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Folder Title:
Labor and Environmental Plans: Administrative Response - Daschle [Fast Track]

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SUMMARY OF EXECUTIVE INITIATIVES ON ENVIRONMENTAL ISSUES

Transparency and Openness in the World Trade Organization (WTO)

- The Administration supports efforts to seek greater transparency in WTO proceedings. Accordingly, we will present our specific objectives for greater WTO transparency at a meeting of the WTO's governing body later this year, and will adopt increased transparency, openness, and public participation as priorities for next year's scheduled review of WTO dispute settlement procedures.
- Our specific objectives for more openness in WTO dispute settlement include advocating consideration of *amicus curiae* submissions by non-governmental parties where environmental or conservation issues are being considered; seeking to open dispute settlement proceedings to the public; and providing for more timely access to documents to increase public input into the dispute settlement process.

Eminent Persons Group

- We will seek to have the WTO establish an "eminent persons group" to examine the relationship between trade and the environment. We will ask the WTO Director General to convene such a group -- to include independent experts on trade, the environment, and development issues.
- The group should examine issues and formulate options for WTO consideration, including the relationships between GATT Articles III and XX and environmental measures affecting trade, trade measures in international environmental agreements and WTO rules, and trade disciplines and "ecolabeling" initiatives.

International Financial Institutions (IFIs)

- Consistent with existing statutory mandates, we will propose a series of specific steps to strengthen the IFIs' incorporation of environmental issues into their operations and to promote increased resources for environmental projects.
- Among the specific proposed measures are increased direct lending for environmental projects and a new fund to provide below market rate loans, greater scrutiny of environmental issues arising from prospective operations, and careful evaluation of the effectiveness of public disclosure of environmentally-sensitive projects.

SUMMARY OF EXECUTIVE INITIATIVES ON LABOR ISSUES

Review of Future Free Trade Agreement (FTA) Partners

- To help ensure that Congress and the public can evaluate future free trade agreements thoroughly, we will submit to Congress a review of the broader relevant conditions in FTA partner countries when an agreement is brought back for approval.
- This review will address the country's relevant labor and environmental laws (including their enforcement), the integrity and effectiveness of its legal system, its macroeconomic policies and practices (including its exchange rate system), and the structures and policies for addressing each of these areas.

Labor Department Report on Conditions under the North American Agreement on Labor Cooperation (NAALC)

- We believe that greater understanding of the labor conditions in our NAFTA partners will build on the work already being done under the NAALC and strengthen its effectiveness in addressing relevant labor issues.
- To accomplish this, the Labor Department will report annually on each NAFTA partner's labor laws, practices, and conditions covered by the NAALC, the relevant proceedings in the NAALC, and the steps the countries are taking to conform to the findings in any NAALC cases.

International Financial Institutions

- We will undertake a series of specific measures to increase the focus on and priority given to worker rights issues in the IFIs.
- These include calling for a new World Bank office dedicated to analyzing labor issues and with direct input into program and lending activities, pressing for a screening mechanism to ensure these issues are taken into account systematically in planning and programming, urging more direct lending and technical assistance to improve adherence to core labor standards, and working to convene a World Bank-IMF conference to advance progress on core labor standards as well as a summit meeting of the presidents of the IFIs and ILO Director General to strengthen cooperation here.

Export Processing Zones

- We remain concerned about special tariff-free export processing zones in certain countries where there are lower labor standards and less adequate worker protections than exist in the rest of the country.

- To explore how best to address this issue, the Labor Department will update its earlier study on different rules in such zones, and we will also encourage further work in the ILO on the extent of these practices and means for addressing them with member states.

Child Labor

- Addressing exploitative child labor practices has been a longstanding priority; our initiatives here have included cooperative efforts with the private sector, technical assistance to developing countries, use of U.S. laws in response to persistent child labor practices, and reports and workshops to increase attention to this issue.
- Building on these efforts, the Labor Department will be issuing a report on actions being taken internationally to combat exploitative child labor. We will also establish an Administration task force, chaired by the Treasury Department, to implement a recent change to U.S. trade law that permits the exclusion from the United States of products made with forced or bonded child labor.

STATEMENT OF EXECUTIVE INITIATIVES

The renewal of traditional trade negotiating authority will enable the United States to continue to assume the leadership role in breaking down trade barriers and opening markets -- creating new opportunities for our workers and our companies. By fostering a close partnership between the President and the Congress, this authority also ensures that the United States speaks with a united, bipartisan voice in pursuing our international trade agenda.

Even as we use this authority to negotiate strong new trade agreements, we need to ensure that our trade agenda complements and reinforces other important policy objectives -- as it always has done. These goals include helping promote greater attention by other countries to the protection of the environment and worker rights. Because of American leadership, we already have witnessed significant progress in both areas. Maintaining and extending this progress depends on our continued economic leadership role, which in turn is dependent on the renewal of our traditional trade negotiating authority. Failing to do so not only will deny us the ability to attack foreign trade barriers and create new jobs at home, but also will ensure that we are not positioned to help advance environmental protection and promotion of worker rights in other countries.

Greater international attention to labor and environmental issues is integral to our efforts to see that all workers have the opportunity to compete and win in the global marketplace. It also helps serve as an important reminder that the ultimate rationale for freer, expanded trade is to create additional wealth and, by so doing, to improve the living conditions of workers both in the United States and abroad. U.S. leadership in this regard also affords a clear example to the rest of the world that protecting the environment and worker rights helps contribute to increased economic growth and prosperity.

The initiatives described below complement the provisions on labor and the environment in the "fast track" legislation now under consideration in the Senate and House of Representatives. They demonstrate that we should work to promote stronger protection of the environment and worker rights in a variety of ways in a variety of fora; indeed, they reveal that trade negotiations may not always afford the best venue for achieving these important objectives.

These initiatives are fully consistent with our goal of expanding international trade. By remaining active here, the United States can help ensure that protection of the environment and promotion of worker rights are in step with trade liberalization. Our leadership position grants us both an opportunity and a challenge: to ensure that trade expansion and improved protection of the environment and worker rights are mutually supportive, and together contribute to economic growth, higher standards of living, and a higher quality of life both in the United States and abroad.

I. Environmental Issues

A. World Trade Organization (WTO): Transparency and Openness

This Administration has long been committed to improving the transparency of WTO activities and the openness of WTO proceedings, and we will be continuing our active pursuit of these goals in the coming year. First, to demonstrate the significance we attach to this issue, the Administration's fast track bill included a principal negotiating objective of achieving the observance of open and equitable procedures by U.S. trading partners and WTO members. Second, we will present our transparency objectives with respect to WTO activities and proceedings at a meeting of the WTO General Council (the WTO's governing body) before the end of the year. Third, we will adopt increased transparency, openness and public participation as priority objectives for the mandated review of the WTO dispute settlement rules and procedures that must be completed by WTO Members by the end of 1998.

The specific objectives that we will pursue in support of greater openness and transparency in dispute settlement include:

- Advocating consideration by WTO panels and the Appellate Body of *amicus curiae* submissions from non-governmental interested parties in dispute settlement proceedings that involve environmental and conservation issues.
- Seeking to open WTO dispute settlement panel and Appellate Body proceedings to observance by the public.
- Providing for more timely public access to dispute settlement documents, including through electronic means, to enhance the ability of non-governmental representatives to provide their input and expertise.

In addition, we will work to ensure that similar transparency and openness provisions are included in future trade agreements -- whether multilateral, regional, or bilateral -- that contain dispute settlement provisions.

B. WTO: Eminent Persons Group

We strongly support efforts to improve the understanding of how environmental considerations relate to WTO rules and principles. We believe that establishment of an "eminent persons group" can advance that process significantly and help establish the groundwork for further initiatives in this area. To that end:

- We will propose that the WTO Director General convene a group of eminent persons, to include independent experts in the fields of trade, the environment, and development, to examine issues and formulate options for the WTO to consider.

- We will propose that the group examine the interaction of national and international environmental policies with WTO rules and principles. Among the issues it should address are: the relationship of GATT Articles III and XX to environmental measures that affect trade; the relationship between trade measures in international environmental agreements and WTO rules; and the relationship between trade disciplines and ecolabeling.

C. International Financial Institutions (IFIs)

We intend to build upon and expand our efforts to promote incorporation by the IFIs of the full range of environmental issues into their operations and promote a greater flow of resources to environmental projects. In an effort to achieve these goals, the following specific steps will be taken:

- Secretary Rubin will propose that the Inter-American Development Bank (IDB) create an independent advisory committee comprised of senior IDB officials, representatives of non-governmental organizations, and others to examine environmental issues arising from prospective operations and to make specific recommendations to the IDB.
- We will press for significant increases in direct lending for environment and natural resources management projects (in the IDB such funding rose to \$815 million in 1996 due in large part to our advocacy) and for a higher share of lending to be dedicated to these projects.
- We will continue to scrutinize closely the effectiveness of public information disclosure for environmentally sensitive projects to ensure compliance with the existing law, focusing on the required advance consultation with affected and interested persons.
- We will examine closely the practices of the independent inspection panels established to examine alleged non-compliance with established policies and propose improvements to this process and its expansion to the IFIs that currently do not make use of independent inspection panels.
- We will pursue vigorously international support for our proposal to create a \$250 million fund that would provide below market rate loans to finance environmental initiatives.
- We will continue to urge the IMF, as appropriate, in its program design and annual consultations with members to consider the link between the environment and economic policy choices.

Please note also the environmental dimensions of the review of future free trade agreement partners, described below at II(A).

II. Labor Issues

In the labor area, the Administration supports a range of initiatives designed to strengthen the respect for core labor standards. We already have taken a number of important steps to broaden international respect for freedom of association; the right to organize and bargain collectively; prohibitions on forced labor and exploitative child labor; and discrimination in employment. The list of measures that follows illustrates our commitment to address worker rights issues aggressively in a variety of ways.

A. Review of Future Free Trade Agreement (FTA) Partners

The Administration is committed to ensuring that Congress and the American public have an opportunity to thoroughly evaluate future free trade agreements. One important element of this plan is our commitment to make certain that Members of Congress and the public are informed of the broader relevant conditions in prospective FTA partner countries, including each country's labor laws and practices, environmental laws and practices, legal system, macroeconomic policies and conditions, trade laws and practices, and other relevant conditions. To advance this effort:

- We will submit to the Congress, and make available to the American public, a review evaluating these conditions in each prospective FTA partner country when an agreement is brought back for congressional approval. This review will be prepared with the participation of relevant Executive Branch agencies, including the Department of Labor, the Environmental Protection Agency, the Department of Justice, the Department of Treasury, the Office of the United States Trade Representative, and the Department of Commerce.
- Among the matters this review will address are: (1) the FTA partner country's relevant labor and environmental laws, including the enforcement of those laws; (2) the integrity and effectiveness of the country's legal system; (3) the country's macroeconomic policies and practices, including the operation of its exchange rate system; and (4) a description of the country's institutional structures and general policies and practices for addressing each of these areas.

B. Labor Department Annual Report on Labor Conditions under the North American Agreement on Labor Cooperation

We believe that a greater understanding of the labor conditions in our NAFTA partners will allow us to build on the work already being done under the North American Agreement on Labor Cooperation (NAALC) and, at the same time, strengthen the NAALC's own effectiveness in addressing relevant labor issues. To aid in this objective:

- The Department of Labor will produce an annual report reviewing for each NAFTA partner the labor laws, practices, and conditions covered by the NAALC, as well as the relevant proceedings, actions and cases under the NAALC, and the steps being taken by our NAFTA partners to conform to the findings in any such cases.

C. International Financial Institutions (IFIs)

The Administration will undertake a series of measures designed to enhance the U.S. leadership role in pressing for incorporation of issues related to core labor standards into the planning and programs of the IFIs. The following measures will help enhance attention to these issues within the U.S. Government, secure a greater international focus on worker rights issues, and heighten the priority given to worker rights issues by the IFIs:

Ensuring International Focus on Worker Rights Issues

- The Administration believes the United States should continue to heighten attention to this issue. To that end, Secretary Rubin highlighted the need to place greater emphasis on labor standards in his speech at the World Bank/IMF Annual Meeting in September. He will continue to do so in appropriate fora.
- We will propose a summit meeting of the presidents of the IFIs and the Director General of the ILO to reinforce the commitment of the institutions to working closely together.

Enhanced Focus Within the Administration

- In consultation with Secretary of Labor Herman, Secretary of the Treasury Rubin will propose formation of an interagency team -- including the Departments of Labor, State, and Commerce -- to explore issues related to core labor standards more broadly and examine ways to incorporate these issues more systematically into the work of the IFIs. As part of this, the State Department will undertake a variety of diplomatic efforts to promote observance of core labor standards.

Heightening the Priority given by the IFIs to Worker Rights Issues

- We will call for the World Bank to establish an office that is dedicated to analysis of labor issues and has direct input into the Bank's program and lending activities, and will encourage regular direct contacts between ILO staff and this office. We will seek over time to pattern this effort on the institutional reforms undertaken by the Bank in recent years to strengthen its capacity to incorporate environmental considerations in lending and policy advisory activities.
- We will continue to promote vigorously our proposal to develop a screening mechanism -- now under discussion with the multilateral development banks -- to ensure that worker rights issues are taken systematically into account in the institutions' operational planning and programming. We also will explore the best means for ensuring that IFI budgets contain resources sufficient to conduct screening operations and similar analytical functions.
- We will actively promote the Administration's proposed joint World Bank-IMF conference on issues related to core labor standards in an effort to pursue explicit commitments to make tangible progress in the IFIs on these issues. The conference could bring together senior IFI and ILO officials, as well as academics and representatives of non-governmental organizations.
- We will urge the multilateral development banks to increase both technical assistance and direct lending to promote greater adherence to core labor standards.
- We will urge the IMF to further emphasize the importance of labor issues in its annual reviews of member countries and by examining the link between promotion of core labor standards and long-term macroeconomic performance (for possible inclusion in its new governance policies).
- We will follow up vigorously on the paper completed, at our urging, by the World Bank on child labor issues, including its specific proposals for more active Bank engagement on these issues.
- We will continue to implement the statutory requirement directing the Secretary of the Treasury to urge the IFIs to adopt policies encouraging borrowing countries to protect worker rights and requiring an annual report to Congress on how the IFIs are performing.

D. Export Processing Zones

The U.S. Government has been concerned over the past several years with programs through which certain countries apply lower labor standards and permit less adequate worker protections in special tariff-free export processing zones (EPZs). We are committed to developing a clearer understanding of such programs and, in so doing, exploring the best means for addressing the concerns that already have been identified and any others that may be highlighted through additional study of EPZs. To accomplish this:

- The Department of Labor will update its 1990 study finding that some countries applied different rules in such zones with the intent of restricting certain important labor standards, including the freedom of association and the right to bargain collectively.
- We will continue to encourage work within the ILO to analyze the extent to which differential standards exist in such zones, and will urge the ILO to work with member states to address these practices. We also will review whether to recommend increased coordination on this issue between the ILO and the WTO.

E. Child Labor

The Administration has focused particular attention on addressing concerns about the exploitation of child labor. Since 1993, we have responded to congressional concerns by preparing three major reports on child labor practices, and have used these reports to aid the private sector in developing voluntary codes of conduct, labeling efforts, and production changes in overseas facilities. Innovative approaches in this area also include technical assistance to help developing countries eliminate exploitative child labor; pressing successfully for a greater ILO focus on exploitative child labor; using U.S. laws to suspend trade benefits in response to persistent exploitative child labor practices; and holding two workshops in 1997 with our NAFTA partners to discuss child labor concerns in North America. To build on these efforts:

- The Labor Department will soon release a fourth report on actions being taken internationally to combat child labor and other exploitative working conditions. The Department also expects to begin a fifth report evaluating strategies that have been undertaken in other countries to reduce exploitative child labor.
- The Administration supported the recent enactment of a change in the Tariff Act of 1930 to clarify that products of forced or bonded child labor can be excluded from entry into the United States. The Department of the Treasury is establishing a task force to assure that the Administration can effectively respond to any allegations raised under the new law.

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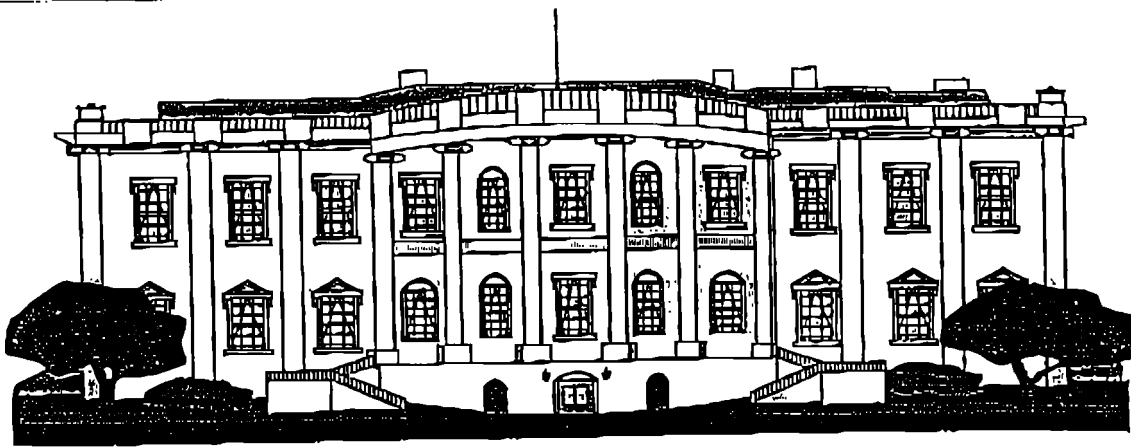
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National Economic Council

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Pages including cover sheet: 14

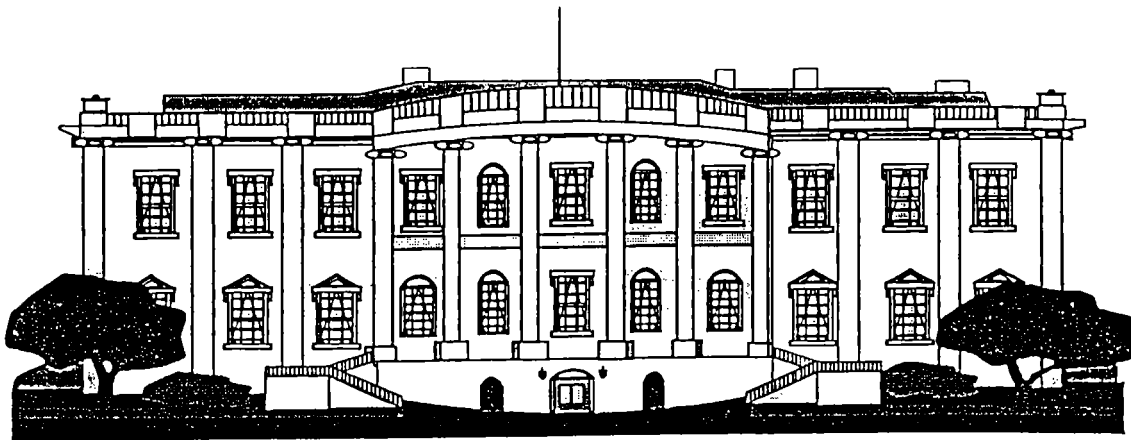
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K-R-LC TR
Summaries
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3:30 release?
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POTUS talk. pts for Envt

Ltr to / process
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talk to Jay Nanda on process

Rabbi/Leahy back to Hill - gen. TRs

USIR doc - incl. food safety / calling DRC
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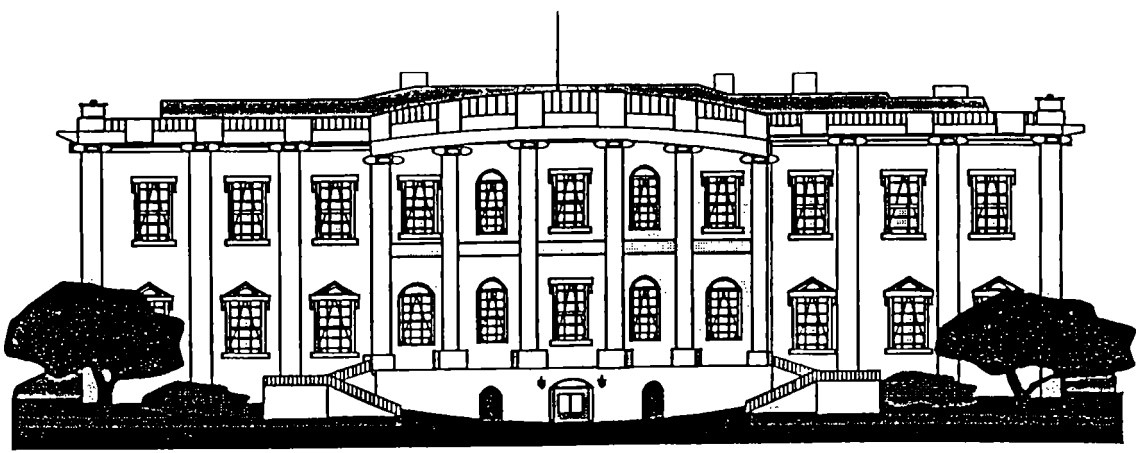
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National Economic Council

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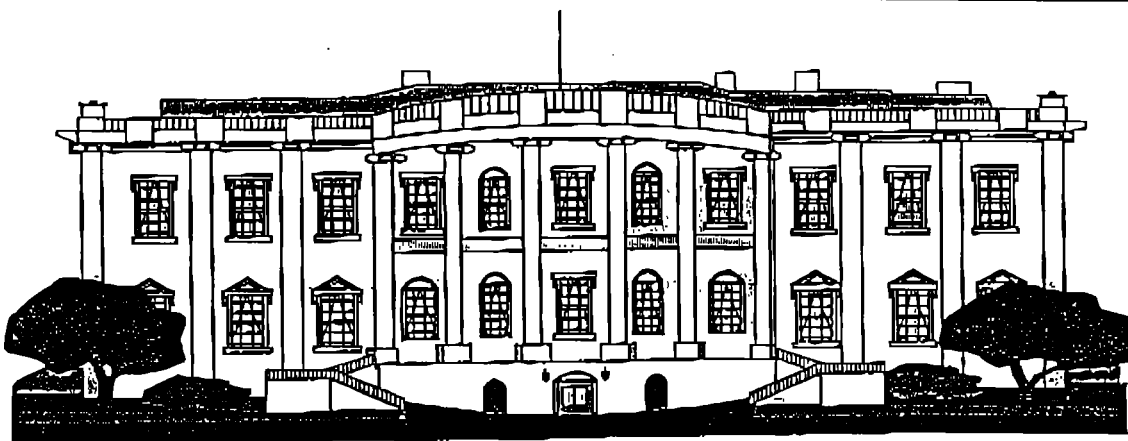
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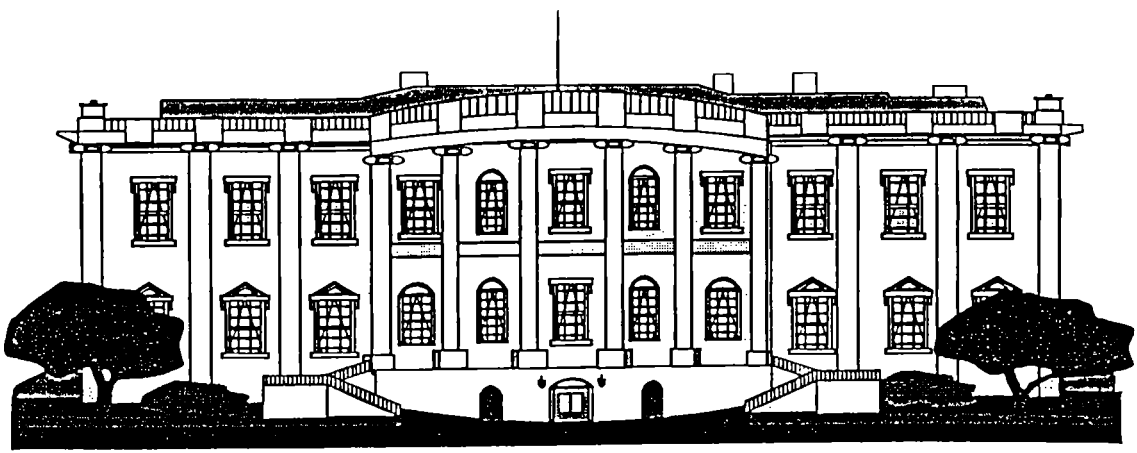
To: Hannah Roberts-USA

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From: Eric Biel

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Pages including cover sheet: 10



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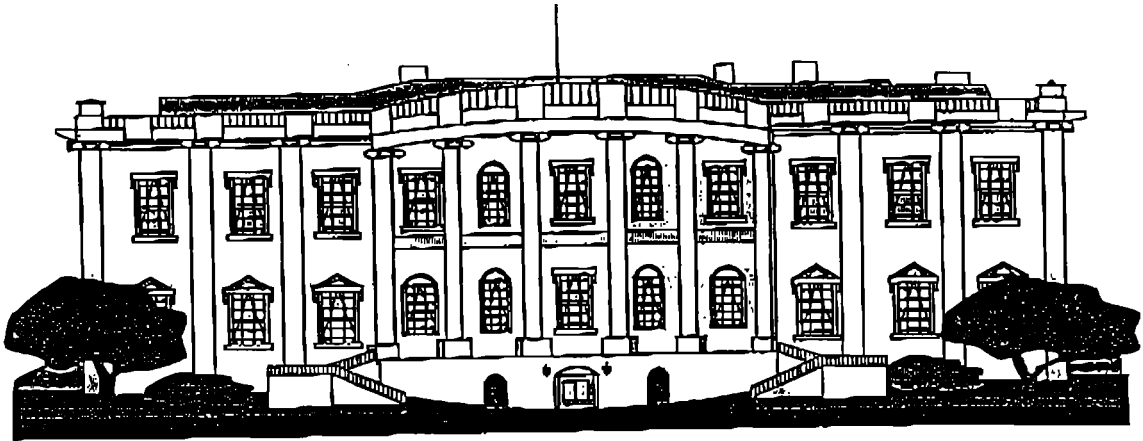
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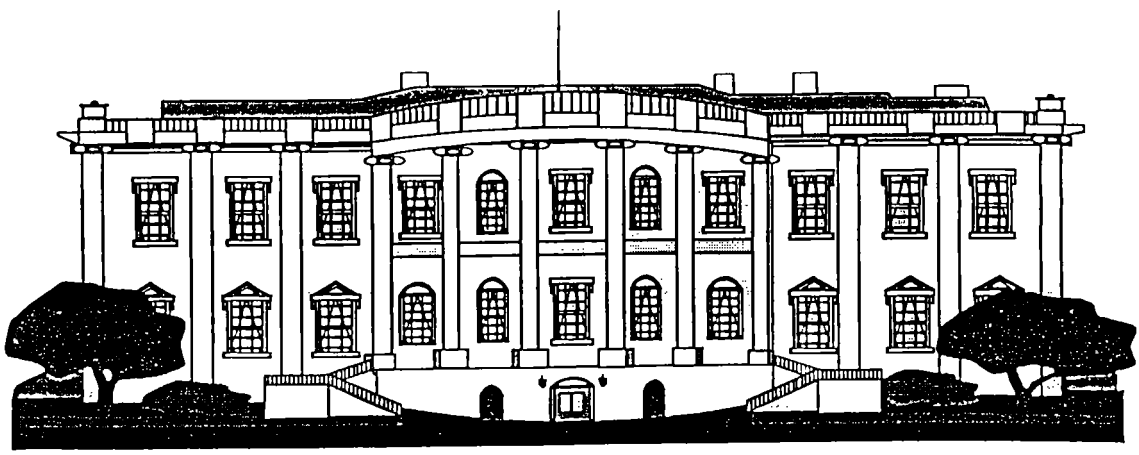
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11/03/97 11:16:01

To: Jeffrey A. Forbes/WHO/ECRI

Subject: Attached Daschle summaries

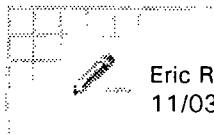
Attached are the summaries of the Daschle package on labor and environment. Please call me if

questions or if more details needed. execinit do

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Mark A. Sanger

Full Name
From - to
Date - USA



Eric R. Biel
11/03/97 10:57:01 AM

Record Type: Record

To: Michael W. Williams/WHO/EOP

cc:

Subject: Attached summaries of Daschle package

Attached, per our discussion, are the summaries of the labor and environmental matters in the Daschle package being released today. Just spoke with Bob Kyle and I'll probably be getting the actual text over to Rubin and Glickman's office fairly soon, but please go ahead and send these along if you wish. Also going to Jay Ziegler at USTR per his request. Bob will get me comments on the POTUS talking points within the hour, and I'll forward those to

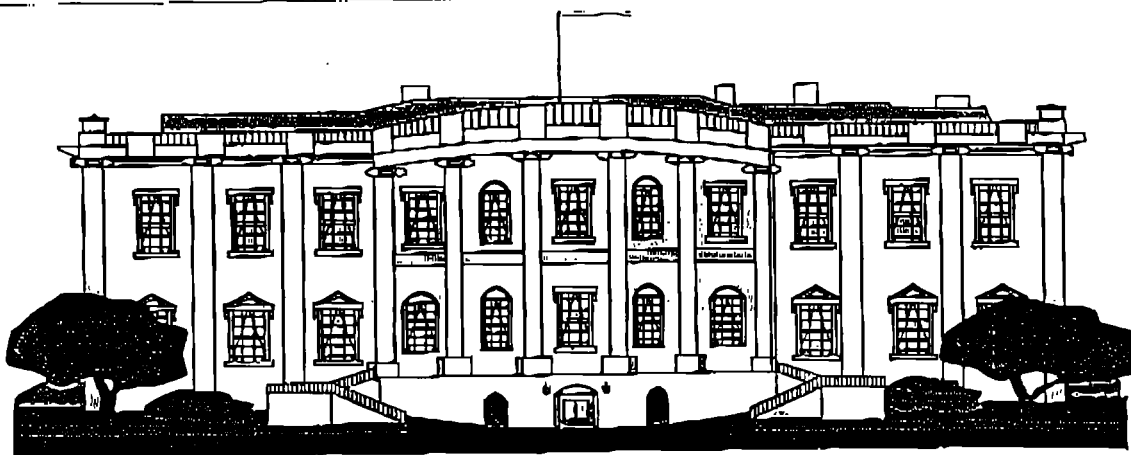


you as well. EB [execinit.do](#)

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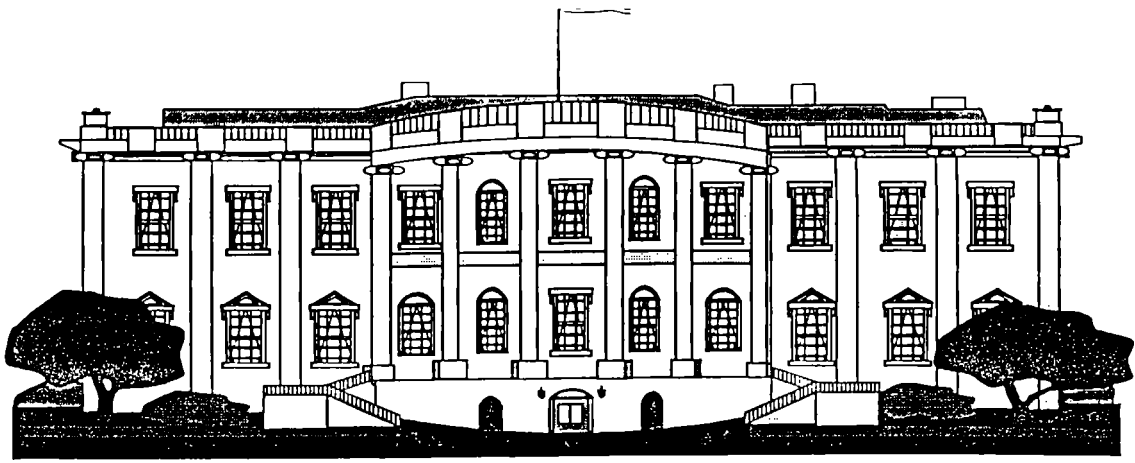
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To: Jay Legler - USR

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Sundane

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Phone: 59496 Fax: 57226

From: Eric Fiel

Phone: (202) 456-⁵³⁷⁰6630 Fax: (202) 456-2223

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on discussed

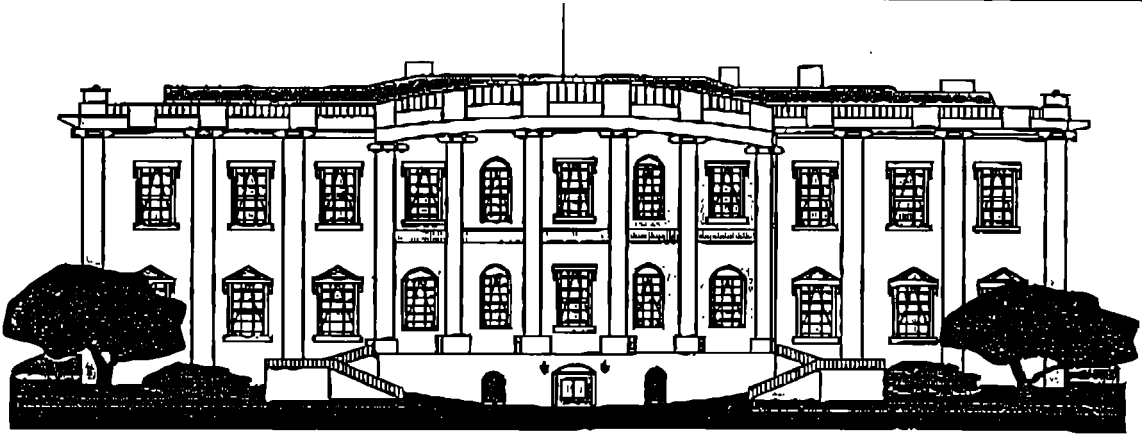
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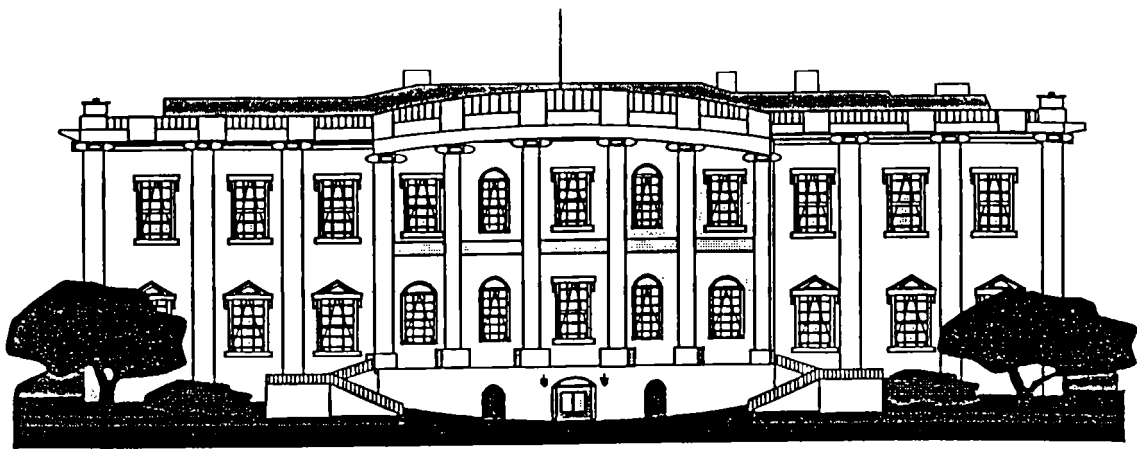
Phone: 622-1906

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Pages including cover sheet: 11

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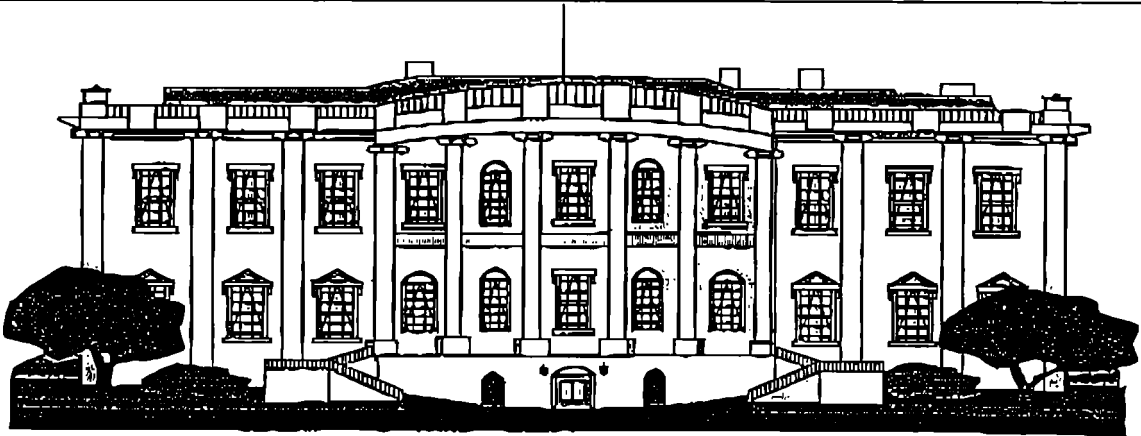
Materials for 3:30 Policy
① Baseline package (will fix typo
② Summary of same on p.6)



*** TX REPORT ***

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The White House

National Economic Council

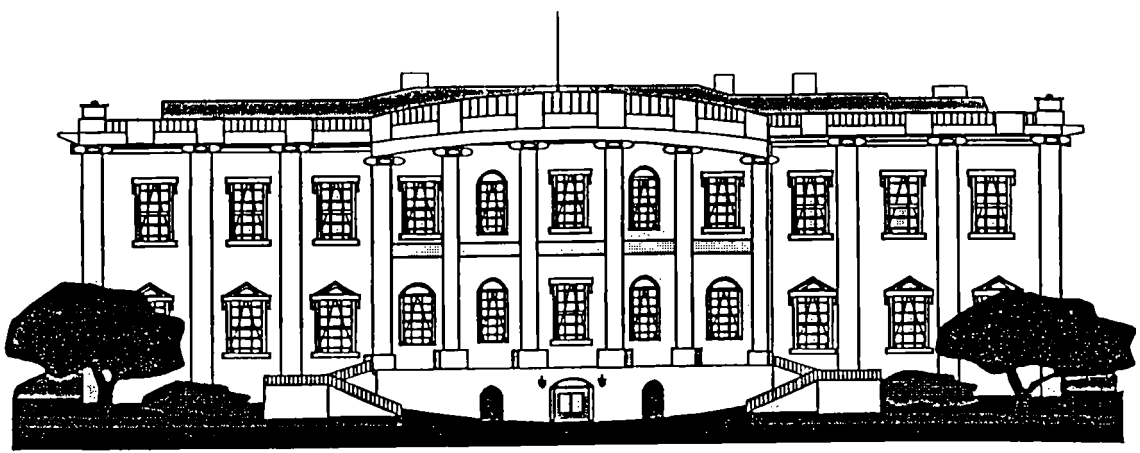
To: Paul Drazek - USDA

Phone: 202-6919 Fax: 202-5437

From: SPK Bie

Phone: (202) 456-6630⁵³⁷⁰ Fax: (202) 456-2223

Pages including cover sheet: 11



The White House

National Economic Council

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From: SPK Bie

Phone: (202) 456-6630⁵³⁷⁰ Fax: (202) 456-2223

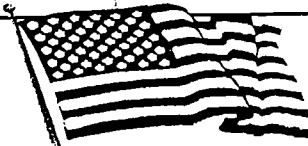
Pages including cover sheet: 11

Comments:

Materials for 3:30 today

(1) Baseline package on labor + enviro.

(2) Summary of the same



SPK

As revised 11-1-97
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STATEMENT OF EXECUTIVE INITIATIVES

The renewal of traditional trade negotiating authority will enable the United States to continue to assume the leadership role in breaking down trade barriers and opening markets -- creating new opportunities for our workers and our companies. By fostering a close partnership between the President and the Congress, this authority also ensures that the United States speaks with a united, bipartisan voice in pursuing our international trade agenda.

Even as we use this authority to negotiate strong new trade agreements, we need to ensure that our trade agenda complements and reinforces other important policy objectives -- as it always has done. These goals include helping promote greater attention by other countries to the protection of the environment and worker rights. Because of American leadership, we already have witnessed significant progress in both areas. Maintaining and extending this progress depends on our continued economic leadership role, which in turn is dependent on the renewal of our traditional trade negotiating authority. Failing to do so not only will deny us the ability to attack foreign trade barriers and create new jobs at home, but also will ensure that we are not positioned to help advance environmental protection and promotion of worker rights in other countries.

Greater international attention to labor and environmental issues is integral to our efforts to see that all workers have the opportunity to compete and win in the global marketplace. It also helps serve as an important reminder that the ultimate rationale for freer, expanded trade is to create additional wealth and, by so doing, to improve the living conditions of workers both in the United States and abroad. U.S. leadership in this regard also affords a clear example to the rest of the world that protecting the environment and worker rights helps contribute to increased economic growth and prosperity.

The initiatives described below complement the provisions on labor and the environment in the "fast track" legislation now under consideration in the Senate and House of Representatives. They demonstrate that we should work to promote stronger protection of the environment and worker rights in a variety of ways in a variety of fora; indeed, they reveal that trade negotiations may not always afford the best venue for achieving these important objectives.

These initiatives are fully consistent with our goal of expanding international trade. By remaining active here, the United States can help ensure that other countries' efforts to improve their protection of the environment and worker rights are in step with trade liberalization, not motivated by a desire to restrict trade and protect domestic markets. Our leadership position thus grants us both an opportunity and a challenge: to ensure that trade expansion and improved protection of the environment and worker rights are mutually supportive, and together contribute to economic growth, higher standards of living, and a higher quality of life both in the United States and abroad.

SUMMARY OF EXECUTIVE INITIATIVES ON ENVIRONMENTAL ISSUES

Transparency and Openness in the World Trade Organization (WTO)

- Both the House and Senate fast track bills call for the Administration to seek greater transparency in WTO proceedings. Accordingly, we will present our specific objectives for greater WTO transparency at a meeting of the WTO's governing body later this year, and will adopt increased transparency, openness, and public participation as priorities for next year's scheduled review of WTO dispute settlement procedures.
- Our specific objectives for more openness in WTO dispute settlement include advocating consideration of *amicus curiae* submissions by non-governmental parties where environmental or conservation issues are being considered; seeking to open dispute settlement proceedings to the public; and providing for more timely access to documents to increase public input into the dispute settlement process.

Eminent Persons Group

- We will seek to have the WTO establish an "eminent persons group" to examine the relationship between trade and the environment. We will ask the WTO Director General to convene such a group -- to include independent experts on trade, the environment, and development issues.
- The group should examine issues and formulate options for WTO consideration, including the relationships between GATT Articles III and XX and environmental measures affecting trade, trade measures in international environmental agreements and WTO rules, and trade disciplines and "ecolabeling" initiatives.

International Financial Institutions (IFIs)

- Consistent with existing statutory mandates, we will propose a series of specific steps to strengthen the IFIs' incorporation of environmental issues into their operations and to promote increased resources for environmental projects.
- Among the specific proposed measures are increased direct lending for environmental projects and a new fund to provide below market rate loans, greater scrutiny of environmental issues arising from prospective operations, and careful evaluation of the effectiveness of public disclosure of environmentally-sensitive projects.

SUMMARY OF EXECUTIVE INITIATIVES ON LABOR ISSUES

Review of Future Free Trade Agreement (FTA) Partners

- To help ensure that Congress and the public can evaluate future free trade agreements thoroughly, we will submit to Congress a review of the broader relevant conditions in FTA partner countries when an agreement is brought back for approval.
- This review will address the country's relevant labor and environmental laws (including their enforcement), the integrity and effectiveness of its legal system, its macroeconomic policies and practices (including its exchange rate system), and the structures and policies for addressing each of these areas.

Labor Department Report on Conditions under the North American Agreement on Labor Cooperation (NAALC)

- We believe that greater understanding of the labor conditions in our NAFTA partners will build on the work already being done under the NAALC and strengthen its effectiveness in addressing relevant labor issues.
- To accomplish this, the Labor Department will report annually on each NAFTA partner's labor laws, practices, and conditions covered by the NAALC, the relevant proceedings in the NAALC, and the steps the countries are taking to conform to the findings in any NAALC cases.

International Financial Institutions

- We will undertake a series of specific measures to increase the focus on and priority given to worker rights issues in the IFIs, and to ensure program countries take all steps possible to guarantee the protection of core labor standards.
- These include calling for a new World Bank office dedicated to analyzing labor issues and with direct input into program and lending activities, pressing for a screening mechanism to ensure these issues are taken into account systematically in planning and programming, urging more direct lending and technical assistance to improve adherence to core labor standards, and working to convene a World Bank-IMF conference to advance progress on core labor standards as well as a summit meeting of the presidents of the IFIs and ILO Director General to strengthen cooperation here.

Export Processing Zones

- We remain concerned about special tariff-free export processing zones in certain countries where there are lower labor standards and less adequate worker protections than exist in the rest of the country.
- To explore how best to address this issue, the Labor Department will update its earlier study on different rules in such zones, and we will also encourage further work in the ILO on the extent of these practices and means for addressing them with member states.

Child Labor

- Addressing exploitative child labor practices has been a longstanding priority; our initiatives here have included cooperative efforts with the private sector, technical assistance to developing countries, use of U.S. laws in response to persistent child labor practices, and reports and workshops to increase attention to this issue.
- Building on these efforts, the Labor Department will be issuing a report on actions being taken internationally to combat exploitative child labor. We will also establish an Administration task force, chaired by the Treasury Department, to implement a recent change to U.S. trade law that permits the exclusion from the United States of products made with forced or bonded child labor.

ADMINISTRATION INITIATIVES ON
ENVIRONMENTAL AND LABOR ISSUES

LABOR -
NAT'L RIGHTS
ON spacing,
etc
EB

I. Environmental Issues

A. World Trade Organization (WTO): Transparency and Openness

This Administration has long been committed to improving the transparency of WTO activities and the openness of WTO proceedings and we will be continuing our active pursuit of these goals in the coming year. First, to demonstrate the significance we attach to this issue, the Administration's fast track bill included a principal negotiating objective of achieving the observance of open and equitable procedures by U.S. trading partners and WTO members. The Ways and Means and Senate Finance bills both contain a similar provision. Second, we will present our transparency objectives with respect to WTO activities and proceedings at a meeting of the WTO General Council (the WTO's governing body) before the end of the year. Third, we will adopt increased transparency, openness and public participation as priority objectives for the mandated review of the WTO dispute settlement rules and procedures that must be completed by WTO Members by the end of 1998.

The specific objectives that we will pursue in support of greater openness and transparency include in dispute settlement:

- Advocating consideration by WTO panels and the Appellate Body of *amicus curiae* submissions from non-governmental interested parties in dispute settlement proceedings that involve environmental and conservation issues.
- Seeking to open WTO dispute settlement panel and Appellate Body proceedings to observance by the public.
- Providing for more timely public access to dispute settlement documents, including through electronic means, to enhance the ability of non-governmental representatives to provide their input and expertise.

In addition, we will work to ensure that similar transparency and openness provisions are included in future trade agreements -- whether multilateral, regional, or bilateral -- that contain dispute settlement provisions.

B. WTO: Eminent Persons Group

We strongly support efforts to improve the understanding of how environmental considerations relate to WTO rules and principles. We believe that establishment of an "eminent persons group" can advance that process significantly and help establish the groundwork for further initiatives in this area. To that end:

- We will propose that the WTO Director General convene a group of eminent persons, to include independent experts in the fields of trade, the environment, and development, to examine issues and formulate options for the WTO to consider.
- We will propose that the group examine the interaction of national and international environmental policies with WTO rules and principles. Among the issues it should address are: the relationship of GATT Articles III and XX to environmental measures that affect trade; the relationship between trade measures in international environmental agreements and WTO rules; and the relationship between trade disciplines and "ecolabeling."

C. International Financial Institutions (IFIs)

We intend to build upon and expand our efforts to promote incorporation by the IFIs of the full range of environmental issues into their operations and promote a greater flow of resources to environmental projects. In an effort to achieve these goals, the following specific steps will be taken:

- Secretary Rubin will propose that the Inter-American Development Bank (IDB) create an independent advisory committee comprised of senior IDB officials, representatives of non-governmental organizations, and others to examine environmental issues arising from prospective operations and to make specific recommendations to the IDB.
- We will press for significant increases in direct lending for environment and natural resources management projects (in the IDB such funding rose to \$815 million in 1996 due in large part to our advocacy) and for a higher share of lending to be dedicated to these projects.
- We will continue to scrutinize closely the effectiveness of public information disclosure for environmentally sensitive projects to ensure compliance with the Pelosi Amendment, focusing on the required advance consultation with affected and interested persons.
- We will examine closely the practices of the independent inspection panels established to examine alleged non-compliance with established policies and propose improvements to this process and its expansion to the IFIs that currently do not make use of independent inspection panels.
- We will pursue vigorously international support for our proposal to create a \$250 million fund that would provide below market rate loans to finance environmental initiatives.

- We will continue to urge the IMF, as appropriate, in its program design and annual consultations with members, to consider the link between the environment and economic policy choices.

Please note also the environmental dimensions of the review of future free trade agreement partners, described below at II(A).

II. Labor Issues

In the labor area, the Administration supports a range of initiatives designed to strengthen the respect for core labor standards. We already have taken a number of important steps to broaden international respect for freedom of association; the right to organize and bargain collectively; prohibitions on forced labor and exploitative child labor; and discrimination in employment. The list of measures that follows illustrates our commitment to address worker rights issues aggressively in a variety of ways. (see)

A. Review of Future Free Trade Agreement (FTA) Partners

The Administration is committed to ensuring that Congress and the American public have an opportunity to thoroughly evaluate future free trade agreements. One important element of this plan is our commitment to make certain that Members of Congress and the public are informed of the broader relevant conditions in prospective FTA partner countries, including each country's labor laws and practices, environmental laws and practices, legal system, macroeconomic policies and conditions, trade laws and practices, and other relevant conditions. To advance this effort:

- We will submit to the Congress, and make available to the American public, a review evaluating these conditions in each prospective FTA partner country when an agreement is brought back for congressional approval. This review will be prepared with the participation of relevant Executive Branch agencies, including the Department of Labor, the Environmental Protection Agency, the Department of Justice, the Department of Treasury, the Office of the United States Trade Representative, and the Department of Commerce.

Among the matters this review will address are: (1) the FTA partner country's relevant labor and environmental laws, including the enforcement of those laws; (2) the integrity and effectiveness of the country's legal system; (3) the country's macroeconomic policies and practices including the operation of its exchange rate system; and (4) a description of the country's institutional structures and general policies and practices for addressing each of these areas.

I think
+ should
be listed
ahead of
Justice
& Treasury!
(may seem
petty, but
it would make
more sense.)

B. Labor Department Annual Report on Labor Conditions under the North American Agreement on Labor Cooperation

We believe that a greater understanding of the labor conditions in our NAFTA partners will allow us to build on the work already being done under the North American Agreement on Labor Cooperation (NAALC) and, at the same time, strengthen the NAALC's own effectiveness on addressing relevant labor issues. To aid in this objective:

- The Department of Labor will produce an annual report reviewing for each NAFTA partner, the labor laws, practices, and conditions covered by the NAALC, as well as the relevant proceedings, actions and cases under the NAALC, and the steps being taken by our NAFTA partners to conform to the findings in any such cases.

C. International Financial Institutions (IFIs)

The Administration will undertake a series of measures designed to enhance the U.S. leadership role in pressing for incorporation of issues related to core labor standards into the planning and programs of the IFIs. Our goal in this regard is to ensure that program countries take all steps possible to guarantee protection of these core labor standards. The following measures will help enhance attention to these issues within the U.S. Government, secure a greater international focus on worker rights issues, and heighten the priority given to worker rights issues by the IFIs:

Ensuring International Focus on Worker Rights Issues

- The Administration believes the ~~U.S.~~ ^{United States} should continue to heighten attention to this issue. To that end, Secretary Rubin highlighted the need to place greater emphasis on labor standards in his ~~recent~~ speech at the World Bank/IMF Annual Meeting in September. He will continue to do so in appropriate fora.
- We will propose a summit meeting of the presidents of the IFIs and the Director General of the ILO to reinforce the commitment of the institutions to working closely together.

Enhanced Focus Within the Administration

- In consultation with Secretary of Labor Herman, Secretary of the Treasury Rubin will propose formation of an interagency team -- including the Departments of Labor, State, and Commerce -- to explore issues related to core labor standards more broadly and examine ways to incorporate these issues more systematically into the work of the IFIs. As part of this, the State Department will undertake a variety of diplomatic efforts to promote observance of core labor standards.

Heightening the Priority given by the IFIs to Worker Rights Issues

- We will call for the World Bank to establish an office that is dedicated to analysis of labor issues and has direct input into the Bank's program and lending activities, and will encourage regular direct contacts between ILO staff and this office. We will seek over time to pattern this effort on the institutional reforms undertaken by the Bank in recent years to strengthen its capacity to incorporate environmental considerations in lending and policy advisory activities.
- We will continue to promote vigorously our proposal to develop a screening mechanism -- now under discussion with the multilateral development banks -- to ensure that worker rights issues are taken systematically into account in the institutions' operational planning and programming. We also will explore the best means for ensuring that IFI budgets contain resources sufficient to conduct screening operations and similar analytical functions.
- We will actively promote the Administration's proposed joint World Bank-IMF conference on issues related to core labor standards to pursue explicit commitments to make tangible progress in the IFIs on these issues. The conference could bring together senior IFI and ILO officials, as well as academics and representatives of non-governmental organizations.
- We will urge the multilateral development banks to increase both technical assistance and direct lending to promote greater adherence to core labor standards.
- We will urge the IMF to further emphasize the importance of labor issues in its annual reviews of member countries and by examining the link between promotion of core labor standards and long-term macroeconomic performance (for possible inclusion in its new governance policies).
- We will follow up vigorously on the paper completed, at our urging, by the World Bank on child labor issues, including its specific proposals for more active Bank engagement on these issues.
- We will continue to implement the statutory requirement (Frank Amendment) directing the Secretary of the Treasury to urge the IFIs to adopt policies encouraging borrowing countries to protect worker rights and requiring an annual report to Congress on how the IFIs are performing.

(fix-
bullet
spacing)



in an effort

D. Export Processing Zones

The U.S. Government has been concerned over the past several years with programs through which certain countries apply lower labor standards and permit less adequate worker protections in special tariff-free export processing zones (EPZs). We are committed to developing a clearer understanding of such programs and, in so doing, exploring the best means for addressing the concerns that already have been identified and any others that may be highlighted through additional study of EPZs. To accomplish this:

- The Department of Labor will update its 1990 study finding that some countries applied different rules in such zones with the intent of restricting certain important labor standards, including the freedom of association and the right to bargain collectively.
- We will continue to encourage work within the ILO to analyze the extent to which differential standards exist in such zones, and will urge the ILO to work with member states to address these practices. We also will review whether to recommend increased coordination on this issue between the ILO and the WTO.

E. Child Labor

The Administration has focused particular attention on addressing concerns about the exploitation of child labor. Since 1993, we have responded to congressional concerns by preparing three major reports on child labor practices, and have used these reports to aid the private sector in developing voluntary codes of conduct, labeling efforts, and production changes in overseas facilities. Innovative approaches in this area also include providing funds to the ILO's International Program for the Elimination of Child Labor (IPEC); pressing successfully for greater ILO focus on exploitative child labor; using U.S. laws to suspend trade benefits in response to persistent exploitative child labor practices; and holding two workshops in 1997 with our NAFTA partners to discuss child labor concerns in North America. To build on these efforts:

- The Labor Department will soon release a fourth report on the use of consumer labeling initiatives to combat child labor and other exploitative working conditions. The Department also expects to begin a fifth report evaluating strategies that have been undertaken in other countries to reduce exploitative child labor.

The Administration supported the recent enactment of a change in the Tariff Act of 1930 to clarify that products of forced or bonded child labor can be excluded from entry into the United States. The Department of the Treasury is establishing a task force to assure that the Administration can effectively respond to any allegations brought forward under the new law.

- The Administration will again increase its request level for IPEC funding to assure that we have an appropriate level of resources to contribute to the innovative programs being carried out by the ILO to eliminate child labor.
- The Administration will support the negotiation of a new ILO convention that will better target exploitative forms of child labor for immediate abolition. This convention is expected to be completed and open for ratification by 1999. The Administration will also support other initiatives within the ILO that might bring additional pressure on member states to eliminate exploitative child labor.

ADMINISTRATION SUPPORT FOR U.S. AGRICULTURE

The Administration is well aware that no other sector in the U.S. economy has benefited as much from trade as agriculture, and that no other sector's future is so closely tied to exports and free and fair access to foreign markets. Agricultural exports were a record \$60 billion in FY 1996, and with a trade surplus of \$27 billion, agriculture is now the largest positive contributor to the U.S. balance of trade.

We share the concerns of Senator Daschle and other leaders in the agricultural community about the very real restrictions in foreign countries facing exporters of U.S. agricultural products. The Administration will continue to be aggressive in the international arena, building on our past trade policy successes, and opening up new opportunities for U.S. agriculture.

Support for Agricultural Exports

The export of agricultural products is an important component of U.S. agriculture's success in foreign markets. These exports contribute directly to farm income and to the health of the overall economy, and value-added farm sales overseas are an important factor in improving the United States merchandise trade balance. Unfortunately, U.S. farmers and ranchers cannot realize their full export potential because some foreign countries deny fair and equitable market access to U.S. agricultural products.

In order to identify unfair market restrictions on U.S. value-added agricultural exports, and to focus our resources on removing these barriers, the Administration supports S. 219, the Value-added Agricultural Products Market Access Act of 1997.

The Administration agrees that it would be beneficial for the U.S. Trade Representative to identify, on an annual basis, countries that deny market access for value-added U.S. agricultural products, or that apply standards for the import of value-added agricultural products from the United States, that are not related to protecting human, animal, or plant life or health, and are not based on scientific principles.

The Need for More Timely Data on Trade in Livestock and Livestock Products

America's livestock sector contributes greatly to our agricultural trade surplus. The export value of red meats, for example, have risen steadily during this Administration, and is at a record level. U.S. agriculture now boasts a \$2.4 billion surplus in red meat trade.

Significant cross-border trade in live animals and meat has accompanied the rise in exports. Timely and reliable trade data are critical to our producers, especially those who live in border areas and experience first-hand trade with our geographical neighbors. Imports can have an important impact on the conditions of competition facing U.S. livestock producers. The Department of Agriculture's Task Force on Concentration in the Livestock Industry called for more timely reporting of price and quantity data for livestock and livestock product trade. More

timely data can help improve competition in the market place.

For this reason, I direct the following administrative action that will improve the availability of livestock import data:

The Secretary of Agriculture, in close cooperation with the U.S. Customs Service and the agricultural community, will identify and make available to the public timely and appropriate quantity and value data on U.S. imports of live cattle and beef.

Improved Availability of Basic Data on Canada's Cattle Sector

Increased cross border trade between the United States and Canada in cattle and beef has raised the interest of U.S. livestock producers about economic conditions in Canada's cattle sector. Up-to-date information on cattle inventory, cattle slaughter, and cattle and beef trade will answer U.S. producer needs for information about a significant competitor in the U.S. market. To obtain this information on Canada's cattle sector:

The Secretary of Agriculture will engage in consultations with his counterpart in Canada for the reciprocal exchange, on a monthly basis, of data on cattle inventory; cattle slaughter; and cattle and beef trade between the United States and Canada. This data shall be made available to the public upon receipt.

Voluntary Labeling of Meat of U.S. Origin

The rise in cross-border trade between the United States and Canada in cattle and beef has raised interest in developing a voluntary labeling system for meat of U.S. origin. The Administration stands ready to assist the livestock industry in its ongoing efforts to examine and develop voluntary labeling of meat of U.S. origin. To this end:

The Secretary of Agriculture will, in cooperation with the U.S. livestock industry, develop guidelines for the voluntary labeling of meat and meat food products produced in the United States from livestock raised in the United States to indicate the U.S. origin of the meat and meat food products, and will provide technical assistance to the U.S. industry to facilitate the use of such labeling.

2 Daschle.doc

10/23 p.m.

Bob and Linda:

Attached is a redraft of sections II.A. (Review of Prospective FTA Partners) and II.B. (Labor Department Report on NAFTA Partners) of the Daschle document -- per our meeting with Rick Samans and company today. Despite my best efforts to track and incorporate the notations in Bob and my notes from the meeting, I expect that you will find several issues that still need to be resolved -- especially on II.A.

Also included is the small addition to the Export Processing Zones section (which I already passed on to Linda earlier), and drafts on the three issues that Andy Samet raised: child labor, the Apparel Industry Partnership, and improved WTO-ILO cooperation (each of which I pulled from a mid-September draft document and then revised).

Let's discuss II.A. and the rest in the morning.

**DRAFT INSERTS ON LABOR ISSUES
FOR DASCHLE DOCUMENT (FROM 10/23 MEETING)**

II. Labor Issues

A. Review of Prospective Free Trade Agreement (FTA) Partners

The Administration is committed to ensuring that Congress and the American public have an opportunity to thoroughly evaluate future free trade agreements. One important element of this plan is our commitment to make certain that Members of Congress and the public are informed of the broader relevant conditions in prospective FTA partner countries, including each such country's labor laws and practices; environmental laws and practices; legal system; trade laws and practices; macroeconomic policies and conditions (including the exchange rate system); and other relevant conditions. To advance this effort:

- We will submit to the Congress, and make available to the American public, a review evaluating these conditions in each such prospective FTA partner country no later than the date an agreement is brought back for congressional approval. This review will be prepared with the participation of relevant Executive Branch agencies, including the Office of the U.S. Trade Representative, Departments of Commerce, Justice, Labor, and the Treasury, and the Environmental Protection Agency.
- Among the matters this review will address are: (1) the FTA partner country's relevant laws, including the enforcement of those laws; (2) the steps taken by the country to improve the relevant laws and the enforcement of those laws; (3) the integrity and effectiveness of the country's legal system; (4) the country's record of compliance with its existing international obligations in each of the areas covered by the review; and (5) a description of the country's institutional structures and general policies and practices for addressing each of these areas.

B. Labor Department Report on NAFTA Partners' Labor Laws, Practices, and Conditions

We believe that a greater understanding of the labor conditions in our NAFTA partners will allow us to build on the work already being done under the North American Agreement on Labor Cooperation (NAALC) and, at the same time, will strengthen the NAALC's own effectiveness in addressing relevant labor issues. To aid in this objective:

- The Department of Labor will produce an annual report reviewing the labor laws, practices, and conditions in our NAFTA partners covered by the NAALC, as well as the relevant proceedings, actions, and cases under the NAALC and the steps being taken by our NAFTA partners to conform to the findings in any such cases.

C. International Financial Institutions (IFIs)

[Reorder the first three bullet points under the subheading *Heightening the Priority Given by the IFIs to Worker Rights Issues.*]

D. Export Processing Zones

Revise the second bullet point to read as follows:

- We will continue to encourage work within the ILO to analyze the extent to which different standards exist in such zones, and will urge the ILO to work with member states to address these practices. We also will review whether to recommend increased coordination on this issue between the ILO and the WTO.

E. Additional Labor Issues (to be added)

Child Labor

The Administration has focused particular attention on addressing concerns about the exploitation of child labor. Since 1993, we have responded to congressional concerns by preparing three major reports on child labor practices; among the innovative uses of these reports has been to assist the private sector in developing voluntary codes of conduct, labeling efforts, and production changes in overseas facilities. We also have supported innovative approaches in this area, including by providing funds to the ILO's International Program for the Elimination of Child Labor (IPEC); pressed successfully for greater ILO focus on exploitative child labor; used U.S. laws to suspend trade benefits in response to persistent exploitative child labor practices; and held two workshops in 1997 with our NAFTA partners to discuss child labor concerns in North America. To build on these efforts:

- The Labor Department is preparing a fourth study on the use of child labor in products exported to the United States.
- We are encouraging additional private sector efforts to eliminate child labor, including through codes of conduct or labeling efforts.
- We are working in the ILO to strengthen the measures available to pressure member states to end exploitative child labor, and are continuing to engage other governments directly on this issue.

Apparel Industry Partnership

We have spearheaded collaborative private sector activities among companies, labor unions, and non-governmental organizations, including the development of voluntary codes of conduct. Last year, for example, the President brought together a cross-section of interested private sector parties with senior government officials to initiate the Apparel Industry Partnership (AIP), and in April, the AIP members announced agreement on a “Workplace Code of Conduct” and monitoring principles. To continue this progress:

- We plan to build on this Partnership by encouraging additional collaborative initiatives in targeted sectors by businesses, labor unions, and non-governmental organizations to discourage activities that contravene the protection of core labor standards.

Expanded WTO-ILO Cooperation on Labor Matters

At the WTO Ministerial meeting in Singapore last December, the WTO trade ministers endorsed continued collaboration between the WTO and ILO Secretariats. To build on this:

- We will redouble our efforts to strengthen cooperation between the WTO and the ILO on a range of fronts, including with respect to member states’ observance of core labor standards (freedom of association; right to organize and bargain collectively; prohibition on forced labor; prohibition on exploitative child labor; prohibition on discrimination in employment).

[Add reference to provisions in fast track bills?]

Pelosi Amendment, focusing on the required advance consultation with affected and interested persons.

- We will examine closely the practices of the independent inspection panels established to examine alleged non-compliance with established policies and propose improvements to this process, as required.
- We will pursue vigorously international support for our proposal to create a \$250 million fund that would provide below market rate loans to finance environmental initiatives.
- We will continue to urge the IMF, as appropriate, in its program design and annual consultations with members, to consider the link between the environment and economic policy choices.

Please note also the environmental dimensions of the review of future free trade agreement partners, described below at II(A).

II. Labor Issues

In the labor area, the Administration supports a range of initiatives designed to strengthen the respect for core labor standards. We already have taken a number of important steps to broaden international respect for freedom of association; the right to organize and bargain collectively; prohibitions on forced labor and exploitative child labor; and discrimination in employment. The list of measures that follows illustrates our commitment to address worker rights issues aggressively in a variety of ways.

A. Review of Future Free Trade Agreement (FTA) Partners

The Administration has set out a series of commitments to ensure that we consult closely with the Congress on any plans to initiate future free trade negotiations. One important element of this plan is our commitment to make certain that Members of Congress and the public are informed of the laws, practices, and economic conditions of each prospective FTA partner. To advance this effort:

- We will undertake a review of the laws and policies of each such country when an agreement is brought back for congressional approval. This review will include an evaluation of the country's legal system, trade laws and practices, labor laws and practices, environmental laws and practices, macroeconomic policies and conditions, and other relevant conditions. We will provide the report to the Congress, and also will make it publicly available.

• [Second bullet added] ^

B. Labor Department Review of the North American Labor Agreement

We believe that a greater understanding of the labor conditions in our NAFTA partners will allow us to build on the work already being done under the North American Agreement on Labor Cooperation (NAALC) and, at the same time, strengthen the NAALC's own effectiveness on addressing relevant labor issues. To aid in this objective:

- The Department of Labor will produce an annual report reviewing the operation of the NAALC, including a survey of major issues arising under the Agreement, the proceedings and actions brought by the parties, and the steps being taken by our NAFTA partners to conform to the findings in any cases brought under the Agreement.

C. International Financial Institutions (IFIs)

The Administration will undertake a series of measures designed to enhance the U.S. leadership role in pressing for incorporation of issues related to core labor standards into the planning and programs of the IFIs. Our goal in this regard is to ensure that program countries take all steps possible to guarantee protection of these core labor standards. The following measures will help enhance attention to these issues within the U.S. Government, secure a greater international focus on worker rights issues, and heighten the priority given to worker rights issues by the IFIs:

Ensuring International Focus on Worker Rights Issues

- The Administration believes the U.S. should continue to heighten attention to this issue. To that end, Secretary Rubin highlighted the need to place greater emphasis on labor standards in his recent speech at the World Bank/IMF Annual Meeting in September. He will continue to do so in appropriate fora.
- We will propose a summit meeting of the presidents of the IFIs and the Director General of the ILO to reinforce the commitment of the institutions to working closely together.

Enhanced Focus Within the Administration

- In consultation with Secretary of Labor Herman, Secretary of the Treasury Rubin will propose formation of an interagency team -- including the Departments of Labor, State, and Commerce -- to explore issues related to core labor standards more broadly and examine ways to incorporate these issues more systematically into the work of the IFIs. As part of this, the State Department will undertake a variety of diplomatic efforts to promote observance of core labor standards.

Heightening the Priority given by the IFIs to Worker Rights Issues

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- We will urge the IMF to further emphasize the importance of labor issues in its annual reviews of member countries and by examining the link between promotion of core labor standards and long-term macroeconomic performance (for possible inclusion in its new governance policies).
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- We will continue to implement the statutory requirement (Frank Amendment) directing the Secretary of the Treasury to urge the IFIs to adopt policies encouraging borrowing countries to protect worker rights and requiring an annual report to Congress on how the IFIs are performing.

D. Export Processing Zones

The U.S. Government has been concerned over the past several years with programs through which certain countries apply lower labor standards and permit less adequate worker protections in special tariff-free export processing zones (EPZs). We are committed to developing a clearer understanding of such programs and, in so doing, exploring the best means for addressing the concerns that already have been identified and any others that may be highlighted through additional study of EPZs. To accomplish this:

- The Department of Labor will update its 1990 study finding that some countries applied different rules in such zones with the intent of restricting certain important labor standards, including the freedom of association and the right to bargain collectively.
- We will continue to encourage work within the ILO to analyze the extent to which differential standards exist in such zones, and will review whether to recommend increased coordination on this issue between the ILO and the WTO.

Rick -
anything more "action-oriented"
to highlight disciplines etc?

(stronger
sense of
action)

f Andy re other issues

to use the ILO
to work with member
states to ~~eliminate~~
~~these zones~~
~~such as EPZs~~
where they are bad
to exist
(per Andy S.)

10/22/97 a.m.

**DRAFT INSERTS FOR MATERIALS TO SEN. DASCHLE:
ADMINISTRATION COMMITMENTS ON ENVIRONMENTAL AND LABOR ISSUES**
(New or modified language is highlighted in boldface type)

II. Labor Issues

A. Review of Future Free Trade Agreement (FTA) Partners

The Administration is committed to ensuring that Congress and the American public have an opportunity to thoroughly evaluate future free trade agreements. ~~In order to facilitate a full and open consideration of these agreements, we believe that~~ Members of Congress and the public **should be well** informed of the laws, practices, and economic conditions of each prospective FTA partner. To advance this effort:

- We will undertake a review of the laws and policies of each such country when an agreement is brought back for congressional approval. This review will include an evaluation of **the following areas**: the country's legal system, trade laws and practices, labor laws and practices, environmental laws and practices, macroeconomic policies and conditions, and other relevant conditions. We will provide the report to the Congress, and also will make it publicly available.
- Among the matters this review will address are: (1) the country's relevant laws and the enforcement of those laws; (2) the steps taken by the country to improve these laws and their enforcement; (3) the country's record of compliance with its existing international obligations in each of the areas covered by the review; and (4) a description of the country's institutional structures and general policies and practices for addressing each of these areas.

B. Labor Department Review of the North American Labor Agreement

We believe that a greater understanding of the labor conditions in our NAFTA partners will allow us to build on the work already being done under the North American Agreement on Labor Cooperation (NAALC) and, at the same time, **will** strengthen the NAALC's own effectiveness **in** addressing relevant labor issues. To aid in this objective:

- The Department of Labor will produce an annual report reviewing the operation of the NAALC, including a survey of **the major issues being addressed by the parties** to the Agreement; the proceedings and actions brought by the parties **under the Agreement**; and the steps being taken by our NAFTA partners to conform to the findings in any cases brought under the Agreement.

C. International Financial Institutions (IFIs)

[Under the subheading *Heightening the Priority Given by the IFIs to Worker Rights Issues*, change the order of the first three bullet points as follows:

- We will call for the World Bank to establish an office that is dedicated to analysis of labor issues and has direct input into the Bank's program and lending activities, and will encourage regular direct contacts between ILO staff and this office.
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[Remaining bullet points continue in the preexisting order]

Disk to be 10:00 AM
7:00 AM (call)

Revised 10/20/97
→ mtg. / Summary, &

ADMINISTRATION INITIATIVES ON ENVIRONMENTAL AND LABOR ISSUES

A. Environmental Issues

World Trade Organization (WTO) - Transparency and Openness

This Administration has long been committed to improving the transparency of WTO activities and the openness of WTO proceedings and we will be continuing our active pursuit of these goals in the coming year. First, to demonstrate the significance we attach to this issue, the Administration's fast track bill included a principal negotiating objective of achieving the observance of open and equitable procedures by U.S. trading partners and WTO members. The Ways and Means and Senate Finance bills both contain a similar provision. Second, we will present our transparency objectives at a meeting of the WTO General Council (the WTO's governing body) before the end of the year. Third, we will adopt increased transparency, openness and public participation as priority objectives for the mandated review of the WTO dispute settlement rules and procedures that must be completed by WTO Members by the end of 1998.

The specific objectives that we will pursue in support of greater openness and transparency include:

- Advocating consideration by WTO panels and the Appellate Body of *amicus curiae* submissions from non-governmental interested parties in dispute settlement proceedings that involve environmental and conservation issues.
- Seeking to open WTO dispute settlement panel and Appellate Body proceedings to observance by the public.
- Providing for more timely public access to dispute settlement documents, including through electronic means, to enhance the ability of non-governmental representatives to provide their input and expertise.

In addition, we will work to ensure that similar transparency and openness provisions are included in future trade agreements -- whether multilateral, regional, or bilateral -- that contain dispute settlement provisions.

B. WTO: Eminent Persons Group

We strongly support efforts to improve the understanding of how environmental considerations relate to GATT/WTO rules and principles. We believe that establishment of an "eminent persons group" can advance that process significantly and help establish the groundwork for further initiatives in this area. To that end:

- We will propose that the WTO Director General convene a group of eminent persons, to include independent experts in the fields of trade and the environment, to formulate options for the WTO Committee on Trade and Environment to consider with respect to the issues on its agenda.
- We anticipate that the issues this group could focus on would include: the interpretation of GATT Articles III and XX with respect to environmental matters; the relationship between trade measures in international environmental agreements and WTO rules; and the relationship between trade disciplines and “ecolabeling” provisions and proposals.

C. Improving the Operation of the NADBank and BECC

We are committed to improving the effectiveness of the North American Development Bank (NADBank) and the Border Environmental Cooperation Commission (BECC), established in 1993 to develop and finance environmental infrastructure projects. We are encouraged by plans to approve financing by the end of this year for important wastewater treatment projects for the major border cities of Tijuana and Juarez. We intend to work closely with the BECC and NADBank to ensure implementation of the work plan they have developed to accelerate project development -- under which they have identified more than 30 projects with a total cost exceeding \$500 million.

Secretary of the Treasury Rubin and EPA Administrator Browner are determined to ensure that these institutions effectively address border environmental problems; toward this end they will concentrate on making infrastructure financing affordable to poor communities and on speeding the pace of project development. For example:

- The NADBank is establishing cofinancing arrangements with U.S. and Mexican grant programs to address the needs of poor communities along the border, and recently entered into a cooperative agreement with the EPA establishing a Border Environmental Infrastructure Fund to provide access to up to \$170 million in EPA grants.
- The NADBank also is developing a plan, in conjunction with the State Revolving Funds in states along the border, to help smaller communities access the tax-exempt bond market through the establishment of reserve funds for debt servicing.
- In cooperation with the EPA, the BECC is preparing to commit and disburse up to \$10 million to communities under its Project Development Assistance Program. Once existing resources are committed, the BECC and EPA are prepared to infuse additional funding into this program.
- We will pursue additional resources for the NADBank’s Institutional Development Program -- which already has approved \$1.8 million and plans to double in size --

to help border communities operate their water, sewage, and solid waste management services more efficiently.

- We will seek additional appropriations of \$100 million annually for the EPA border grant program in FY 1998-2001, with these resources to be combined with NADBank loans to provide affordable financing packages for border environment infrastructure projects.

In addition to the above measures, in an effort to expedite the process of approving small projects proposed by smaller border communities, the following steps will be taken:

- Small projects (typically those costing \$100,000 or less) will be eligible for expedited processing, provided they are sponsored by an appropriate Federal or state agency (*e.g.*, the Texas Water Development Board).
- Similar projects that meet the BECC/NADBank requirements for project quality and review will be considered for certification as a group and financed through a NADBank line of credit with an appropriate Federal or state agency.
- BECC/NADBank will establish a new program to assist residents in poor communities finance residential hook-ups of water and wastewater services by providing lines of credit (through a public utility or other intermediary) to fund the costs of such services.

D. International Financial Institutions (IFIs)

We intend to build upon and expand our efforts to promote incorporation by the IFIs of the full range of environmental issues into their operations and promote a greater flow of resources to environmental projects. In an effort to achieve these goals, the following specific steps will be taken:

- Secretary Rubin will propose that the Inter-American Development Bank (IDB) create an independent advisory committee comprised of senior IDB officials, representatives of non-governmental organizations, and others to examine environmental issues arising from prospective operations and to make specific recommendations to the IDB.
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- We will continue to scrutinize closely the effectiveness of public information disclosure for environmentally sensitive projects to ensure compliance with the

Policy Memo (Can/Repul)
mtg / Dem. Issues

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being addressed/revised for the parties to the Agt.,
Don't spill out details
will on topic agreed?
US Gov. Secretary had that

- The Department of Labor will produce an annual report reviewing the operation of the NAALC, including a survey of major issues arising under the Agreement, the proceedings and actions brought by the parties, and the steps being taken by our NAFTA partners to conform to the findings in any cases brought under the Agreement.
- Pick originally - survey of major labor rights issues - ... (other)*
Pick / discussed 10/20
- on NAALC more than on city conditions?
- more like DOS human rights report on city conditions?
sees as too narrow
a framing

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Ensuring International Focus on Worker Rights Issues

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- ✓*

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Rec-
note
emphasize to
this group
it up

More packaging
of this set of
proposals -
sense of impact, ok

D. Export Processing Zones

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ADMINISTRATION INITIATIVES ON ENVIRONMENTAL AND LABOR ISSUES

Dispute notes 10/11/97
→ GATT Dispute
10/20 am F
meet / Pick
Samsa

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- We will continue to scrutinize closely the effectiveness of public information disclosure for environmentally sensitive projects to ensure compliance with the Pelosi Amendment, focusing on the required advance consultation with affected and interested persons.
- We will examine closely the practices of the independent inspection panels established to examine alleged non-compliance with established policies and propose improvements to this process, as required.
- We will pursue vigorously international support for our proposal to create a \$250 million fund that would provide below market rate loans to finance environmental initiatives.
- We will continue to urge the IMF, in its program design and annual consultations with members, to consider the link between the environment and economic policy choices.

II. Labor Issues

In the labor area, the Administration supports a range of initiatives designed to strengthen the respect for core labor standards. We already have taken a number of important steps to broaden international respect for freedom of association; the right to organize and bargain collectively; prohibitions on forced labor and exploitative child labor; and discrimination in employment. The list of measures that follows illustrates our commitment to address worker rights issues aggressively in a variety of different ways.

A. ~~Benchmark~~ Review of Future Free Trade Agreement (FTA) Partners

The Administration has set out a series of commitments to ensure that we consult closely with the Congress on any plans to initiate future free trade negotiations. One important element of this plan is our commitment to make certain that Members of Congress and the public are informed of the laws, practices, and economic conditions of each prospective FTA partner. To advance this effort:

- We will undertake a "~~benchmark~~" review of the laws and policies of each such country when an agreement is brought back for congressional approval. This review will include an evaluation of the country's legal system, trade laws and practices, labor laws and practices, environmental laws and practices, macroeconomic policies and conditions, and other relevant conditions. We will provide the report to the Congress, and also will make it publicly available.

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State Dept LIA Efforts (March 10-17-01)

Enhanced Focus Within the Administration

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[Move Here]

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Minor edits needed
10/17 AM

October , 1997

Dear Mr. Leader:

With great appreciation for your strong and effective leadership on so many matters of mutual interest, I welcome your helpful ideas and suggestions on how the Administration and the Congress, working together, best can advance the critically important international trade, labor, and environmental objectives that we share.

The consultations that senior Administration officials have held with you and your Senate colleagues proved very useful in clarifying the means for addressing these objectives -- both in the legislation authorizing renewal of fast track negotiating authority transmitted to the Congress on September 16 and through a variety of other mechanisms. They also provided an opportunity for the Administration to reaffirm our strong commitment to expanded trade, promotion of worker rights, and environmental protection. The fast track legislation itself builds on the spirit of cooperation evidenced in our consultations by committing the Administration to work closely with Congress at every step of the trade negotiating process. This will guarantee that we find a proper balance between Executive and Legislative Branch authority and prerogatives, and it ensures that Members of Congress are actively involved before, during, and after formal trade negotiations

As you are aware, expansion of international trade has been a key element of our forward-looking economic strategy, which has created thirteen million new jobs, brought unemployment below five percent and core inflation to a 30-year low, and produced sustained economic growth that will exceed three percent this year. Over the past four years, more than one quarter of our economic growth has come from trade, and our exports have increased more than 40 percent.

Fast track negotiating authority is the tool that we need to build upon the progress we already have achieved in reducing foreign trade barriers. Renewal of this authority will enable us to address such barriers both in future negotiations in the World Trade Organization on agriculture, services, intellectual property, and government procurement, in negotiations focusing on some of the most competitive sectors of our economy, and through regional initiatives designed to increase substantially our access to the rapidly growing markets of Latin America and Asia. It will permit us to use our leverage to shape the global economy to our own advantage, not retreat from it and permit other nations to set the trading rules of the next century through preferential arrangements that exclude us and disadvantage our companies, our farmers, and our workers.

At the same time, we share your strong commitment to ensure both that all Americans share in the benefits of increased international trade and that our trading partners share our respect for worker rights and environmental protection. As described in more detail below, the Administration intends to pursue significant initiatives in several different fora designed to strengthen labor and environmental standards and enforcement of those standards. Each of these initiatives is entirely compatible with the trade liberalization objectives outlined above.

Throughout our consultations with Members of Congress, the Administration has been guided by a strong desire to be responsive to the many important issues that you raised.

We have included the promotion of worker rights and environmental protection as one of the principal negotiating objectives set out in the fast track legislation. This will signal our strong commitment to promote respect for worker rights and sustainable development, and to clarify the relationship between these objectives and the rules governing international trade to both our trading partners and our own citizens.

I am also confident that we have addressed your specific suggestions for a range of important environmental and labor initiatives that can be pursued outside the scope of the fast track legislation itself. These are described in detail in the attachment to this letter.

* * * * *

[Add summary.] I thank you again for your leadership and interest, and look forward to working closely with you and your Senate colleagues as we move forward on the fast track legislation in the coming weeks.

Sincerely,

The Honorable Thomas A. Daschle
Minority Leader
United States Senate
Washington, D.C. 20510

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Daschle short
flag delivery

**SUMMARY
LABOR/ENVIRONMENT INITIATIVES
(PER DISCUSSIONS WITH SEN. DASCHLE)**

Overall Summary

The proposals listed below generally fall into two categories:

- Greater Administration efforts in multilateral/regional organizations (e.g., ILO, WTO, FTAA) to encourage other countries to afford greater labor rights and environmental protection.
- Efforts to improve the operation and oversight of NAFTA-related institutions (e.g., NADBank, BECC, NAFTA labor/environment side agreements generally). These do not involve actual re-negotiation of either the side agreements or the NAFTA itself.

Discussions might be directed toward these areas. This summary does not cover areas like TAA reauthorization or other efforts involving U.S. workers, which we discussed only generally with Daschle. ✓

Environment

1. Transparency in WTO: Administration would make greater efforts to increase the openness of the process and public participation (including for environmental NGO's) in WTO dispute settlement process (e.g., accept *amicus* briefs, open proceedings to public). We would make this a priority objective for the mandated review of the WTO dispute settlement rules and procedures, which must be completed by the end of 1998.
2. Eminent Persons Group on GATT and Environment: Administration would propose that the Director-General of the WTO convene a group of eminent persons, including experts on trade and environmental issues, to formulate options for the WTO Committee on Trade and Environment on the relationship between these two subjects.
3. Improving Operation of NADBank/BECC: Several initiatives to ensure NADBank and BECC are operating efficiently:
 - Securing BECC commitments and disbursement of funds under its \$10 million projected development assistance program by the end of this year and - once existing resources are committed - work to infuse additional funding into this program.
 - Pursuing with the NADBank Board a further increase of the resources devoted to its institutional development program (recently increased from \$2 to \$4 million).
 - Seek additional appropriations for the EPA border grant program in FY 1998-2001.
4. International Financial Institutions: Greater efforts to incorporate environmental concerns into the lending decisions of the Multilateral Development Banks, including the Inter-American Development Bank (the MDB responsible for this hemisphere). Some commitments include:

- Secretary Rubin to propose the IDB create an independent Advisory Committee of senior IDB officials and NGO representatives to make recommendations to the IDB.
- Press for more resources for environmental projects, including in the IDB.
- Continue to scrutinize effectiveness of public disclosure and input for environmentally-sensitive projects.

Labor

1. Benchmark Review of Future FTA Partners: Administration will issue a review of the laws and policies of each potential free trade agreement partner when the agreement is brought back for Congressional approval. That review would include evaluation of the country's legal system, trade, labor and environmental laws and practices, macroeconomic policies and conditions, and other relevant conditions in the country. This is to ensure Members understand the conditions of each prospective free trade agreement partner prior to voting on an agreement.

2. Labor Department Review of Operation of NAALC: The Labor Department will produce an annual report reviewing the operation of the North American Agreement on Labor Cooperation (the NAFTA labor side agreement or the NAALC), including a survey of major labor rights developments in NAFTA countries.

3. International Financial Institutions: We have committed to various initiatives to improve the emphasis on worker rights issues in the Multilateral Development Banks and other international financial institutions. Some include:

- Secretaries Rubin and Herman to initiate an interagency team to examine ways to further incorporate worker rights issues into the work of the IFIs.
- Urge the IFIs to increase technical assistance and direct lending to promote the adoption of fair labor standards.
- Propose the World Bank establish an office dedicated to analysis of labor issues and has direct input into programmatic and lending activities of the Bank.

4. Export Processing Zones: Some countries allow deficient labor practices in special tariff-free trade zones. Department of Labor plans to update its 1990 study to determine the extent to which different labor standards and conditions continue to exist in these zones. We will also encourage work within the ILO to analyze the extent to which differential standards exist in such zones, and will review whether to recommend increased coordination with the Secretariat of the WTO.

SUMMARY OF COMMITMENTS ON LABOR AND ENVIRONMENTAL ISSUES

I. Environmental Issues

A. World Trade Organization (WTO): Transparency and Openness

This Administration has long been committed to improving the transparency of WTO activities and the openness of WTO proceedings, and we will continue our active pursuit of these goals. To that end:

We will adopt increased transparency, openness, and public participation as priority objectives for the mandated review of the WTO dispute settlement rules and procedures that must be completed by WTO members by the end of 1998.

Specific objectives will include:

Seeking to open WTO dispute settlement panel and Appellate Body proceedings to the public and to provide for more timely public access to dispute settlement documents, including through electronic means.

Advocating consideration by panels and the Appellate Body of *amicus curiae* submissions from non-governmental interested parties in dispute settlement proceedings that involve environmental and conservation issues.

Working to ensure that similar transparency and openness provisions are included in future trade agreements that contain dispute settlement provisions.

B. WTO: Eminent Persons Group

To increase the understanding of how environmental considerations relate to GATT/WTO rules and principles:

We will propose that the WTO Director General convene a group of eminent persons, to include independent experts in the fields of trade and the environment, to formulate options for the WTO Committee on Trade and Environment to consider with respect to the issues on its agenda.

We anticipate that the issues this group could focus on would include: the interpretation of GATT Articles III and XX with respect to environmental matters; the relationship between trade measures in international environmental agreements and WTO rules; and the relationship between trade disciplines and “ecolabeling” provisions and proposals.

C. Improving the Operation of the NADBank and BECC

To improve the effectiveness of the North American Development Bank (NADBank) and the Border Environmental Cooperation Commission (BECC), established in 1993 to develop and finance environmental infrastructure projects:

We will expand the technical assistance programs of the BECC and NADBank to allow communities to better access NADBank funding.

We will secure BECC commitments and disbursement of funds under its \$10 million project development assistance program by the end of the year, and once existing resources are committed, the BECC and EPA are prepared to infuse additional funding into this program.

We will pursue with the NADBank Board a further increase in the resources devoted to its institutional development program (recently increased from \$2 to \$4 million).

We will seek additional appropriations for the EPA border grant program in FY 1998-2001, with these resources to be combined with NADBank loans to provide affordable financing packages for border environment infrastructure projects.

D. International Financial Institutions (IFIs)

Building on our efforts to date to have the IFIs incorporate the full range of environmental issues into their operations and promote the flow of resources to environmental projects:

Secretary Rubin will propose that the Inter-American Development Bank (IDB) create an independent advisory committee comprised of senior IDB officials, representatives of non-governmental organizations, and others to examine environmental issues arising from prospective operations and to make specific recommendations to the IDB.

We will press for significant increases in direct lending for environment and natural resources management projects (in the IDB such funding rose to \$815 million in 1996 due in large part to our advocacy) and for a higher share of lending to be dedicated to these projects.

We will continue to scrutinize closely the effectiveness of public information disclosure for environmentally sensitive projects to ensure compliance with the Pelosi Amendment, focusing on the required advance consultation with affected and interested persons.

We will examine closely the practices of the independent inspection panels established to examine alleged non-compliance with established policies and propose improvements to this process, as required.

We will continue to urge the IMF, in its program design and annual consultations with members, to consider the link between the environment and economic policy choices.

II. Labor Issues

In the labor area, the Administration supports strengthening the respect for internationally-recognized labor standards through several initiatives.

A. Negotiating Objective on the WTO and International Labor Organization

The fast track legislation transmitted to the Congress on September 16 builds on our existing efforts to support greater international protection of worker rights through both the WTO and ILO (including greater cooperation between the two organizations):

The proposed legislation sets out worker rights as a principal U.S. negotiating objective, including by committing us to work in the WTO to promote greater respect for worker rights, with a particular focus on child labor practices; clarify the relationship between worker rights and GATT articles, objectives, and related instruments; and seek adoption of the principle that the denial of worker rights should not be a means for a country or its industries to gain competitive advantage in international trade.

Under the proposed legislation, we also will seek to establish in the ILO a mechanism for examining and reporting on the extent to which member governments protect worker rights and enforce core international labor standards.

B. Benchmark Review of Future Free Trade Agreement (FTA) Partners

To ensure that Members of Congress and the public are informed of the laws, practices, and economic conditions of each prospective FTA partner:

We will undertake a broad review of the laws and policies of each such country, to include evaluation of the country's legal system, trade laws and practices, labor laws and practices, environmental laws and practices, macroeconomic policies and conditions, and other relevant conditions.

We will provide the report to the Congress, as well as make it publicly available, when the agreement is brought back for congressional approval.

C. Labor Department Review of the North American Labor Agreement

To improve the understanding of the labor conditions in our NAFTA partners, building on the work being done under the North American Agreement on Labor Cooperation (NAALC), the NAFTA labor side agreement:

The Department of Labor will produce an annual report reviewing the operation of the NAALC, including a survey of major issues arising under the Agreement, the proceedings and actions brought by the parties, and the steps being taken by our NAFTA partners to conform to the findings in any cases brought under the Agreement.

D. International Financial Institutions (IFIs)

To continue our leadership in pressing to incorporate worker rights issues into the planning and programs of the IFIs:

In consultation with Secretary Herman, Secretary Rubin will propose forming an interagency team to examine ways to further incorporate worker rights issues into the work of the IFIs.

We will continue to press for effective screening that ensures that worker rights issues are taken systematically into account in IFI operational planning and programming.

We will continue to implement the statutory requirement (Frank Amendment) directing the Secretary of the Treasury to urge the IFIs to adopt policies encouraging borrowing countries to protect worker rights and requiring an annual report to Congress on how the IFIs are performing.

We will urge the IFIs to increase technical assistance and direct lending to promote the adoption of fair labor standards.

We will urge the IMF to expand attention to labor issues in its annual reviews of member countries and by examining the link between promotion of core labor standards and long-term macroeconomic performance.

We will call for the World Bank to establish an office dedicated to analysis of labor issues and has direct input into the programmatic and lending activities of the Bank.

We will propose (1) a World Bank-IMF conference on worker rights where senior governmental and non-governmental officials can discuss how to achieve progress on these issues in the IFIs, and (2) a summit meeting of IFI presidents and the ILO Director-General to reinforce ways in which the institutions can work more closely together.

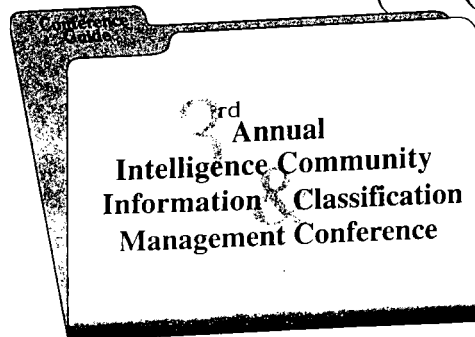
9/22 7 PM

Bob -

Attached is my
"longer summary" of
Daschle, to go with
your shorter one.

I have a 9 AM
meeting tomorrow (Tues)
at Commerce, back here
(10-10:30) or so.

ERIC



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Small
Comments
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SUMMARY
LABOR/ENVIRONMENT INITIATIVES
(PER DISCUSSIONS WITH SEN. DASCHLE)

Overall Summary

The proposals listed below generally fall into three categories:

- Greater Administration efforts in multilateral/regional organizations (e.g., ILO, WTO, FTAA) to encourage other countries to afford greater labor rights and environmental protection.
- Efforts to improve the operation and oversight of NAFTA-related institutions (e.g., NADBank, BECC, NAFTA labor/environment side agreements generally). These do not involve actual renegotiation of either the side agreements or the NAFTA itself.
- Administration commitments to spell out more clearly the country conditions existing in future free trade agreement partners before an agreement is brought back for a Congressional vote. The description would include the full range of conditions existing (e.g., macroeconomy, legal system), not just labor/environmental conditions.

Discussions might be directed toward these three areas.

Environment

1. Transparency in WTO: Administration would make greater efforts to increase the openness of the process and public participation (including for environmental NGO's) in WTO dispute settlement process (e.g., accept *amicus* briefs, open proceedings to public). We would make this a priority objective for the mandated review of the WTO dispute settlement rules and procedures, which must be completed by the end of 1998.

2. Eminent Persons Group on GATT and Environment: Administration would propose that the Director-General of the WTO convene a group of eminent persons, including experts on trade and environmental issues, to formulate options for the WTO Committee on Trade and Environment on the relationship between these two subjects.

3. Improving Operation of NADBank/BECC: Several initiatives to ensure NADBank and BECC are operating efficiently:

- ~~Expanding the technical assistance programs of the BECC and NADBank.~~
 - Securing BECC commitments and disbursement of funds under its \$10 million projected development assistance program by the end of this year and - once existing resources are committed - work to infuse additional funding into this program.
 - Pursuing with the NADBank Board a further increase of the resources devoted to its institutional development program (recently increased from \$2 to \$4 million).
 - Seek additional appropriations for the EPA border grant program in FY 1998-2001.
- Don't think this is clear enough to highlight

4. International Financial Institutions: Greater efforts to incorporate environmental concerns into the lending decisions of the Multilateral Development Banks, including the Inter-American Development Bank (the MDB responsible for this hemisphere). Some commitments include:

- Secretary Rubin to propose the IDB create an independent Advisory Committee of senior IDB officials and NGO representatives to make recommendations to the IDB.
- Press for more resources for environmental projects, including in the IDB.
- Continue to scrutinize effectiveness of public disclosure for environmentally-sensitive projects.

Labor

1. Benchmark Review of Future FTA Partners: Administration will issue a review of the laws and policies of each potential free trade agreement partner when the agreement is brought back for Congressional approval. That review would include evaluation of the country's legal system, trade, labor and environmental laws and practices, macroeconomic policies and conditions and other relevant conditions in the country. This is to ensure Members understand the conditions of each prospective free trade agreement partner prior to voting on an agreement.

2. Labor Department Review of Operation of NAALC: The Labor Department will produce an annual report reviewing the operation of the North American Agreement on Labor Cooperation (the NAFTA labor side agreement or the NAALC), including a survey of major labor rights developments [a report on NAALC-related proceedings and actions by relevant governments relating to NAALC cases.] *// seems a bit unclear*

3. International Financial Institutions: We have committed to various initiatives to improve the emphasis on worker rights issues in the Multilateral Development Banks and other international financial institutions. Some include:

- Secretaries Rubin and Herman to initiate an interagency team to examine ways to further incorporate worker rights issues into the work of the IFIs.
- Urge the IFIs to increase technical assistance and direct lending to promote the adoption of fair labor standards.
- Propose the World Bank establish an office dedicated to analysis of labor issues and has direct input into programmatic and lending activities of the Bank.

4. Export Processing Zones: Some countries allow deficient labor practices in special tariff-free trade zones. Department of Labor plans to update its 1990 study to determine the extent to which different labor standards and conditions continue to exist in these zones. We will also encourage work within the ILO to analyze the extent to which differential standards exist in such zones, and will review whether to recommend increased coordination with the Secretariat of the WTO. *standards and*

September 18, 1997

MEMORANDUM FOR BOB KYLE AND LINDA EDDLEMAN

FROM: Eric Biel

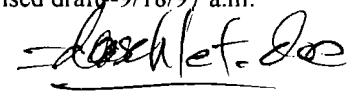
SUBJECT: Draft Letter/Attachment to Daschle

Attached is my effort to pull together what Linda and I have received from various places (Labor, Treasury, USTR, State, etc.) into a letter responding to the specific issues agreed to with Daschle/Samans. Obviously, there still are some rough spots (including in the formatting as well as substance) and it remains too long, in my view. (Although, adopting Linda's good suggestion, I did divide it up between a shorter letter and a longer attachment with the various commitments, etc.) One obvious place to cut, or at least consolidate, is in the Treasury information on IFIs/MDBs; I already shortened that considerably, but it still sticks out as much longer and involving far more individual promises than other areas more directly related to trade (to coin a term).

Knowing that this may never actually be used, let me know what you think. As long as it may be, it still isn't the whole universe of things we could propose; it focuses, or so I think, on what was specifically discussed with Rick and Debbie last week and in subsequent conversations that Bob had with Rick. Many other "commitments" will also be folded into the overall labor and environmental outline.

Attachment

September , 1997



Dear Mr. Leader:

With great appreciation for your strong and effective leadership on so many matters of mutual interest, I welcome your helpful ideas and suggestions on how the Administration and the Congress, working together, best can advance the critically important international trade, labor, and environmental objectives that we share.

The consultations that senior Administration officials held with you and your Senate colleagues earlier this month proved very useful in clarifying the means for addressing these objectives -- both in the legislation authorizing renewal of fast track negotiating authority transmitted to the Congress on September 16 and through a variety of other mechanisms. They also provided an opportunity for the Administration to reaffirm our strong commitment to expanded trade, promotion of worker rights, and environmental protection. The fast track legislation itself builds on the spirit of cooperation evidenced in our consultations by committing the Administration to work closely with Congress at every step of the trade negotiating process. This will guarantee that we find a proper balance between Executive and Legislative Branch authority and prerogatives, and it ensures that Members of Congress are actively involved before, during, and after formal trade negotiations.

As you are aware, expansion of international trade has been a key element of our forward-looking economic strategy, which has created thirteen million new jobs, brought unemployment below five percent and core inflation to a 30-year low, and produced sustained economic growth that will exceed three percent this year. Over the past four years, more than one quarter of our economic growth has come from trade, and our exports have increased more than 40 percent.

Fast track negotiating authority is the tool that we need to build upon the progress we already have achieved in reducing foreign trade barriers. Renewal of this authority will enable us to address such barriers both in future negotiations in the World Trade Organization on agriculture, services, intellectual property, and government procurement, in negotiations focusing on some of the most competitive sectors of our economy, and through regional initiatives designed to increase substantially our access to the rapidly growing markets of Latin America and Asia. It will permit us to use our leverage to shape the global economy to our own advantage, not retreat from it and permit other nations to set the trading rules of the next century through preferential arrangements that exclude us and disadvantage our companies, our farmers, and our workers.

At the same time, we share your strong commitment to ensure both that all Americans share in the benefits of increased international trade and that our trading partners share our respect for worker rights and environmental protection. As described in more detail below, the Administration intends to pursue initiatives in several different fora designed to strengthen labor and environmental standards and enforcement of those standards. Each of these initiatives is entirely compatible with the trade liberalization objectives outlined above.

Throughout our consultations with Members of Congress, the Administration has been guided by a strong desire to be responsive to the many important issues that you raised. We have included the promotion of worker rights and environmental protection as one of the principal negotiating objectives set out in the fast track legislation. This will put both our trading partners and our own citizens on notice of our strong commitment to promote respect for worker rights and sustainable development, and to clarify the relationship between these objectives and the rules governing international trade.

I am also confident that we have addressed your specific suggestions for a range of important environmental and labor initiatives that can be pursued outside the scope of the fast track legislation itself. These are described in detail in the attachment to this letter.

* * * * *

[Add summary.] I thank you again for your leadership and interest, and look forward to working closely with you and your Senate colleagues as we move forward on the fast track legislation in the coming weeks.

Sincerely,

The Honorable Thomas A. Daschle
Minority Leader
United States Senate
Washington, D.C. 20510

ATTACHMENT: ADMINISTRATION COMMITMENTS ON LABOR, ENVIRONMENTAL, AND RELATED ISSUES

I. Transparency and Openness

A. World Trade Organization

The Administration has long been committed to improve the transparency of WTO activities and the openness of WTO proceedings, and we will continue our aggressive pursuit of these objectives. Our efforts here will include:

- We will adopt increased transparency, openness, and public participation as priority objectives for the mandated review of the WTO dispute settlement rules and procedures, which must be completed by the end of 1998.
- We will seek to open WTO dispute settlement panel and Appellate Body proceedings to the public, and to provide for more timely public access to dispute settlement documents -- including through electronic means.
- We will advocate that panels and the Appellate Body consider *amicus curiae* submissions from non-governmental interested parties in dispute settlement proceedings that deal with environmental and conservation issues.

B. Other Initiatives

- We also will seek to ensure similar transparency and openness in dispute settlement proceedings as we negotiate any trade agreements -- whether multilateral, regional, or bilateral -- that contain dispute settlement provisions.

II. Environmental Issues

In addition to the measures described above, we are committed to a series of other steps to support the enhanced consideration of environmental issues in a variety of fora.

A. World Trade Organization: Eminent Persons Group

- We will propose that the Director-General of the WTO convene a group of eminent persons, including independent experts on trade and environmental issues, to formulate options for the WTO Committee on Trade and Environment to consider with respect to the issues on its agenda.
- Among the issues this group could focus on are: the interpretation of the GATT Article XX exceptions relating to the environment; the relationship between trade measures in international environmental agreements and WTO rules; and the relationship between trade disciplines and "ecolabeling" provisions and proposals.

B. Regional and Bilateral Initiatives

The North American Development Bank (NADBank) and the Border Environmental Cooperation Commission (BECC) were established in 1993 to develop and finance environmental infrastructure projects -- with a priority for wastewater treatment, drinking water, and solid municipal waste cleanup.

They are fully operational and are already having a positive impact on the U.S.-Mexico border region. For example, the BECC has certified sixteen projects, and the NADBank has already approved financial packages for four projects on both sides of the border; seven projects, including three NADBank projects, are already under construction. [Other examples of NADBank success from Treasury document?]

Nevertheless, in light of concerns that have arisen about the timeliness of NADBank environmental lending programs in particular, the Administration wants to ensure that these institutions are working effectively. Toward that end, we will take the following measures:

- Expanding the technical assistance programs of the BECC and NADBank ~~(more?)~~ *more specifics?*
- Securing BECC commitments and disbursement of funds under its \$10 million project development assistance program by the end of this year, and once existing resources are committed, work to infuse additional funding into this program;
- Pursuing with the NADBank Board a further increase of the resources devoted to its institutional development program (recently increased from \$2 to \$4 million).
- Seeking additional appropriations for the EPA border grant program in FY 1998-2001 (these resources will be combined with NADBank loans to provide affordable financing packages for border environment infrastructure projects).

C. International Financial Institutions

We have succeeded in getting the Multilateral Development Banks (MDBs) to incorporate the full range of environmental issues into their operations -- including through advance consultations with the public. At the Inter-American Development Bank (IDB), this includes specific policies on involuntary resettlement and marine resources protection and the placing of environmental staff in regional divisions and a central environment division. To build on these accomplishments, we propose additional steps to further incorporate environmental issues into the operations of the IDB and the other MDBs, and to promote the flow of resources to environmental projects. These initiatives include ~~[shorten or consolidate this list?]~~ *Am I doing?*

- Secretary Rubin will highlight our priorities in his speech at the World Bank/IMF Annual Meeting later this month.
 - Secretary Rubin will propose that the IDB create an independent Advisory Committee of senior IDB officials and representatives of non-governmental organizations to examine environmental issues arising from prospective operations and make specific recommendations to the IDB.
 - We will press for significant increases in direct lending for high-priority environment and natural resources management projects; in the IDB, this funding rose to \$815 million in 1996, due in large part to our advocacy, and we will continue to press for a higher share of lending to be dedicated to these projects.
 - We will pursue vigorously international support for a proposed \$250 million fund for environmental initiatives as negotiations proceed for continuing the concessional window of the IDB *[need to clarify]*.
 - We will continue to scrutinize closely the effectiveness of public information disclosure for environmentally sensitive projects to ensure compliance with the Pelosi Amendment, focusing on the required advance consultation with affected persons.
 - We will examine the practices of the independent Inspection Panels established to examine alleged non-compliance with MDB policies, and will recommend improvements, if necessary.
- Call Linderger
Is Rubin to
do?*

- We will continue to urge the IMF, in program design and annual consultations with members, to consider the link between the environment and economic policy choices.

III. Labor Issues

In the labor area, the Administration supports strengthening the respect for internationally-recognized labor standards through several initiatives.

World Trade Organization

In 1994, we pressed for recognition of core labor standards in the GATT/WTO Ministerial meeting in Marrakesh. Then in December 1996, we secured the first ever commitment to observe core labor standards by Ministers responsible for trade: at the WTO Ministerial meeting in Singapore, the trade ministers agreed to language recognizing their shared "commitment to the observance of internationally recognized core labour standards" and endorsed continued collaboration between the WTO and ILO Secretariats -- although no agreement was reached on establishing a working party on trade and labor issues in the WTO. [Add on goals for next WTO ministerial in May 1998?]

The fast track legislation transmitted to the Congress on September 16 builds on our previous efforts to support greater international protection of worker rights through both the World Trade Organization and the International Labor Organization.

- Section 2(b)(7) of the proposed legislation sets out the principal U.S. negotiating objectives regarding worker rights and protection of the environment (the latter is described in Section ____ below).
- The Administration is committed to work within the WTO to promote greater respect for worker rights, with a particular focus on child labor practices, and specifically to clarify the relationship between worker rights and GATT articles, objectives, and related instruments, and to seek adoption in the WTO of the principle that the denial of worker rights should not be a means for a country or its industries to gain competitive advantage in international trade.
- In addition to the measures set out in the proposed legislation, we also will continue our efforts in the WTO to incorporate the observance of core labor standards within the WTO's Trade Policy Review Mechanism (TPRM), which provides for periodic reviews of member countries' laws and procedures.
- We also will redouble our efforts to develop urge intensified and constructive cooperation between the WTO and the ILO on a range of fronts -- from developing reports in advance of Ministerial meetings to encouraging increased collaborative undertakings designed to reinforce action on core labor standards.

These steps, however, represent only a small part of our multifaceted strategy to improve the promotion and protection of worker rights internationally. In the multilateral arena, we are committed to pursue initiatives wherever feasible and whenever they are deemed likely to result in greater respect for core labor standards on a global scale. The list of activities that follows illustrates our strategy in addressing labor issues in a variety of ways.

B. International Labor Organization

The Administration strongly supports increased ILO activities to better assure the global implementation of labor standards. In 1994, we ~~succeeded in pressing~~ ^{secured?} for the establishment in the ILO of a working party on the relationship between global economic integration and labor standards. Since that time, the working party has made progress in identifying a set of core labor standards that do not depend on a country's level of economic development: freedom of association; the right of collective bargaining; the prohibition on forced labor; the prohibition on exploitative child labor; and non-discrimination in employment. ^{why isn't human rights?}

- With our leadership, at the June 1997 ILO Ministerial Conference the parties agreed to further examine whether to create a new instrument and supervisory machinery to hold all member states accountable for these core standards -- regardless of whether the relevant conventions have been ratified.
- The Administration strongly supports this effort to address core labor standards, and with the leadership of the Secretary of Labor we intend to raise it in several international fora (including the OECD and the Organization of American States) and develop a strategy to advance the process.

With respect to worker rights in export processing zones, the ILO already is looking at the issue of differential labor standards in such zones as part of the agenda of the working party established in 1994 and referenced above.

- We will continue to encourage this work within the ILO to determine whether differential standards exist in such zones, and will review whether to recommend increased coordination with the Secretariat of the WTO.
- The Department of Labor also intends to update work on this issue conducted in 1990; it found in that study that some countries had special laws applicable in such zones, with the intent of restricting certain important labor standards, including the freedom of association and right to collective bargaining.

C. Regional and Bilateral Initiatives

We support efforts designed to foster a greater understanding of the laws and practices of those countries with which we intend to enter into free trade agreements. Toward that end:

- We will undertake a review of the labor laws, the macroeconomic policies and conditions, and the _____ [fill in what else we have agreed these reports will cover] of each country with which we have commenced free trade agreement negotiations.
- The report will be transmitted to the Congress, and made publicly available, prior to formal congressional consideration of each agreement -- to ensure that Members of Congress understand the labor laws and enforcement practices of each prospective free trade agreement partner prior to voting on approval of an agreement.

The Administration also is committed to contribute to a better understanding of the labor conditions in our NAFTA partners, building on the work being done under the auspices of the North American Agreement on Labor Cooperation. To forward that objective:

- The Department of Labor will produce [an annual] report describing the labor laws of our NAFTA partners, and the steps being taken to ensure effective adherence to and enforcement of those laws. **[Anything else on NAALC--four-year review, etc.?)**

D. International Financial Institutions [shorten or consolidate this section?]

The Administration has worked to incorporate worker rights issues into the activities of the IFIs, including by promoting adoption of a screening mechanism to ensure that these issues are taken into account systematically in operational planning and programming. To build on the accomplishments to date, we advocate the following:

- In consultation with Labor Secretary Herman, Secretary of the Treasury Rubin will propose formation of an interagency team to explore international worker rights issues broadly and examine ways to further incorporate these issues into the work of the IFIs -- to ensure that all program countries take the steps needed to guarantee these rights and promote fair labor standards. Secretary Rubin will highlight U.S. priorities in his speech at the World Bank/IMF annual meeting later this month.
- We will urge the IFIs to increase technical assistance and direct lending to promote the adoption of fair labor standards.
- We will urge the IMF to expand its attention to labor issues in its annual reviews of member countries and by examining the link between promotion of core labor standards and long-term macroeconomic performance.
- We will propose a joint World Bank-IMF conference on worker rights to bring together senior governmental and non-governmental officials to discuss means for achieving tangible progress on these issues in the IFIs. We also will propose a summit meeting of the presidents of the IFIs and the Director-General of the ILO to reinforce ways in which the institutions can work more closely together.
- We will propose that the World Bank establish an office that is dedicated to analysis of labor issues and has direct input into the programmatic and lending activities of the Bank.
- To strengthen the IFIs' commitment that their projects and programs support the implementation of labor standards, we will seek a declaration of each institution's board of directors toward that end -- to serve as the basis for consistent IFI advice to member governments on the need to conform with these standards.