky
Secretary Herman
Mack McLarty

Event participants:
Vice President Gore
Gene Lang - Corn and Soybean farmer from Grinnell, IA
Susan Corrales-Diaz - President & CEO, Systems Integrated, Orange, CA

The audience for the event will be comprised of many executives from small- and medium-sized businesses and agricultural firms.

IV. PRESS PLAN

The event is OPEN PRESS. Following the event, Secretary Rubin, Secretary Daley, Ambassador Barshefsky, Dan Tarullo and Gene Sperling will join Mike McCurry's daily briefing to help answer questions and highlight the Administration's commitment to winning fast track authority. We also have an aggressive media outreach effort to highlight small business success stories. In addition, Cabinet and White House officials will be briefing columnists as well as doing print and radio interviews into targeted media markets. This will precede a fanning out of the Cabinet to cities across the country for the remainder of the week, including Secretary Glickman in Kansas City, Missouri, Secretary Daley in Minneapolis, Minnesota, and Mack McLarty in Miami, Florida.

V. SEQUENCE OF EVENTS

- **You** and the Vice President arrive to Blue Room to greet:
  Mr. Eugene "Gene" Lang and Ms. Susan Corrales-Diaz

- **You** proceed to the East Room. The Vice President gives welcoming remarks and introduces Mr. Lang.

- Mr. Lang gives brief remarks and introduces Ms. Corrales-Diaz.

- Ms. Corrales-Diaz gives brief remarks and introduces **You**.

- You gives brief remarks and proceed to Blue Room for receiving line then depart.

VI. REMARKS

To be provided by speech writers

VII. ATTACHMENTS

I. Event program speakers

II. List of Members of Congress attending event

ATTACHMENT I

BEING INTRODUCED BY THE VICE PRESIDENT:
Eugene "Gene" Lang
Corn and Soybean Farmer
Grinell, IA

Mr. Lang and his sons operate a 1,300 acre farm, growing corn and soybean from hybrid seeds that are genetically engineered to help produce greater yields. Lang estimates that 20% of his corn sales and 30-35% of his soybean sales are derived from exports.

INTRODUCING YOU:
Susan Corrales-Diaz
President & CEO
Systems Integrated, Inc.
Orange, CA

Systems Integrated, a $50 million company, provides intelligent data acquisition systems and products to improve the efficiency and control of hydroelectric power generation, distribution automation, substation automation and automated meter monitoring in its predominant East-Asian market. Corrales-Diaz expects that the 30% share of total revenues due to exports will increase to 50% over the next two years.

ATTACHMENT II - MEMBERS CONFIRMED TO ATTEND (Not a complete list):

Rep. Robert Matsui
Rep. James Moran
Rep Jim Davis
Rep. Cal Dooley
Rep. Vic Fazio
Rep. Chris John
Rep. Floyd Flake
Rep. Ellen Tauscher
Rep. Bill Luther
Rep. Marion Berry
Rep. William Jefferson
Rep. Charles Stenholm
Rep. Donald Payne
Rep. Robert Menendez
Rep. Norm Dicks
Rep. Christopher Shays
Rep. Charles Rangel

Senator John Rockefeller
Senator John Breaux
Senator Richard Bryan
Semator Max Baucus
Senator Daniel Patrick Moynihan
Senator Bob Kerrey

MEMBERS INVITED BUT UNABLE TO ATTEND:

Rep. Ken Bentsen
Rep. Estaban Torres
Rep. Lee Hamilton
Rep. Earl Blumenauer
Rep. Jim Kolbe
Rep. Charles Ney
Rep. Rob Portman
Rep. Jennifer Dunn
Rep Xavier Becerra
Rep. Dick Armey
Rep. Tom Campbell
Rep. Bill Paxon
Speaker Gingrich
Rep. Bill Archer
Rep. Greg Ganske

Rep. Deborah Pryce
Rep. John Kasich
Rep. Darlene Hooley
Rep. David Skaggs
Rep. Jay Johnson
Rep. Howard Berman
Rep. Jim McDermott
Rep. Chet Edwards
Rep. Leonard Boswell
Rep. David Drier
Rep. Silvestre Reyes
Rep. Vic Snyder
Rep. John Tanner
Rep. Tom Latham

Senator Trent Lott
Senator Mary Landrieu
Senator John Chafee
Senator Tom Harkin
Senator Bob Graham
Senator Kent Conrad
Senator Sam Brownback
Senator Richard Lugar
Senator Jeff Bingaman
Senator William Roth

MEMBERS PENDING:

Rep. Bob Clement
Rep. Harold Ford Jr.
Rep. Steny Hoyer
Rep. Michael McNulty
Rep. Henry Hyde
Rep. Phil Crane
Rep. J.C. Watts
Rep. Michael Oxley
Rep. Bill Tauzin
Rep. Christopher Cox

Senator Tom Daschle
Senator Ron Wyden
Senator Herb Kohl
Senator Carol Moseley-Braun
Senator Mike Dewine

BK → Eric Bird

EB draft--9/9/97 12 noon

September 9, 1997 ~~44862~~ ~~4465~~

FAST TRACK KICKOFF PRESENTATION

DATE: Wednesday, September 10, 1997
TIME: 1:30-2:30 p.m.
LOCATION: East Room
FROM: Jason Berman and Victoria Radd

Berger
~~Farrell~~
Sperling
Tarullo
Hilley
?

I PURPOSE

To formally begin the process of seeking congressional approval of fast track trade negotiating authority this fall.

II BACKGROUND

Tomorrow's event will focus on several key themes: (1) how fast track relates to your three-part economic strategy of reducing the deficit, investing in education and training, and opening markets abroad; (2) the importance of expanded international trade to American competitiveness, economic growth, and job creation; (3) how the renewal of fast track authority is essential to build on the Administration's trade accomplishments (the theme of "compete or retreat"); and (4) the consequences if fast track authority is not granted (the "costs of inaction").

The actual fast track legislation will not be introduced in conjunction with this kickoff event. Over the past ten days, senior Administration officials have held a series of meetings with Members of Congress and key congressional staff to consult on the legislative package. We anticipate that the legislation will be ready for introduction early next week, following additional consultations with Members of Congress and prior to the first congressional hearings on fast track authority.

These meetings have had two key objectives. First, we have been working to reassure congressional Republicans that we do not intend to broaden the ~~scope~~ nature of fast track ~~authority~~ agreements by including labor or environmental provisions in ~~future trade~~ trade agreements unless those provisions are ~~clearly~~ directly trade-related. Republican leaders have made clear ~~that~~ those they would oppose ~~fast track authority permitting the negotiation of trade agreements that included such provisions or authorized trade sanctions to enforce labor or environmental standards.~~ anything more, ~~stalling the~~ which would stall the process.

Rider A

Second, we have sought to address the concerns of key Democrats, including Minority Leader Daschle, by discussing potential labor and environmental initiatives that we would be able to undertake *outside* the scope of fast track trade agreements -- including through side agreements modeled on the NAFTA labor and environmental agreements, separate measures that address particular labor or environmental concerns, and improvements to domestic programs that assist those American workers adversely affected by trade.

III PARTICIPANTS

IV PRESS PLAN

V SEQUENCE OF EVENTS

VI REMARKS

To be provided by speech writers

VII ATTACHMENTS

09/09/97 11:17 ☎2024562223 WHITE HOUSE/NEC 001

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*** ACTIVITY REPORT ***
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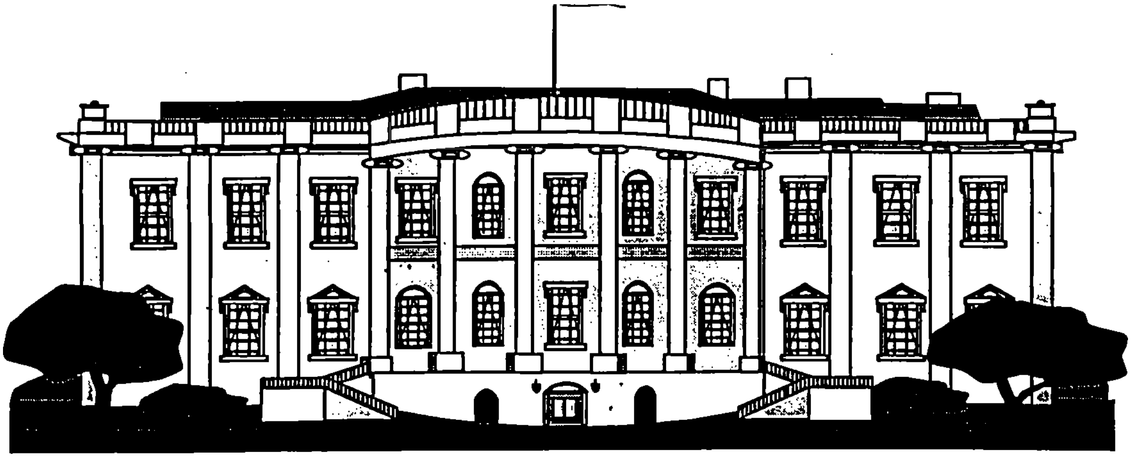
O'Keefe
Leavy
Williams
+ copy to Bob [illegible]



The White House

National Economic Council

To: Peter O'Keefe

Phone: 6-7702 Fax: 6-6218

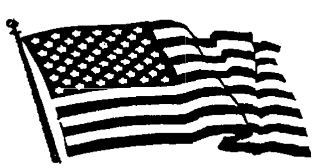
From: Eric Beal

Phone: (202) 456-~~6630~~ 5370 Fax: (202) 456-2223

Pages including cover sheet: 3

Comments:

Also to Mike Williams & David Geary



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***   ACTIVITY REPORT   ***
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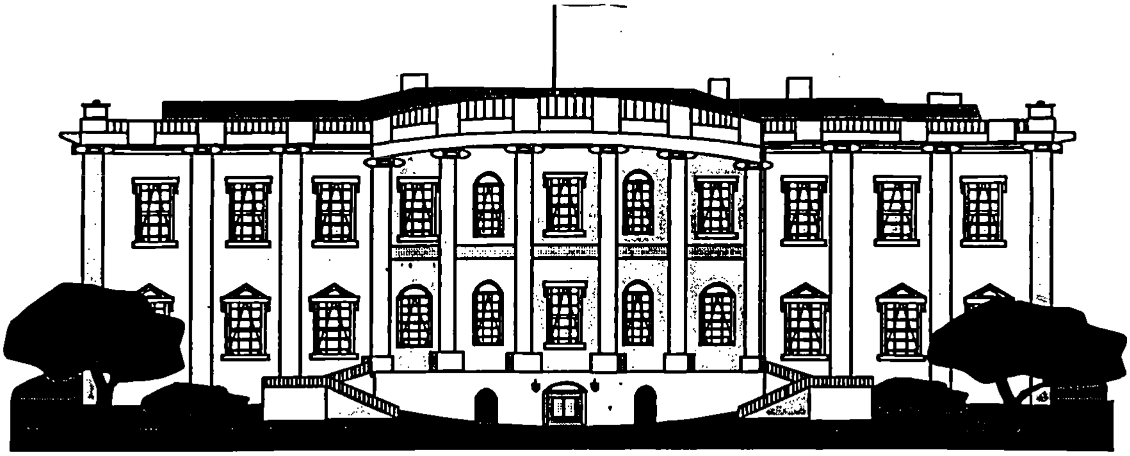

The White House

National Economic Council

To: David Leavy

Phone: 69371 Fax: 69370

From: Eric Biel

Phone: (202) 456-~~6630~~ 5370 Fax: (202) 456-2223

Pages including cover sheet: 3

Comments:

Also to Peter O'Keefe +

Mike Williams

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***  ACTIVITY REPORT   ***
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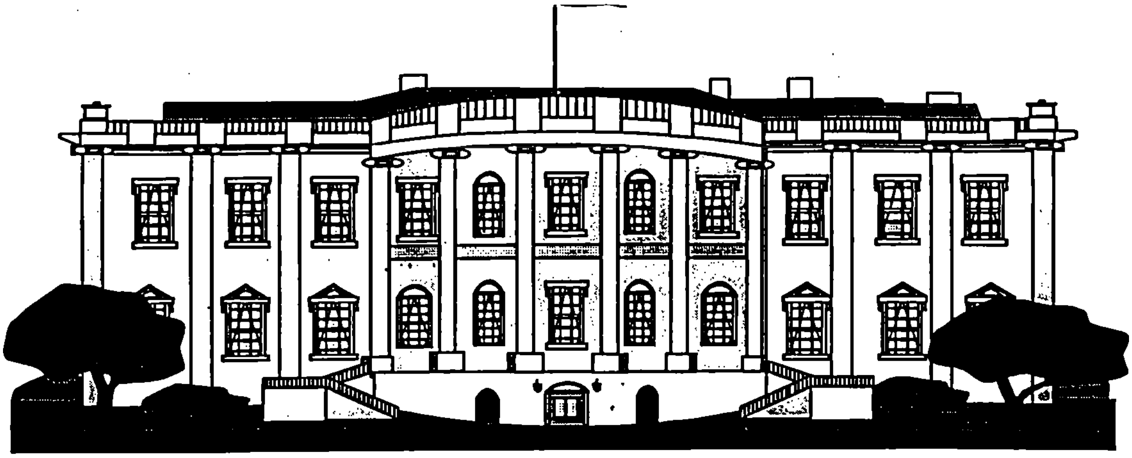


The White House

National Economic Council

To: Mike Williams

Phone: 62230 Fax: 62604

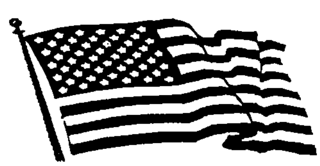
From: Eric Biel

Phone: (202) 456-~~6630~~ 5370 Fax: (202) 456-2223

Pages including cover sheet: 3

Comments:

Also to Peter O'Keefe +
David Leavy



EB draft--9/9/97 12 noon

September 9, 1997

FAST TRACK KICKOFF PRESENTATION

DATE: **Wednesday, September 10, 1997**
TIME: **1:30-2:30 p.m.**
LOCATION: **East Room**
FROM: **Jason Berman and Victoria Radd**

I PURPOSE

To formally begin the process of seeking congressional approval of fast track trade negotiating authority this fall.

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These meetings have had two key objectives. First, we have been working to reassure congressional Republicans that we do not intend to broaden the scope of fast track authority by including labor or environmental provisions in future trade agreements unless those provisions are clearly trade-related. Republican leaders have made clear that they would oppose fast track authority permitting the negotiation of trade agreements that included such provisions or authorized trade sanctions to enforce labor or environmental standards.

Second, we have sought to address the concerns of key Democrats, including Minority Leader Daschle, by discussing potential labor and environmental initiatives that we would be able to undertake *outside* the scope of fast track trade agreements -- including through side agreements modeled on the NAFTA labor and environmental agreements, separate measures that address particular labor or environmental concerns, and improvements to domestic programs that assist those American workers adversely affected by trade.

III PARTICIPANTS

IV PRESS PLAN

V SEQUENCE OF EVENTS

VI REMARKS

To be provided by speech writers

VII ATTACHMENTS

Russell W. Horwitz
09/23/97 06:43:56 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Gene B. Sperling/OPD/EOP
Subject: inventory of fast track paper

attached is a rough first attempt at an inventory of all fast track paper produced for public, Hill, and internal use. If you know of additional documents either being currently produced or already produced, please e-mail me back a description of the document based on the attached format.

Once this document is fairly comprehensive, it will serve as the library for determining what future paper, if any, is needed, who has it, when it was last updated and what has already been produced. It will be updated daily so please send me any information on paper whenever you come across it.

Thanks for your help. fasttrk.up

Message Sent To:

Victoria Radd/WHO/EOP
Lael Brainard/CEA/EOP
Jake Siewert/OPD/EOP
Jonathan Orszag/OPD/EOP
Anne H. Lewis/OPD/EOP
Dorothy Robyn/OPD/EOP
Emil E. Parker/OPD/EOP
Robert D. Kyle/OPD/EOP
MITSLER_E @ A1 @ CD @ LNGTWY
Malcolm R. Lee/OPD/EOP
Robert M. Shireman/OPD/EOP
David C. Leavy/NSC/EOP
Antony J. Blinken/NSC/EOP
Eric R. Biel/WHO/EOP
Michael W. Williams/WHO/EOP
Jeffrey A. Forbes/WHO/EOP
rnovick @ ustr.gov @ INET @ LNGTWY
jziegler @ ustr.gov @ INET @ LNGTWY
sesserman @ ustr.gov @ INET @ LNGTWY

DAILY FAST TRACK UPDATE
TUESDAY, SEPTEMBER 23, 1997
(This document will be augmented as new paper is produced)

PAPER DESCRIPTION	*STATUS*	*AUDIENCE*
• State-by-State with 1997 updated numbers (public).	18 targeted states have been completed. The other 32 states will be completed on Wednesday. They will be disseminated on Thursday.	Media Affairs will send to targeted markets. Barshefsky, McLarty and Sperling will do regional press conf. calls. Chamber of Commerce and DLC will be faxing out to constituents.
• Gephardt Response -- Biel/Kyle (public)	Completed, but not approved by all principals. Should it be from Matsui?	Hill/Media
• Response to Phil Gramm on labor concerns (Q&A on ILO). Drafted by Andy Samet of Labor (internal)	Biel reworking	Internal
• Congressional Hispanic Caucus Letter (public)	Completed and Sent out 9/22	CHC
• Fast Track Press Packet (public)	Completed 9/10/97. Included are labor, environment, AFL-CIO response, cost of inaction, accomplishments on economy/trade, statistics on sectors.	Press, Hill
• Inventory of existing programs --worker adjustment assistance -- Brainard (internal)	Completed	Internal

• **Possible Policy Options:** Domestic Workers: Inventory of policy options for workers, education and trade-affected areas -- Anne Lewis (internal)	Completed but additions are made as new options develop.	internal
• **Possible Policy Options:** Narrowing the Authority -- Kyle/USTR (internal).	Will be completed COB Thursday, 9/23	internal
• **Possible Policy Options:** Sector Specifics -- Kyle/USTR (internal)	Will be completed COB Thursday, 9/23	internal
• **Possible Policy Options:** Labor/Enviro in Fast Track -- Kyle/Biel (internal)	Will be completed COB Thursday, 9/23	internal
• **Possible Policy Options:** NAFTA related -- Kyle/Biel (internal)	Will be completed COB Thursday, 9/23	internal
• Talking Points for calls to Democrats on Ways and Means	Revised 9/23/	internal
• 4-page packet of message documents including 1-page talking points, cost of inaction, accomplishments, and sector statistics	Will be completed 9/24	Capitol Hill (used in conjunction with state by states)

ACTION

MEMORANDUM FOR THE PRESIDENT

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

SUBJECT: Fast Track

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

Uses of Fast-Track Authority

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

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

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

cc: Vice President
Chief of Staff

Information Technology Agreement led to the global agreement).

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

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

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

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

Labor/Environment

We need to settle on our labor/environment position so Charlene can consult quietly on the Hill before the August recess, permitting a quick rollout in September. Our position should be seen only as preliminary, subject to revision after consultation with the Hill. Ultimately, the Administration may need to broker a deal between Republicans and swing Democrats. If past trade legislation is any guide, swing Democrats and others may want to include other provisions (e.g., worker retraining, general trade law reform) going beyond labor/environment. We will not initiate these at the outset, but we should anticipate them.

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

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

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

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

Within the Trade Agreement: The second, and more controversial, issue is the extent to which labor/environment provisions can be included within fast-track trade agreements. Gephardt insists they be fully included and enforceable through trade sanctions, perhaps even through privately initiated actions. The Principals believe this would be neither feasible to negotiate nor, in the view of many, desirable. It would likely lose most Republicans and the business community, making it impossible to assemble a coalition for passage.

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

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

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

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

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

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

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

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

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

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

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

RECOMMENDATION

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

John Hilley, CEQ and Podesta favor Option 2.

Option 1 ___________

Option 2 ___________

Option 3 ___________

Let's Discuss ___________