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Collection/Record Group: Clinton Presidential Records
Subgroup/Office of Origin: Policy Development
Series/Staff Member: Eric Biel
Subseries:

OA/ID Number: 10601
FolderID:

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

Stack:	Row:	Section:	Shelf:	Position:
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(8) WORKER RIGHTS AND ENVIRONMENTAL PROTECTION.

- The principal negotiating objectives of the United States regarding worker rights and protection of the environment are, through the

World Trade Organization, -

(A) to promote respect for worker rights, including with regard to child labor;

(B) to secure a review of the relationship of worker rights to GATT articles, objectives, and related instruments with a view to ensuring that the benefits of the trading system are available to all workers;

(C) to adopt, as a principle of the World Trade Organization, that the denial of worker rights should not be a means for a country or its industries to gain competitive advantage in international trade;

(D) to promote sustainable development; and

(E) to clarify the relationship between trade and environmental protection with a view to ensuring that they are mutually supportive.

The United States will also seek to establish in the International Labor Organization a mechanism for the systematic examination of, and reporting on, the extent to which member governments protect worker rights and enforce core labor standards.

*changed
three
WTO*

*- Same as
but as
re-focusing
the WTO
vs. other
contexts --
too limiting?*

*Closer to
1988 Act
for Reps, etc.*

NAFTA-RELATED ISSUES

*Ch. 9 issue
also?*

Strengthening NAFTA Environmental Institutions (BECC and NADBank)

Description of Issue: Several Members of Congress, particularly Congressional Hispanic Caucus (CHC) members, and border officials have expressed concerns about the quality/pace of North American Development Bank (NADBank) and Border Environmental Cooperation Commission (BECC) activities and the perceived lack of responsiveness of these institutions to the needs of local communities.

Background: The 1993 US-Mexico Border Cooperation Agreement created the NADBank and BECC to develop and finance environmental infrastructure projects, in particular wastewater treatment, drinking water, and municipal solid waste projects.

Administration Response

Proposed new commitments

- Expand the technical assistance programs of the BECC and NADBank to enable communities to access NADBank funding more quickly and efficiently;
- Secure BECC commitments to disburse funds under its \$10 million project development assistance program by the end of the year and, once existing resources are committed, work to ensure that the BECC and EPA infuse additional funding into this program;
- Pursue with the NADBank a further increase in funding for its institutional development program (recently increased from \$2 to \$4 million), which helps border communities operate water, sewage, and solid waste management services more efficiently; and
- 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 (building on the recent agreement between the NADBank and EPA for a Border Environment Infrastructure Fund providing access to up to \$170 million in EPA grants).

Steps Already Underway

- The BECC has certified sixteen projects and the NADBank has approved financial packages for four projects on both sides of the border.
- The two institutions have also worked closely with federal and state officials to identify additional projects, provide technical assistance to border communities, and coordinate with EPA grant programs. They have identified over thirty projects, with a total cost of more than \$500 million, as the core of their 1997-99 work plan.

Strengthening Programs to Assist Local Communities

Description of Issue: CHC members in particular have also expressed concern about the effectiveness of the Community Adjustment and Investment Program (CAIP).

Background: The CAIP is a program administered through the NADBank, in which the Treasury Department, the Small Business Administration and the Department of Agriculture designate areas challenged by trade and/or production shifts as eligible for assistance; 35 areas have already been designated under the CAIP and three loans have been approved.

Administration Response: The Administration is prepared to take several steps to ensure that the CAIP more effectively addresses the needs of border communities that face challenges from import competition or shifts in production/plant relocations. For example:

- The CAIP will hold a public meeting in El Paso, Texas of its Presidential Advisory Committee to hear from those in a community affected by trade and production shifts.
- The CAIP's Finance Committee expects to announce this month approximately twelve more communities eligible for assistance.
- The Small Business Administration has committed to increase its CAIP lending significantly, estimating this will increase its loan volume by roughly \$146 million, enabling the SBA to guarantee loans to more than 1000 small firms.
- The CAIP will review how existing credit (loan and loan guarantee) programs could be strengthened -- such as through revised eligibility requirements, higher credit levels, and expanded marketing and outreach efforts -- to make them better suited to the needs of trade-impacted communities.

Additional Comments:

Secretary Rubin, Secretary Herman, Administrator Alvarez, and Gene Sperling met with members of the CHC regarding their NAFTA-related concerns. Since that meeting, the NEC has been working on a document specifically detailing the efforts the Administration is committed to taking to strengthen the implementation of NAFTA. The steps outlined on pages one and two reflect the proposed response to the concerns raised at this meeting.

Note: Plans for improvements to the NAFTA-TAA program and other programs that assist trade-impacted workers are addressed separately.

Report on NAFTA Labor Issues

Description of Issue: Some members of Congress have advocated a more regular process for analyzing and reporting on the labor practices of our NAFTA partners, including the record of the North American Agreement on Labor Cooperation (NAALC).

Background: The NAFTA labor side agreement, NAALC, has resulted in a significant work program among the United States, Canada, and Mexico on a range of important labor issues, as well as a more open and transparent process of examining the NAFTA governments' labor laws, practices, and enforcement efforts. The Administration's July 1997 NAFTA report reviewed the operations of the NAALC to date.

Administration Response: To improve the understanding of the labor conditions in our NAFTA partners, and building on the work being done under the NAALC, the Labor Department will produce an annual report reviewing the operation of the NAALC, including

- a survey of major issues arising under the Agreement;
- the steps being taken to ensure adherence to and enforcement of labor laws by NAFTA partners;
- 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 .

Additional Comments: This proposal has been part of the discussions with Senator Daschle's office.

NAFTA (L. Doe) to US 9/24 AM
Draft--9/24/97 p.m. → Issue have that
Also - what few issue have that
f call USR etc other does

NAFTA-RELATED ISSUES

Strengthening NAFTA Environmental Institutions (BECC and NADBank)

Description of Issue: The 1993 US-Mexico Border Cooperation Agreement created the North American Development Bank (NADBank) and Border Environmental Cooperation Commission (BECC) to develop and finance environmental infrastructure projects, in particular wastewater treatment, drinking water, and municipal solid waste projects. The BECC has certified sixteen projects and the NADBank has approved financial packages for four projects on both sides of the border, and the two institutions have worked closely with federal and state officials to identify additional projects, provide technical assistance to border communities, and coordinate with EPA grant programs. They have identified over thirty projects, with a total cost of more than \$500 million, as the core of their 1997-99 work plan. However, several Members of Congress [particularly the Hispanic Caucus] and border officials have expressed concerns about both the quality and pace of NADBank and BECC activities and have called for improvements.

Administration Response: Recognizing these concerns, the Administration is committed to the following steps to improve the effectiveness of the NADBank and BECC:

We will expand the technical assistance programs of the BECC and NADBank to enable communities to access NADBank funding more quickly and efficiently.

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

We will pursue with the NADBank a further increase in funding for its institutional development program (recently increased from \$2 to \$4 million), which helps border communities operate water, sewage, and solid waste management services more efficiently.

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 (building on the recent agreement between the NADBank and EPA for a Border Environment Infrastructure Fund providing access to up to \$170 million in EPA grants).

Additional Comments: [Add that critical to Congressional Hispanic Caucus in particular?]

Strengthening Programs to Assist Local Communities

Description of Issue: A second element of the NADBank is the Community Adjustment and Investment Plan (CAIP), through which the Treasury Department and the Small Business Administration have designated 35 areas challenged by trade and/or production shifts as eligible for assistance (with three loans already approved).

Administration Response: [Plans for improvements to the NAFTA-TAA program and other programs that assist trade-impacted workers are addressed separately.] We [also] are prepared to take several steps to address the needs of communities that face challenges from import competition or shifts in production/plant relocations:

The CAIP will hold a public meeting in El Paso, Texas of its Presidential Advisory Committee to hear from those in a community affected by trade and production shifts.

The CAIP's Finance Committee expects to announce [this month] approximately twelve more communities eligible for assistance.

The Small Business Administration has committed to increase its CAIP lending significantly, estimating this will increase its loan volume by roughly \$146 million, enabling the SBA to guarantee loans to more than 1000 small firms.

The CAIP will review how existing credit (loan and loan guarantee) programs could be strengthened -- such as through revised eligibility requirements, higher credit levels, and expanded marketing and outreach efforts -- to make them better suited to the needs of trade-impacted communities.

Additional Comments: [See Sperling/Lewis draft on NAFTA-TAA and materials in letter to Rep. Becerra; note plans to strengthen formal links between worker and community programs? Clarify that above focuses on border communities primarily?]

Report on NAFTA Labor Issues

Description of Issue: The NAFTA labor side agreement, the North American Agreement on Labor Cooperation (NAALC), has resulted in a significant work program among the United States, Canada, and Mexico on a range of important labor issues, as well as a more open and transparent process of examining the NAFTA governments' labor laws, practices, and enforcement efforts. The Administration's July 1997 NAFTA report reviewed the operations of the NAALC to date. However, some in Congress believe that the need remains for a more regular process for analyzing and reporting on the labor practices of our NAFTA partners, [including what is happening under the NAALC to address any concerns that have arisen].

Administration Response: To improve the understanding of the labor conditions in our NAFTA partners, building on the work being done under the NAALC, the Labor Department 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. [The report also will describe the labor laws and practices of our NAFTA partners, including the steps being taken to ensure adherence to and enforcement of relevant laws and standards.]

Additional Comments: [Note who has raised this, and that will not appease critics of the side agreement, etc.?]

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LAMB, DEBBIE	224-6450	228-0567	301-627-0929
MARCHICK, DAVE	647-2532	647-1537	202-244-6749
SAMET, ANDREW	219-6043	219-5980	202-364-8342
SAMANS, RICK	224-6489	228-5645	202-537-1252
SEN, SAIKAT	224-5043	228-5645	202-393-2609

ACCOMPLISHMENTS AND COMMITMENTS

I. ENVIRONMENTAL ISSUES

A. Multilateral Organizations

1. WTO

Accomplishments

The Administration fought for and won important environmental advances in the Uruguay Round of trade negotiations including:

- recognition in the preamble of the WTO Agreement of sustainable development as a key objective of the WTO;
- strengthened agreements on Sanitary and Phytosanitary Measures and the Agreement on Technical Barriers to Trade to protect legitimate environmental measures from challenge under the Agreement;
- improvements to the Dispute Settlement Understanding to provide for the use of environmental experts in disputes and to make the process more transparent by allowing disputing parties to make their submissions public and requiring that a public version be provided of all panel submissions; and
- securing the creation of the Committee on Trade and the Environment in the WTO, for the first time creating a permanent forum for addressing the linkage between trade and the environment.

Commitments

Transparency

This Administration has long been committed to the concept of improving the transparency of WTO activities and openness of WTO proceedings and will continue our zealous 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 proceeding dealing with environmental and conservation issues; and

Chase Lake & Envir
→ 922 PM
Becky / Spelling ref
AP. 6/15/98 + 20

list of interests
Boyle / Baschke

Andy S. 10/23 re adding
① child labor
② AIA
③ WTO-ICO
(205 ADM)

- USTR will seek to ensure similar transparency and openness in dispute settlement proceedings in negotiating trade agreements that contain dispute settlement provisions.

Eminent Persons Group

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

2. IFIs

Accomplishments

- Highly effective US policy advocacy throughout the Clinton Administration has succeeded in systematic incorporation by the Multilateral Development Banks (MDBs) of the full range of environmental issues into their operations, including through advance consultations with the public.
- At the 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.

Commitments

We will promote the following additional steps to further incorporate mainstream environmental issues into the operations of the MDBs , with a focus on the IDB, and to promote the flow of resources to environmental projects:

- Secretary Rubin will highlight USG priorities in his speech at the World Bank/IMF Annual Meeting this week.
- Secretary Rubin will propose that the IDB create an independent Advisory Committee comprised of senior IDB officials, NGO representatives and others to examine environmental issues arising from prospective operations and to make specific recommendations to the IDB.
- US will press for significant increases in direct lending for environment and natural resources management projects; in the IDB in 1996 such funding rose to \$815 million 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. High priority projects to include moving domestic energy prices to world price levels, achieving clean air and water, and promoting international cooperation and action when externalities cross borders.
- US will pursue vigorously international support for its proposed \$250 million fund for environmental initiatives as negotiations proceed for continuing the concessional window of the IDB.
- US will continue to scrutinize closely the effectiveness of public information disclosure for environmentally sensitive projects (compliance with the Pelosi Amendment), focusing on the required advance consultation with affected and interested people.
- US will examine closely the practices of the independent Inspection Panels established to examine alleged non-compliance with MDB policies. The Inspection Panel's success at

recommending ameliorative measures, as appropriate, will be assessed and the US will make specific proposals for improvements, as required.

- US will continue to urge the IMF, in program design and annual consultations with members, to consider the link between the environment and the economy and, where possible, to encourage countries to correct related market failures and to adopt appropriate economic policies in support of macroeconomic stability.

3. Other

The Administration is currently pressing for a range of actions on the global level, including:

- negotiation of an agreement on effective and realistic future emissions reductions in the Global Climate Change Convention;
- negotiation of a global agreement to minimize the use of persistent toxic chemicals and pesticides;
- promotion of international efforts to ensure sustainable forest management; and
- implementation of the Convention on International Trade in Endangered Species.

(The Administration also led negotiation and ratification of a landmark UN treaty designed to improve the management of shared fish stocks, created and strengthened regional fisheries conservation and management bodies, and worked to protect other living marine resources such as marine mammals, sea turtles, and seabirds.

B. Bilateral/Regional:

1. Generally

Administration efforts have improved environmental practices worldwide. For example, the Administration has:

- aggressively implemented U.S. environmental laws, using the threat of trade sanctions where appropriate to obtain improvements in other countries' environmental practices (*e.g.*, imposed sanctions on Taiwan for failure to curb illegal trade in rhino horn and tiger bone which were lifted when Taiwan made demonstrable progress in halting this trade);
- worked to improve environmental cooperation among neighboring nations, opening regional environmental hubs in Latin America, Central Asia, Africa, the Middle East and South Asia and the Far East to work on transboundary solutions to regional environmental problems;
- forged, with other hemispheric leaders, a comprehensive plan of action covering health and education (as they related to the environment), sustainable agriculture and forests, sustainable cities and communities, water resources and coastal areas, and energy and minerals; and
- established an environmental forum with the Chinese.

2. FTAA

Accomplishments

- The President met with leaders from the Caribbean and Central America in May. Both the San Jose, Costa Rica and the Bridgetown Barbados Summit produced documents with strong commitments to protecting the environment and ensuring sustainable development.
- For example, the Bridgetown Plan of Action states that by recognizing the importance of a healthy environment, threats to the environment can be attenuated by global, hemispheric, bilateral cooperation and national action.
- The San Jose Summit Declaration makes strong reference to the need for sound environmental policy by renewing the commitment to the promotion of the environmental principles of the Alliance for Sustainable Development, which inspired the signing of the Joint Central American-United States Declaration (CONCAUSA).

3. APEC

Accomplishments

- The Administration is working to advance APEC-wide liberalization of the environmental technologies and services sector in an industry ignored by previous administrations. High tariffs and disguised barriers to trade have limited the ability of developing countries to use the most advanced and useful technologies and services to address environmental problems from basic water and wastewater treatment needs to the need for the most advanced biomediation technologies.
- The U.S. has led the effort to implement various initiatives through APEC working groups. One such initiative, the Clean Production Initiative, has as its goals (1) to reduce pollution in key industrial sectors by promoting appropriate cleaner production technologies, policies and practices while (2) also striving to achieve broader adoption of clean technologies through institutional and professional partnerships.
- Another initiative championed by the US, the Marine Environment Initiative aims to (1) develop integrated approaches to coastal management, (2) prevent, reduce and control marine pollution and (3) manage marine resources in sustainable ways.

C. **NAFTA**

1. Accomplishments/Current Record

In 1993, this Administration negotiated an unprecedented framework for environmental cooperation through the North American Agreement on Environmental Cooperation, which is dedicated to enhancing environmental protection throughout North America and the effective enforcement of our respective laws.

In addition, the US-Mexico Border Cooperation Agreement, created the North American Development Bank (NADBank), and its sister organization, the Border Environmental

Cooperation Commission (BECC). These organizations were designed to develop and finance environmental infrastructure projects, with a priority for wastewater treatment, drinking water, and municipal solid waste projects.

- These organizations are fully operational and already having an impact on the U.S. Mexico border region. Over time, the NADBank will be able to leverage its capital into \$2 to \$3 billion in lending. To date, the BECC has certified 16 projects and the NADBank has already approved financial packages for 4 projects on both sides of the border.
- The NADBank together with the BECC and federal and state officials on both sides of the border have identified more than 30 environmental projects along the border with a total cost of about \$500 million for their 1997-1998 work plan.
- The NADBank and BECC have established technical assistance programs to assist communities in project development and to upgrade the management capacity of local utilities.
- The BECC in cooperation with EPA has established a \$10 million program to provide communities with project development assistance (PDAP).
- The Bank has established a \$2 million Institutional Development Program (IDP) to help communities on both sides of the border achieve effective and efficient operation of their water, sewage, and solid waste management services. The NADBank has already approved \$1.8 million in technical assistance for 12 projects under its IDP.

The NADBank is putting together affordable financing packages for poor border communities by establishing cofinancing arrangements with US and Mexican grant programs, as well as other concessional financing.

- For example, the Bank has recently entered into a Cooperative Agreement with EPA for a Border Environment Infrastructure Fund (BEIF) that will enable the Bank to combine its financing with up to \$170 million in EPA grants.

2. Commitments: Improving performance of NAFTA Environmental Institutions (NADBank/BECC)

Recognizing and sharing the concerns that have been raised with regard to the timeliness of NADBank environmental lending programs, the Administration is committed to the following objectives:

- expanding the technical assistance programs of the BECC and NADBank which will allow communities to better access NADBank funding;
- achieving BECC commitments and disbursement of funds under its \$10 million project development assistance program (PDAP) by the end of the year. Once existing resources are committed, the BECC and EPA are prepared to infuse additional funding into the PDAP program;

- pursuing with the NADBank Board a further increase as needed, of the resources devoted to its institutional development program (that was recently increased from \$2 to \$4 million); and
- 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.

II. WORKER RIGHTS/LABOR STANDARDS

A. Multilateral Organizations

1. World Trade Organization

Accomplishments

- After raising the issue of recognition of core labor standards at the 1994 GATT/WTO Ministerial meeting in Marrakesh, last December we secured the first ever commitment by WTO trade ministers to observe core labor standards.
- At the WTO Ministerial meeting in Singapore, the trade ministers agreed to language on a “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 a working party on trade and labor issues in the WTO).

Commitments

- Our proposed fast track legislation builds on our previous efforts by establishing worker rights as a principal U.S. negotiating objective and committing the U.S. Government to (1) work within the WTO to clarify the relationship between worker rights and GATT articles, objectives, and related instruments, and (2) 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.
- We will continue to work toward the development of a consensus concerning a work program on trade and core labor standards in the WTO in preparation for the next ministerial meeting in May 1998.
- We also will continue our efforts in the WTO to incorporate a review of countries’ the observance of core labor standards within the WTO’s Trade Policy Review Mechanism (TPRM) that involves periodic reviews of member countries’ laws and procedures.
- We will redouble our efforts to strengthen 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.

2. International Labor Organization

Accomplishments

- We have worked to broaden international adherence to core labor standards (those not dependent on a country’s level of development): the freedom of association; the right to organize and bargain collectively; a prohibition on forced labor; a prohibition on exploitative child labor; and a prohibition on discrimination in employment..
- 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 core standards -- regardless of whether the applicable specific ILO conventions have been ratified.

Commitments

- Under the proposed fast track legislation, we will seek to establish in the ILO a mechanism for the systematic examination of, and reporting on, the extent to which member governments protect worker rights and enforce core labor standards.
- We will continue to support the ILO's International Program for the Elimination of Child Labor (IPEC), which has supported programs in Bangladesh, Thailand, the Philippines, and other developing countries to reduce or eliminate child labor practices.
- We support current efforts in the ILO to adopt a new convention that would clarify the forms of child labor that are "intolerable." The Administration will work closely with the Congress and other interested parties as negotiations on this convention proceed; it currently is scheduled to be ready for adoption in 1999.

3. International Financial Institutions

Accomplishments

- The United States has taken the lead among major donors to the international financial institutions (IFIs) to incorporate worker rights issues into their activities and to develop a screening mechanism to evaluate the impact of these issues on their lending programs.

Commitments

- Secretary Rubin will highlight U.S. priorities in this regard in his speech at the World Bank/IMF annual meeting later this month.
- In consultation with Secretary Herman, Secretary Rubin will propose formation of an interagency team (including the Treasury, Labor, State, and Commerce Departments) to examine ways to further incorporate worker rights issues into the work of the IFIs.
- We will continue to press for screening that ensures that worker rights issues are taken systematically into account in IFI operational planning and programming activities.
- 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. The annual Treasury report to Congress required by the Amendment will permit a regular updating 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 propose that the World Bank 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.

4. Other Institutions

Accomplishments

- We successfully pressed for the explicit endorsement in the 1997 OECD Communiqué of continuation of work on trade and labor standards; this has included a report on Trade Employment and Labor Standards.

Commitments

- We will continue to work to promote greater attention to core labor standards in other international fora, including the OECD, where we will seek to have the analysis in the above-mentioned report expanded to include examination of additional labor issues.

B. Bilateral/Regional

1. Western Hemisphere/FTAA

Accomplishments

- We have supported the inclusion of labor issues in the FTAA process, including at the Third Trade Ministerial meeting at Belo Horizonte in May, 1997; and at the 1995 OAS Labor Ministerial (where the ministers adopted the Buenos Aires Declaration and Plan of Action to “recommend mechanisms most likely to ensure that economic growth is accompanied by improvements in working conditions, on the basis of unqualified compliance with those basic labor standards that represent fundamental rights”).

Commitments

- In advance of next April’s second Summit of the Americas in Santiago, we will work to build on the 1995 commitment of hemispheric labor ministers.
- We will support creation of an FTAA Labor Forum (equivalent to the existing Business Forum) to precede the periodic meetings of the Ministers responsible for trade.
- We will build on the May 1997 San Jose Declaration, signed by the President and Central American leaders, which affirms the importance of labor standards in the context of international trade and economic integration. This will include a planned meeting of Secretary Herman with her Central American counterparts.

2. Europe

Accomplishments

- The Transatlantic Labor Dialogue was endorsed at the June 1996 U.S.-EU Summit in Washington, and at the May 1997 meeting between President Clinton and the EU President, the leaders endorsed encouraging “enhanced collaboration between the WTO and the ILO Secretariats on core labor standards.”
- The U.S.-EU Transatlantic agenda also includes a joint Working Group on Employment that is examining means of increasing cooperation on core international labor standards.

Commitments

- We will continue to work with our EU colleagues to continue the progress already made

- in the TransAtlantic Labor Dialogue, including in the Working Group on Employment.
- We also support efforts in this forum to analyze private sector approaches “to eliminate exploitative labor conditions,” including the Apparel Industry Partnership. Labor Secretary Herman and her EU counterpart have discussed ways to develop additional voluntary private sector approaches modeled on the AIP.

3. Asia/Pacific

Accomplishments

- Through establishment of the Human Resources Group, we have worked to ensure that there is a mechanism for addressing labor issues within the Asian Pacific Economic Cooperation (APEC) forum.

Commitments

- We will support greater attention to worker rights issues in the Human Resources Group, including the eventual adoption of an APEC program addressing core labor standards.
- We also will work with the Asian Development Bank to advance the protection of core labor standards and additional worker related issues.

C. NAFTA

Accomplishments

- The North American Agreement on Labor Cooperation (NAALC) has promoted greater cooperation on a wide range of fundamental labor issues, as well as a more open and transparent process of examining the NAFTA governments’ labor laws, practices, and enforcement efforts.

Commitments

- The Labor Department will produce an annual report describing the labor laws and practices of our NAFTA partners, including the steps being taken to ensure adherence to and enforcement of those laws.

+ Andy S. 9/22 re 9/18 mtg of Secy Herman
 + ongoing
 Labor Review!!
 done

D. Unilateral/Domestic

1. Review of Country Practices

Commitments

- We will undertake a broad 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 laws and practices, labor laws and practices, environmental laws and practices, macroeconomic policies and conditions, and other relevant conditions in the country.
- 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 laws, practices, and economic conditions of each prospective free trade agreement partner prior to voting on approval of an agreement.

2. Worker Rights Provisions in U.S. Trade Law

Accomplishments

- We have used the Generalized System of Preferences (GSP) program to investigate child labor and other worker rights matters in numerous countries.
- For example, in March 1996 the United States suspended Pakistan's benefits in three categories of goods under GSP for failing to take adequate steps to conform to internationally-recognized worker rights -- focusing on three industries in which exploitative child labor was particularly widespread.

Commitments

- We will utilize the mechanisms available in existing statutory authority (including GSP, the Caribbean Basin Initiative, and the Andean Trade Preferences program) to encourage the adoption of core labor standards and improved protection of workers.

3. Child Labor

Accomplishments

- Since 1994, the Labor Department has responded to congressional concerns by preparing three major reports on child labor practices. Among the innovative uses of these reports has been to assist companies and others in developing codes of conduct and overseas production changes.
- We have supported innovative approaches, including by providing funds to the ILO's International Program for the Elimination of Child Labor (IPEC).
- As noted above, we have used U.S. laws to suspend trade benefits in response to persistent exploitative child labor practices in Pakistan.

Commitments

- The Labor Department is currently preparing a fourth study on the use of child labor in products exported to the United States, including a review of private sector efforts to eliminate child labor through codes of conduct and/or labeling systems (e.g., with respect to soccer balls, hand-knitted carpets, and leather footwear).
- The Labor Department also will continue to participate actively in international conferences designed to build greater awareness of child labor practices; these include a special one-day ILO ministerial last year convened at U.S. request.

4. Export Processing Zones

Accomplishments

- The Department of Labor conducted a study in 1990 on the issue of differential labor standards in export processing zones, finding 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.
- We have encouraged specific attention to this issue in the ILO.

Commitments

- The 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 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 with the Secretariat of the WTO.

5. Apparel Industry Partnership ("No Sweat" Initiative)

Accomplishments

- We have spearheaded collaborative action domestically by the private sector, labor unions, and non-governmental organizations regarding codes of conduct that discourage activities that contravene the protection of core labor standards.
- In August 1996, the President brought together a cross-section of interested private sector parties with senior government officials to initiate the Apparel Industry Partnership (AIP). In April 1997, the AIP members announced agreement on a "Workplace Code of Conduct" and monitoring principles.

Commitments

- We will build on this "no sweat" 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.

6. Education, Training, and Related Assistance Programs

[Separate background paper being prepared by Anne Lewis on activities to date and future plans]

Carter edit
to see if there
more here

September 18, 1997

MEMORANDUM FOR BOB KYLE AND LINDA EDDLEMAN

FROM: Eric Biel

SUBJECT: Labor Issues Outline

= statement.doc

More paper with small print for you to review!! Here is what I'll charitably call my "annotated outline" of worker rights and other labor-related issues. The pagination reflects the fact that it is still part of the overall Statement of Administration Action/Intent document.

Speaking of which, I met this afternoon with Liz Arky at USTR on a few matters and she seems to be under the impression that you (meaning all of us) are taking charge of the entire Statement drafting process -- including the trade section of it. Maybe the three of us should meet tomorrow, or early next week, with Nancy and/or Bob Novick to discuss who will be doing what. With some support from USTR, we probably could draft the whole thing, but frankly it would not be a project I would "volunteer" for with great enthusiasm.

Revised 9/19 PM
(shorter)
= labor.sta.doc

Attachment

① What will be headlines?
good @ here

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Attachment

III. Commitment to Worker Rights and Environmental Protection

A. Worker Rights and International Labor Standards

Drop ST
now ("reference")

1. Statement of Principle [need to shorten/tighten this]

Our trade agenda has always complemented and reinforced other important policy goals. At the same time, U.S. leadership on trade has provided the opportunity to advance other key objectives that also reflect significant American values. One of these values is the respect for workers, safe working conditions, and adherence to core labor standards.

Attention to the relationship between international trade and labor standards is nothing new; in fact, the International Labor Organization (ILO) was established, as part of the Treaty of Paris ending the First World War, against the backdrop of considerable interest in how a country's record in safeguarding the rights of its workers would affect its competitiveness in international markets.

Since 1974, the Congress has directed successive Administrations to seek "the adoption of international fair labor standards" in the GATT. In the Omnibus Trade and Competitiveness Act of 1988, the Congress directed that the President pursue the adoption as a principle of the GATT "that the denial of worker rights should not be a means for a country or its industries to gain competitive advantage in international trade." The legislation implementing the Uruguay Round, the Uruguay Round Agreements Act in 1994 mandated that the President pursue the protection of worker rights, taking into account differences in level of development among countries. [Add more on 1994 provision?] Other U.S. trade legislation also embodies our longstanding commitment and recognizes the importance of encouraging the protection of basic worker rights: the Generalized System of Preferences statute, Caribbean Basin Economic Recovery Act, and Andean Trade Preference Act all include worker rights criteria.

Promoting greater adherence to and enforcement of internationally-recognized labor standards is integral to the Administration's commitment to ensuring 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 and 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 area also affords a clear example to the rest of the world that, as the Organization for Economic Cooperation and Development has found, a country's strong record of enforcing labor standards helps contribute to increased growth and prosperity.

The Administration's initiatives here are not based on any desire to negotiate international wage rates, restrict access to the U.S. market, or impose burdens that are beyond the scope of what is feasible taking into account a country's level of development; indeed, the Administration's record here, in particular in connection with the North American Agreement on Labor Cooperation (NAALC), confirms its commitment to support improved worker rights consistent with trade expansion, not trade protection. Rather, they are designed to promote a worker rights agenda fully consistent with the objective of trade expansion and liberalization. By setting the terms of the agenda, the United States can help ensure that efforts to promote stronger enforcement of labor standards are not motivated by the desire to protect domestic markets.

2. Overall Strategy

Past efforts to gain fast track negotiating authority have ~~founded~~ in no small part, on the inability to find consensus over the relationship between the trade agenda and the important issues of worker rights and environmental protection. Continued stalemate is not an acceptable outcome: it impairs our ability to provide international leadership and advances neither the trade liberalization agenda nor the objectives of improved adherence to worker rights or environmental protection.

Instead, we need a strategy that maximizes our ability to make progress in all three important areas: trade, worker rights, and environmental protection. The Administration's approach, including both carefully-tailored provisions in the fast track legislation itself and commitment to a range of important other initiatives in a variety of fora, addresses this imperative in a balanced and sensible manner.

The paragraphs that follow elaborate on specific steps the Administration intends to take to address worker rights in a variety of international fora, as well as through domestic measures. **[Expand on overall strategy statement?]**

3. Multilateral Initiatives

The Administration already has taken a variety of significant steps multilaterally to broaden international adherence to core labor standards (those not dependent on a country's level of development): the freedom of association; the right to organize and bargain collectively; a prohibition on forced labor; a prohibition on exploitative child labor; and a prohibition on discrimination in employment..

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) establishes promotion of worker rights and environmental protection as a principal U.S. negotiating objective, and commits the United States Government to (1) work within the WTO to clarify the relationship between worker rights and GATT articles, objectives, and related instruments, and (2) 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.

These steps, however, represent only a small part of our multifaceted strategy to improve the promotion and protection of worker rights internationally. The list of activities that follows illustrates our strategy in addressing international labor issues in a variety of ways.

a. 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/strategy for next WTO ministerial in May 1998? See 9/12 Jane Earley/USTR fax on "Trade and Labor Standards: Post Singapore Ministerial WTO Agenda"]**

- As noted above, under the proposed fast track legislation, the United States will work through the WTO seek to promote respect for worker rights, including child labor; to secure a review of the relationship of worker rights to GATT articles, objectives, and related instruments with a view to ensuring that the benefits of the trading system are available to all workers.
- We also support adoption by 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 Section 2(b)(7) of the 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) for periodic reviews of country's 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.

Good description of

can we lay it out?

b. International Labor Organization

- Under the proposed fast track legislation, the United States will seek to establish in the ILO a mechanism for the systematic examination of, and reporting on, the extent to which member governments protect worker rights and enforce core labor standards.
- 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 core standards -- regardless of whether the relevant conventions have been ratified. **[Add on plans to continue process here leading to June 1998 ministerial? See Jane Earley/USTR memo and DoL materials here.]**
- 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.
- Through the Department of Labor, we will continue to support the ILO's International Program for the Elimination of Child Labor (IPEC), which has supported programs in Bangladesh, Thailand, the Philippines, and other developing countries to reduce or eliminate child labor practices.
- We will work with the ILO, as well as with relevant regional organizations, to ensure technical assistance is available to countries that may need to modernize their legal and enforcement regimes.
- We support current efforts in the ILO to adopt a new convention that would clarify the forms of child labor that are "intolerable." The Administration will work closely with the Congress and other interested parties as negotiations on this convention proceed; it currently is scheduled to be ready for adoption in 1999.

Discuss

MSB
TNS

c. International Financial Institutions

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 continue to work to give effect to the statutory requirement (through the Frank Amendment) directing the Secretary of the Treasury to urge international financial institutions (IFIs) to adopt

Treasury agreed to this? yes.

separate

12

① Highlight issue

② ~~Implement~~ Internal Admin

③ Push in IFIs

policies encouraging borrowing countries to protect internationally-recognized labor standards. The annual Treasury Department report to Congress required by the Frank Amendment will permit a regular updating on how the IFIs are advancing labor standards. **[More on screening mechanism?]**

- 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 (building on the June 1997 statement to the ILO Conference in Geneva of World Bank President James Wolfensohn, who signaled support for giving a more prominent role to the advancement of labor concerns)..
- 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.

d. Other Multilateral Institutions

- In 1995, we gained agreement for the necessity for greater implementation of core labor standards from the more than one hundred Heads of State attending the United Nations Summit for Social Development in Copenhagen, Denmark.
- In the OECD, we will seek to include commitments on labor standards in the negotiation of the Multilateral Agreement on Investment (MAI) and to expand on its Report on Trade, Employment and Labor Standards **[in USTR's 3/97 draft--drop reference to MAI? More on OECD efforts-ELSA committee, 1997 communique on work/research on trade and labor standards, etc.?]**

4. Bilateral and Plurilateral Initiatives

We also intend to expand upon existing efforts to advance support for worker rights in a variety of regional and bilateral fora.

a. North American Labor Agreement

The Administration 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:

- **[Check on status of joint report on enhanced labor and environmental cooperation--Clinton and Zedillo requested it in May from their foreign ministers, with an early August due date; still pending at State, or has it been released?]**

- 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, increased budgetary resources, etc.? See materials from DoL/Samet on NAALC and how to improve functioning of the Labor Secretariat, improving cooperation, etc.]**

b. Other Western Hemisphere/FTAA

The United States has been a strong advocate of including labor issues in the FTAA process, spelling this out in a ____ paper and at the Third Trade Ministerial meeting at Belo Horizonte in May, 1997. We have spearheaded such efforts at the 1995 OAS Labor Ministerial, at which the ministers adopted the Buenos Aires Declaration and Plan of Action recognizing the importance of implementing labor standards as part of regional economic integration.

In advance of next year's second Summit of the Americas, we will build on the 1995 commitment of hemispheric labor ministers to "recommend mechanisms most likely to ensure that economic growth is accompanied by improvements in working conditions, on the basis of unqualified compliance with those basic labor standards that represent fundamental rights".

We will push for creation of a Free Trade Area of the Americas (FTAA) Labor Forum (with recognition equivalent to that of the existing Business Forum) to precede the periodic meetings of the Ministers responsible for trade. **[Nothing expected here until 1998.]**

We will follow up on the San Jose Declaration from the May 8, 1997 meeting between President Clinton and Central American leaders, which contains several references supporting the importance of labor standards in the context of international trade and economic integration. **[Add details/plans for Nov. 1997 labor ministers meeting in Washington?]**

c. Europe

- The Transatlantic Labor Dialogue was endorsed at the June 1996 U.S.-EU Summit in Washington, and at the May 1997 meeting between President Clinton and the EU President, the leaders endorsed encouraging "enhanced collaboration between the WTO and the ILO Secretariats on core labor standards." The U.S.-EU Transatlantic agenda also includes a joint Working Group on employment and labor policy issues that is examining means of increasing cooperation on international labor standards.
- We intend to continue to build on the progress already made in the TransAtlantic Labor Dialogue, including in the Working Group on Employment that is addressing means of cooperation on core labor standards.
- We also support efforts in this forum to analyze private sector approaches "to eliminate exploitative labor conditions," including the Apparel Industry Partnership. Labor Secretary Herman and her EU counterpart have discussed ways to develop additional voluntary private sector approaches modeled on the AIP.

d. Asia and the Pacific

- We support greater attention to worker rights issues through the Human Resources Group of the Asian Pacific Economic Cooperation (APEC) forum. **[Placeholder in 3/97 draft--any details?]**
- We also will work with the Asian Development Bank to advance, to the maximum degree possible, the protection of core labor standards and additional worker related issues.

Need to keep
pegs in
mind in
writing
this
section
done

5. Unilateral and Domestic Initiatives

We also are committed to aggressively implement a number of initiatives on our own to advance the protection of worker rights both at home and abroad and to ensure that all Americans share the benefits from expanded international trade. We want to ensure that our workers are equipped with the tools to compete and win in the ever-changing global economy, including improved educational and "lifelong learning" opportunities which have been cornerstones of this Administration's policy. At the same time, we must acknowledge that some in the U.S. workforce will be adversely affected even as new opportunities are created in other sectors, and must ensure that those workers receive the assistance they need to make a successful transition to new employment.

a. Review of Country Practices

- 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.

legal system, env'l laws + practices, practices, trade practices (others?)

b. Worker Rights Provisions in U.S. Trade Law

- We will utilize the mechanisms available in existing statutory authority to encourage the adoption of core labor standards and improved protection of workers; these provisions include the Generalized System of Preferences, the Caribbean Basin Initiative, the Andean Trade Preferences program, and the policies of the Overseas Private Investment Corporation (OPIC).
- [Need more details on how these statutes have actually been used—e.g., 1996 withdrawal of a large share of Pakistan's GSP benefits based on child labor findings.]

c. Apparel Industry Partnership ("No Sweat" Initiative)

- We have spearheaded collaborative action domestically by the private sector, labor unions, and non-governmental organizations regarding codes of conduct that discourage activities that contravene the protection of core labor standards.
 - The Apparel Industry Partnership (AIP) began its work in August 1996 and in April 1997 the coalition members announced agreement on a "Workplace Code of Conduct" and monitoring principles. [Add details on terms of the Code?] The AIP initiative both permits greater attention to positive measures already being undertaken to integrate trade and labor concerns and encourages further steps toward this end -- all driven by the private sector, with support from the Administration.
 - We will build on this "no sweat" partnership by encouraging additional collaborative action by businesses, labor unions, and non-governmental organizations to discourage activities that contravene the protection of core labor standards.
- [Add on White House Conference on Trade and Labor?]
[Add on "Rugmark" marking initiative? Other examples of voluntary private sector efforts?]

Need to fill in.

d. Export Processing Zones

The ILO already is looking at the issue of differential labor standards in export processing 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.

e. Child Labor

Since 1994, the Labor Department has prepared three major reports on child labor practices. Among the innovative uses of these reports has been to assist companies and others in developing codes of conduct and overseas production changes.

In response to a fourth Congressional mandate, the Labor Department is currently preparing a study on the use of child labor in products exported to the United States. The study will include a review of private sector efforts to eliminate child labor through codes of conduct and/or labeling systems (e.g., with respect to soccer balls, hand-knitted carpets, and leather footwear). **[Due out late 1997--add more details on plans for this child labor information gathering?]**

The Labor Department also will continue to participate actively in international conferences designed to build greater awareness of child labor practices; these include a special one-day ILO ministerial last year convened at U.S. request.

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) (see above in discussion of ILO).

[See also above under ILO concerning possible future convention on child labor.]

f. Education, Training, and Related Assistance Programs

- We have included budget increases for adult education and tax incentives for those improving job skills and employer provided education assistance. **[Add details/list of various Administration initiatives in this area.]**

This Administration has doubled funding for dislocated workers -- from \$651 million in FY 1993 to \$1.286 billion in FY 1997 -- and has increased funding to \$1.35 billion in FY 1998. We expect to assist 580,000 workers in 1997 -- providing 274,000 more workers in FY 1997 with job training and job search services. **[Can expand on accomplishments here.]**

[Add more specific on plans for TAA improvements/expanded funding? See DoL materials on Secretary Herman's meeting with Hispanic Caucus on improvements to help trade-impacted workers via outreach/early intervention/rapid response, worker transition committees, and other possible administrative or legislative improvements to TAA and other programs.]

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FAST TRACK SUMMARY OF POLICY

USES OF FAST TRACK

We would indicate that fast track would be used for three types of agreements: multilateral, sectoral and regional/bilateral agreements.

Multilateral: Agreements in this area focus on the Uruguay Round built-in agenda and include: 1) agriculture negotiations to be initiated in 1999; 2) services negotiations to start in 2000; 3) review of trade-related intellectual property rights agreements before 2000; 4) government procurement talks (to be launched this year); and 5) other reviews/negotiations, including technical barriers to trade (to be reviewed by December 1997), sanitary and phytosanitary rules (to be reviewed by January of 1998), customs valuation, pre-shipment inspection and import licensing procedures, rules of origin and reporting requirements of state trading enterprises. We can state that some of these (e.g., agriculture) clearly require fast track. Others may require it, and early enactment of authority may permit more ambitious agreements, which increase the chance fast track would be required.

Sectoral: We would indicate that sectoral agreements offer important promise (referencing the successful ITA agreement), but not specify any particular sectors at this point, instead indicating we need to work with industry and workers to identify key sectors.

Regional/Bilateral: Regarding Latin America, we would reaffirm our commitment to negotiating a free trade agreement with Chile. More generally, we will state we will explore prospects for additional comprehensive trade agreement partners, while forging ahead with FTAA discussions. Regarding MERCOSUR and Central America, we would state, if asked, that we could envision foundation-laying discussions in the context of the FTAA process, but that we do not envision concluding free trade agreements with these entities during President Clinton's term. Regarding the Caribbean, we would reaffirm our commitment to the Caribbean Basin Trade Enhancement legislation and state we will work with Congress to enact it.

Regarding Asia, we would not cite any candidates for free trade agreements during this President's term. Instead, we would talk more generally about reinforcing our efforts in APEC and that we will explore options to advance free trade in the region generally.

Regarding Europe, we would indicate a desire to reduce non-tariff barriers, particularly regulatory barriers and a variety of agricultural impediments. We would flag the Mutual Recognition Agreements negotiations.

Regarding Africa, we would indicate that we are interested in exploring the potential for a free trade agreement with South Africa. If asked, we would say we do not now envision it would be completed during President Clinton's term, but we would not entirely rule it out. Beyond this, we would continue to press the Administration's Africa initiative. If asked whether this initiative

should be part of the fast track bill, we would state that this is something to work out with Congress

LABOR/ENVIRONMENT

As a general matter, our policy on labor and environmental issues would be set in the context of the President's efforts to strengthen America's competitiveness in a global economy. We would start by underscoring generally his efforts on education, worker retraining, research and development, budget deficit reduction and similar initiatives. At this time, we envision these initiatives would remain separate from the fast track legislation itself. However, we would announce that USTR would establish an Advisory Committee on Trade and Education (an idea suggested by Rangel's staff). This would advise USTR and the Administration on the connection between trade negotiations and U.S. education.

As to labor and environment, we would talk broadly about the Administration's efforts multilaterally, regionally and bilaterally. We would not rest our entire policy on steps we will take in the context of bilateral free trade agreements.

In both of these areas, we would make the point that Congress for years, on a bipartisan basis, has supported pursuit of labor and environmental goals in the context of trade policy (e.g., GSP worker rights provisions, environmental provisions included in the NAFTA under Bush). This is intended to make the point that attention to these issues is only the continuation of a consistent bipartisan agenda.

Labor/Worker Rights

We would present the Administration's international worker rights policy as part of a coherent strategy dating from the beginning of the Clinton Administration. That strategy has three parts.

First, the Administration developed specific "core labor standards", a specifically defined package of standards that the United States could then advocate internationally. These standards include freedom of association, the right to organize and bargain collectively, a prohibition on forced labor, a prohibition on discrimination in employment and a prohibition on exploitative child labor. The Administration has articulated three reasons for its concerns about these standards: human rights, economic (promoting these standards promotes a strong middle class and better markets for U.S. exports) and security (countries honoring these standards are more likely to be democratic).

Second, the Administration secured international support for these "core labor standards". This is reflected in several efforts, among others:

- In 1995, we gained agreement for the necessity for widespread implementation of core labor standards from the Heads of State attending the United Nations Copenhagen Social Summit.
- In December 1996, at the WTO Ministerial meeting in Singapore, we secured the first ever commitment to observe core labor standards by Ministers responsible for trade.

Third, the Administration is pursuing a broad-based effort in every fora - multilateral, regional and bilateral - to press for full implementation of these international commitments to implementation of core labor standards. The Administration's current efforts need to be seen as part of this consistent, long-term strategy to advance core labor standards. Action we plan to take includes

Multilateral In the multilateral arena, we would commit to pursue initiatives wherever feasible and when they are deemed likely to result in greater respect for core labor standards on a global scale. These efforts will include:

- Continued work to incorporate the observance of core labor standards within the WTO Trade Policy Review Mechanism (TPRM) for country reviews
- Urging the ILO to make core labor standards binding upon all Members, regardless of whether they have ratified specific ILO conventions;
- Pressing for the continuation of an active agenda in the ILO Working Party on the Social Dimensions of International Trade,
- Seeking to include commitments on labor standards in the negotiation of Multilateral Agreement on Investment (MAI) within the OECD and to expand on its Report on Trade, Employment and Labor Standards; and
- Continuing work with the World Bank to incorporate appropriate policies to advance respect for core labor standards and worker welfare

The Administration will also indicate it will redouble its efforts to urge more effective cooperation among relevant international institutions. For example, we would urge intensified and constructive ILO/WTO and other multilateral institutional cooperation 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

Regional The Administration's regional efforts offer the promise of going beyond what may be feasible in global institutions, and potentially more quickly. The broad scope of our agenda in the Americas following the 1994 Summit of the Americas includes core labor standards. In this regard we will

- Build the 1995 Tenth Inter-American Conference of Ministers of Labor commitment to "recommend mechanisms most likely to ensure that economic growth is accompanied by improvements in working conditions, on the basis of unqualified compliance with those basic labor standards that represent fundamental rights"
- Seek to advance on the 1995 Labor Ministers commitment in the lead up to the planned Eleventh Inter-American Conference of Ministers in 1998, particularly in light of the March 1998 second Summit of the Americas,

- Work with the ILO and relevant regional organizations (e.g., the Organization for American States and the Inter-American Development Bank) to ensure technical assistance is available to countries that may need to modernize their legal and enforcement regimes, and
- Continue support for the creation of a Free Trade Area of the Americas (FTAA) Labor Forum to proceed the periodic meetings of the Ministers responsible for trade.

With respect to the Asia Pacific region, the Administration would

- Pursue the development of an effective Human Resource Work Program in the context of the Asia Pacific Economic Cooperation (APEC) process; and
- Work with the regional Asian Development Bank to advance to the maximum degree possible the protection of core labor standards and additional worker related issues.

With respect to Europe, the Administration will

- Build on the transatlantic Labor Dialogue endorsed jointly by the President and his European counterparts, including in the Working Group on Employment which will address under its rubric cooperation on core labor standards.

Generally The Administration will also retain a committed strategy to encourage the adoption of core labor standards and improved protection of workers through existing legislation and institutional mechanisms. The Administration will

- Implement the Generalized System of Preferences, the Caribbean Basin Initiative, the Andean Trade Preferences program, and the policies of the Overseas Private Investment Corporation (OPIC) in a manner to encourage progress on worker rights
- Encourage (as the President did in August 1996) appropriate collaborative action by the private sector, labor unions and non-governmental organizations regarding codes of conduct that discourage activities that contravene the protection of core labor standards, building on the recent agreement concerning "sweatshops" and the apparel industry,
- Generate Department of Labor reports on child labor issues around the world bringing attention to these issues and thus discouraging the exploitation of child labor,
- Support the ILO's International Program for the Elimination of Child Labor which has supported programs in Bangladesh, Thailand, the Philippines, Africa and Brazil to reduce, or eliminate, inappropriate child labor practices, and
- Continue to implement the North American Agreement on Labor Cooperation (NAALC), which we believe has been effective in advancing the protection of workers in Mexico

Environment

Multilateral We would begin by stating the Administration's strategy has been to focus our global diplomatic efforts on five environmental priorities: the problems of climate change, toxic chemicals, species extinction, deforestation, and marine degradation. We would cite Administration leadership in a number of these areas, including negotiation of emissions reductions in the Global Climate Change Convention, negotiation of national networks of protected forest areas through the Convention on Biological Diversity, and the implementation of the Convention on International Trade in Endangered Species.

Regarding future steps, we would pledge to continue our leadership in the negotiation of international environmental agreements, and maintain our insistence on compliance with international environmental obligations. To that end we would:

- Sponsor an international conference in 1998 on increasing compliance with multilateral environmental agreements; and
- Work to strengthen the United Nations Environment Program's role in promoting compliance with multilateral environmental agreements.

As part of an ongoing effort to reform environmental institutions and ensure that the roles and relationships of the CSD, UNEP and multilateral environmental convention secretariats are logical and clearly demarcated, we would:

- Push for reform of the United Nations Environment Program (UNEP) by clarifying its mandate and improving its governance structure. UNEP should be the primary international environmental policy forum for setting priorities and addressing emerging environmental threats. It should manage and integrate the work of the secretariats for multilateral environmental connections, and promote the implementation of and compliance with those conventions; and
- Seek international clarification that the role of the Commission on Sustainable Development is to promote the broader issues of sustainable development by integrating economic development, social concerns, and environmental protection.

Regarding environmental accountability of national and international financial institutions, we would:

- Push within the G-7 for the development of common environmental guidelines for developed countries' export credit agencies, so that U.S. companies are not competitively disadvantaged by U.S. decisions not to finance environmentally problematic projects, and

- Ensure that public development financing through multilateral development banks takes environmental concerns into account. The U.S. has successfully led efforts to get the World Bank and IMF [others] to employ environmental guidelines in lending decision making.

In order to make trade agreements and their accompanying institutions compatible with sustainable development, we would

- Rise in the WTO Trade Policy Review Mechanism (TPRM) information on trade-related environmental measures of each country under review,
- Ensure that the Multilateral Agreement on Investment (MAI), currently under negotiation in the OECD, is consistent with sustainable development, using the extension of the negotiating deadline for more extensive public consultation on environmental concerns; and
- Continue to use the OECD Trade & Environment Joint Experts Group to perform analytical analyses and further dialogue on trade and environment issues, and to oversee OECD governments' implementation of the Trade and Environment Procedural Guidelines.

In the WTO and OECD, we would

- Renew the push for increased transparency of WTO documents and proceedings, and for the use of environmental expertise in environment-related panel disputes; and
- Push to make the MAI Multilateral Agreement on Investment dispute settlement process transparent, e.g., to make panel reports public, and to include scientific review boards.

Regional We will continue efforts to improve regional environmental cooperation, and to build such cooperation arrangements in regions targeted for trade liberalization, such as APEC and the FTAA.

In the Western Hemisphere, we are leaders in the follow up to the Miami Summit Action Plan and the 1996 Bolivia Sustainable Development Summit.

In the area of biodiversity, USAID is initiating or expanding projects on environmental health and education, and on Central American Biodiversity Corridor, a biodiversity Internet site (in cooperation with UNDP). In the energy sector, DOE has focused its resources on renewable energy, technology exchange and rural electrification.

- EPA and the Department of Justice are cooperating to develop a network of experts in environmental law and enforcement to explore strengthening laws and regulations in the hemisphere. EPA and Justice are also examining ways to address water issues -- both clean drinking water and waste water -- and land-based sources of marine pollution.
- NOAA, working under a cooperative agreement with USAID, is considering the establishment of a Marine Environment Center in the Caribbean Basin.

- Regarding transparency and enhancing the participation of civil society, with our leadership the Bolivia Summit has mandated the OAS to develop an Inter-American Strategy for Public Participation in Sustainable Development Policy-making

Bilateral Free Trade Agreements

On the important issue of labor/environment and bilateral free trade agreements, we would reaffirm the Clinton/Gore commitment that these issues be addressed in the context of these trade agreements. Generally, however, we would indicate that we see these initiatives progressing on three separate, but parallel tracks. We would indicate that we believe other countries are more likely to respond to this approach (versus directly linking these initiatives) and therefore we are likely to achieve more progress.

We would also indicate that countries vary in their labor and environmental protections and therefore no single model can apply in every case. In the case of Chile, we would indicate we anticipate Chile would join the NAFTA side agreements, since it has already committed to do so. In other cases, progress might best be achieved by encouraging other governments to join regional or multilateral labor and environmental initiatives. In other cases, progress might best be promoted through more informal mechanisms.

However, we would state that it may be most advantageous to conclude bilateral labor and environmental agreements with the country in question, either prior to negotiations on a trade accord in parallel with that process.

See AP 10-15
on genl. labor
rights issues

= h/brief/statement.doc

THE WHITE HOUSE
WASHINGTON

Mon. 9/15 7:20
P.M.

Bob -

Attached is the Statement
draft. I have completely
rewritten what is now at
pp. 10-15 on labor. I
have not edited other parts,
including some references
to labor & environment at
pp. 20-23.

Let's discuss tomorrow.

Eric

STATEMENT OF ADMINISTRATION POLICY
[ACCOMPANYING INTRODUCTION OF FAST TRACK LEGISLATION]

I. Overview

I am pleased that today a bipartisan group of members of Congress, after extensive consultations with the Administration has introduced legislation to grant to the President new trade agreement implementing authority -- "fast track" authority. The members are responding to my request for negotiating authority, which I believe to be critical to our country's ability to conduct an effective global trade policy, which opens foreign markets and creates jobs and opportunities for our companies, workers, and farmers.

My request for fast track authority is a request that America tell the world that we speak with a united voice in pursuing our trade agenda. It is a request that the Administration and Congress develop a working partnership about how we will proceed to reduce trade barriers that deprive American companies and workers of opportunities, while at the same time ensuring that our trade agenda complements and reinforces other policy goals. Such a partnership has been the American way. Indeed, every President since Gerald Ford has had fast track authority for key periods with bipartisan support.

With this authority, much has been achieved. But, now more than ever, fast track authority is critical to take advantage of the opportunities offered by the rapidly expanding world markets. Such authority is a prerequisite to U.S. negotiating credibility and success on virtually all major trade fronts.

We must continue to embrace, not fear, open and fair trade. Our markets are already the most open in the world; therefore, we have everything to gain from free and fair trade. Our goal should be to level the playing field by opening foreign markets and lowering foreign barriers. We are extremely well positioned to capitalize on new opportunities, especially in the fast growing emerging markets, because we have the most competitive economy and most productive, highly-skilled workforce in the world. Our productivity is the key to our prosperity and it allows us to compete effectively with anyone. However, if we "sideline" ourselves, our competitors will seize those opportunities and tilt the playing field in their favor.

Opening foreign markets to our goods and services is critical to our competitiveness going into the 21st century. As we proceed with our trade agenda, we must continue to invest in our most precious resource -- our people. Through education of our children and training of our workers we will be able to compete successfully in an evolving global marketplace that places an increasing premium in America on highly-skilled workers. Our economic expansion has and will continue to generate change and transition for the workforce. This does not mean we should quit. Rather, we must maintain our commitment to economic growth policies to ensure a constant stream of new opportunities and provide transitional assistance, including retraining, so that all workers have the opportunity to participate in the fruits of economic prosperity and the higher wage jobs that competitive industries and exports generate.

As we have in the past, we will strive to ensure that the trade agenda complements and strengthens other important priorities, including our commitment to the protection of core labor standards and sound environmental practices. Our commitment to these priorities is not new. We have made significant progress in both areas. Making further progress depends, in part, on maintaining a global leadership role. Fast track authority and how we use it is a pivotal tool to ensure leadership.

Ultimately, a grant of fast track authority requires an accommodation between the President and Congress to work together to build a consensus on how to achieve our common objectives. It is no secret that we failed to reach that consensus in 1994 and 1995. We need to do better now. A failure to reach that consensus will achieve nothing internationally, it will not reduce barriers to trade; it will not advance worker rights, it will not improve the environment, it will not stop drug trade or a host of other issues about which we care. It will, however, cripple our own export performance and it will cost jobs at home. It will cede the field to our competitors, who would like nothing better than for us to sideline ourselves with a rancorous internal debate over trade, labor and the environment.

II. What We Have Achieved

A. The Benefits of Expanded Trade

Our trade policy has focused on opening markets to U.S. goods and services; we have insisted that all trading nations, developed and developing, adhere to the same set of basic rules. We have relentlessly pursued our agenda of opening foreign markets, and breaking down foreign market barriers -- multilaterally, regionally and bilaterally. We have pursued this policy because we can compete successfully when trade is free and fair. And, in fact, expanded trade has played an important role in our economy again being the strongest in the world.

While we have yet to level the playing field fully, we have made tangible progress. The world is generally more open to U.S. exports than it has been at any time in the recent past. When the General Agreement on Tariffs and Trade (GATT) was first formed in 1947, global tariffs averaged 40 percent among industrial nations. Today -- after decades of bipartisan American leadership -- global tariffs are closer to 5 percent and still declining with the Uruguay Round phase-in, and we have set the rules for bringing down many non-tariff barriers.

Our policy has resulted in negotiating over 200 trade agreements in the last ____ years, all designed to advance our economic and trade interests. These agreements include:

- Completion of the Uruguay Round, the largest trade agreement in world history, which will add \$100-200 billion to GDP annually when fully implemented.
- Completion of the NAFTA, which is opening the historically closed and emerging Mexican market, increasing our export opportunities, and which kept that market open even during the worst economic crisis in Mexican modern history in late 1994 and 1995. Our exports to Mexico are at record highs and growing and our share of its imports is significantly higher since the NAFTA was first implemented as our competitive producers are better able to compete.
- The Information Technology Agreement (ITA) and the Agreement on Basic Telecommunications: These two far-reaching multilateral agreements will reduce trade barriers around the world for our high technology industries. The ITA will benefit producers of such products as semiconductors, computers, telecommunications equipment and software. These industries support 1.5 million manufacturing jobs and 1.8 million related service jobs. This agreement amounts to a global tax cut of \$5 billion. The telecommunications accord is expected to generate approximately 1 million U.S. jobs over the next 10 years and save billions of dollars for the American consumer.

- Japan market access barriers: We concluded 24 market opening agreements. Our exports to Japan increased 43% in four years (with exports covered by these agreements growing roughly twice as fast as other exports).
- China: We have worked tirelessly to open this highly protected market, including negotiating landmark agreements in intellectual property rights protections and textiles. We have led the world in setting tough standards to ensure that China's accession to the WTO will only occur on commercially acceptable terms.
- APEC: We spelled out a long-term vision for free and fair trade, making progress more concrete year by year, culminating with the key role played by APEC in completing the ITA. America is now more firmly positioned in this, the fastest growing region of the world.
- Free Trade Area of the Americas (FTAA): We have led the multilateral effort in this hemisphere to build an FTAA by 2005, and are working towards concrete progress by 2000. Our commitment along with the 34 other heads of state and government to our own hemisphere reflects the reality that it offers significant commercial opportunities, but also that promoting prosperity in our region advances democracy and stability.

Some of the most important of these, the Uruguay Round and the NAFTA would never have been commenced and could never have been concluded absent the bipartisan support this and past Administration's were provided through fast track authority. Similarly, the ITA could not have been concluded absent tariff proclamation authority under the URAA.

We have backed up our trade agreements by insisting on full implementation through vigorous enforcement. We have made clear that agreements, if not implemented, will be enforced. In the past four years we have brought [48] trade enforcement actions. We have filed [23] cases to enforce U.S. rights under the new dispute settlement procedures of the WTO, having filed [15] complaints last year alone. We see our commitment to vigorous enforcement as vital to continuing support for our trade policy, and we will continue to use every tool that Congress has given the Executive to carry out our trade policy.

[Jane Bradley to update]

Our trade and market opening agenda is a cornerstone of this Administration's economic policy. That is because trade is playing an increasing role in our economy and export expansion is essential for economic expansion.

- Trade is now equivalent to nearly 30 percent of GDP, up from 13 percent in 1970.
- Exports over the last four years have generated roughly one quarter of our economic growth.
- Exports support an estimated 11.3 million U.S. jobs, and over 1.4 million of these jobs were generated by increased exports over the last four years.
- Export-related jobs pay 13-16% more than the national average. (A CEA study indicates that 68% of the jobs created in the U.S. between 1994-96 paid above the median wage.)

Expanded trade has helped the United States surge back to be the most competitive economy in the world for the past three years, according to the World Economic Forum. Over the last four years, our manufactured goods exports are up 42%; high technology goods exports are up 45%; and services exports are up 26%. Our agricultural exports increased by 40% over the last four years, and have reached a record level. We lead the world in aircraft and agriculture, in software and entertainment. And we have come strongly to again become the world's leader in production of semiconductors and automobiles.

We cannot rest on our laurels. Despite our considerable assets, our success in a highly competitive global economy is not guaranteed. Other nations are moving ahead strategically, seeking new markets and preferential arrangements which will benefit their companies and their workers.

B. The Dangers of Inaction

The world continues to change. We must appreciate that it will change with or without us. In every region of the world, but particularly Asia and Latin America, the two fastest growing regions of the world, our competitors are pursuing strategic trade policies and, in some cases, preferential trade arrangements that will open up markets for their exporters, their products and their workers. When these arrangements are made without us, we lose commercial opportunity, stature as a global leader and the opportunity for moral suasion.

Over 20 such agreements have been struck since 1992 in Latin America, Asia, Central Europe and the Mediterranean region. Every time such agreements are forged U.S. based exporters are put at a disadvantage. Example abound:

- **MERCOSUR** (Argentina, Brazil, Paraguay, Uruguay) is a developing customs union with ambitions to expand free trade agreements to all of South America and others in the hemisphere. MERCOSUR is the largest economy in Latin America and has a GDP of roughly \$1 trillion and a population of 200 million. It has struck agreements with Chile and Bolivia, and is discussing agreements with a number of Andean countries (Colombia, Venezuela), as well as countries within the Caribbean Basin and even Canada.
- The **EU** has begun a process aimed at reaching a free trade agreement with MERCOSUR. The EU has also concluded a framework agreement with Chile intended to lead to a free trade agreement. The President of France said recently that Latin America's "essential economic interests ... lie not with the United States but with Europe."
- **China** has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America. China wants to enhance commercial ties and ensure that key Latin countries are receptive to its broader global agenda as a rising power, both in the WTO and other fora. In the last two years, the Chinese leadership has undertaken an unprecedented number of trips to Latin America (its second fastest growing export market).
- **Japan** has undertaken high-level efforts throughout Asia and Latin America to enhance commercial ties through investment and financial initiatives. The Prime Minister of Japan recently visited Latin America seeking closer commercial ties and a greater Japanese commercial presence.

- **ASEAN** is forming a free Southeast Asian trade area that will include 400 million people and some of the fastest growing economies in the world. It is a region where China, Japan, Korea and the EU are focusing competitive energies. In a bold initiative indicative of the new dynamic in the global economy, Argentina's President Menem recently suggested a MERCOSUR-ASEAN free trade area -- an agreement that would encompass over 600 million people.
- Countries within this hemisphere are equally aggressive. **Mexico** wants to be the commercial hub between North and South America, and also serve as a commercial gateway to the Americas from Asia and Europe. It is jointly pursuing a free trade area with Europe and is reaching out to Asia. President Zedillo and his Cabinet have undertaken numerous missions to Asia and have been well received. Mexico has reached trade agreements with Colombia, Venezuela and Costa Rica and is negotiating with Honduras, El Salvador and Nicaragua. It too has initiated talks with MERCOSUR.
- **Chile** has a similar strategy. It has concluded agreements with MERCOSUR, Mexico, Colombia, Venezuela and Ecuador. It intends to start similar negotiations with Central America and has an eye toward agreements with Asia. It has also struck an agreement with Canada, that includes a range of market opening elements.
- In the **Asia-Pacific region**, competition comes from many sources, all of which have contributed to a declining share of U.S. exports to the region. Competition within Asia is the most intense. Japan has been ahead of the U.S. in East Asia in terms of corporate presence, and especially in the past decade, in terms of the amount of overseas development assistance it is willing to spend to advance its commercial interests.
- The countries of **Southeast Asia**, some of the most dynamic economies in the world, are integrating through its ASEAN Free Trade Area. The integration gives other ASEAN countries access in some key areas where U.S. exporters would otherwise have an advantage, such as in agricultural products, particularly processed food products.
- In addition to its free trade agreement with Chile, **Canada** recently announced its interest in some form of a trade arrangement with MERCOSUR. Trade Minister Art Eggleton was quoted as saying: "We would like the Americans to be there, they're an important component, but we're not sitting back waiting We're going to go on and have discussions with other countries and play a leadership role in helping advance the FTAA."

The threat from continued inaction is not theoretical; it is real. A recent example is illustrative. In November 1996 Canada reached a comprehensive trade agreement with Chile that will eliminate Chile's 11% across-the-board tariff starting this year. Northern Telecom recently won a nearly \$200 million telecommunications equipment contract over three U.S. companies in part because to buy from a U.S. producer would have meant an additional \$20 million in costs (duties) relative to purchasing from the Canadian supplier.

Our ability to create jobs and sustain our living standard in the next century will depend, in no small part, on how successful we are, relative to our competitors, in embracing the trade opportunities offered by the emerging markets. Our competitors are moving forward. The question is whether we will too or whether we will watch from the sidelines.

C. **Fast Track Authority: Continuing the Progress**

Fast track authority is about making the decision whether to compete, or retreat. It is about America agreeing on a course of action that is right for us -- right for our economy, right for our companies, right for our workers and just plain right. We believe we have been on that course. Our economy is the model for the world; exports and employment are up; and we have made substantial progress promoting our values, including the recognition of core labor standards and the importance of protecting the environment.

The work is not done; we must stay the course. We should continue to open foreign markets and seize the initiative when it comes to international competition. There are extraordinary opportunities presented by the growing global economy. Over the next decade, the global economy is expected to grow at three times the rate of the U.S. economy. While we can pursue certain opportunities with our existing tools, to capitalize fully on these virtually limitless opportunities requires the ability to negotiate from a position of strength.

1. **The Opportunities**

Our market opening focus has paid dividends for our economy, our companies and our workers. It has also reinforced our leadership position, providing additional fora in which to transmit the values of democracy, market economics, human rights and the rule of law. Much of what we started is not finished. There are historic opportunities multilaterally, regionally and bilaterally, and the chance to reach enduring trade arrangements that will pay dividends well into the future.

Ninety six percent of the world's consumers live outside our boundaries, and 85 % of them reside in developing countries. These are the large growth regions. Last year, the developing world imported over \$1 trillion in manufactured goods from the industrialized countries, and this is the tip of the iceberg. The infrastructure needs alone of the developing world are enormous. For example, in just 8 of the largest developing countries, traditional infrastructure needs (telecommunications, power, transportation and petroleum infrastructure) are estimated to be over \$1.6 trillion. To capitalize on these and other opportunities, we must have the credibility required to convince others to negotiate with us seriously. Fast track authority establishes that credibility.

a. **Multilateral Opportunities**

The completion of the Uruguay Round represented a major advance towards liberalized trade, characterized by a regime in which everyone plays by the same rules. The Uruguay Round, however, was not the end of the liberalization process. In many ways, it was the beginning. It recognized that further work was needed and established a schedule for review and possible amendment or renegotiation of a number of its agreements. These scheduled negotiations are what we call the WTO "built in agenda."

Beginning now and continuing for at least the next several years, the built-in agenda provides for negotiations involving several significant areas, areas in which the United States is a top global competitor: e.g., agriculture, services, and intellectual property rights, and areas of technical importance to global transactions and market access.

For example, negotiations to further open the \$526 billion global agriculture market are to be initiated in 1999. The Uruguay Round reduced some of the most difficult barriers to agricultural trade; the work, however, is far from done. Removing remaining agricultural barriers is one of our highest priorities, and the follow-on negotiations in the WTO provide the most promising vehicle to achieve our objectives. Given the enormous and growing importance of exports to our agricultural sector, we must be positioned to negotiate away tariff and non-tariff barriers and domestic support policies in foreign markets.

Services negotiations are to start in January 2000. The services market is a \$1.2 trillion global market. U.S. firms exported approximately \$220 billion in 1996, which amounts to a \$74 billion trade surplus. Even before 2000, elements of the trade related intellectual property rights (TRIPs) agreement are to be reviewed. The U.S. copyright industries export over \$400 billion a year.

The "built-in agenda" provides other opportunities to open foreign markets. In a world trading environment increasingly less characterized by traditional tariff barriers, the built-in agenda is in many respects aimed at clearing away the impediments left by non-tariff barriers: It is our view that fast track is important to achieve these objectives.

For example, the rules governing technical barriers to trade (covering product standards, technical regulations and associated procedures such as testing and certification) are scheduled to be reviewed by December of this year, just as sanitary and phytosanitary rules affecting trade in agricultural goods will be reviewed by January of next year. These reviews will play an important role in our broader efforts to ensure that the development and application of product standards and environmental, health, and safety regulations are technically justified and do not serve as disguised protectionist measures.

The launch this year of new negotiations to improve and expand the coverage of WTO rules on government procurement can facilitate U.S. efforts to improve our access to the lucrative infrastructure projects now planned or under way in the rapidly growing regions of the world. We estimate that Asia alone will provide opportunities for up to \$1 trillion in business for such projects over the next decade.

Other important issues that are the subject of upcoming discussion include: full implementation of the customs valuation agreement, upcoming reviews of pre-shipment inspection and import licensing procedures, harmonizing the rules for determining the origin of internationally traded products, and the reporting requirements of state trading enterprises.

b. Sectoral Opportunities

Our recent success in achieving the Information Technology Agreement (ITA) was possible only because the Administration had tariff proclamation authority provided in the URAA. While more could have been accomplished if the Administration had broader authority (such as expanded product coverage and reduction of non-tariff barriers), the ITA is an example of the kind of sectoral agreement that creates significant opportunities for producers of the covered products, in this case, semiconductors, computers, telecommunications equipment and software.

The lack of broader authority limited our product coverage to those listed in Section 111 of the URAA and prevented us from addressing non-tariff barriers. The fast track authority I am requesting would allow us to seek expansion of the ITA.

More generally, we are working with industry and workers to identify other key sectors in which reduction of barriers will create export opportunities and jobs. We are considering a number of additional initiatives in this area where interested industries are well positioned to take advantage of the global marketplace.

c. Regional/Bilateral Opportunities

Latin America and the Caribbean were the fastest growing markets for U.S. exports in 1996; our exports grew by more than 14 percent from 1995-96, reaching \$109 billion. That growth rate is more than twice the rate of U.S. exports to the rest of the world. If trends continue, it will exceed the EU as a destination for U.S. exports by the middle of next year, and exceed Japan and the EU combined by the year 2010. It is also the second fastest growing region in the world, having transformed itself over the last decade in a manner unnoticed by some, but with profound positive implications for the United States. Mexico, for example, is already on the verge of replacing Japan as our second largest export market.

There has never been a more important time for our trade agenda in this hemisphere. We are at a crossroads that will determine to a significant degree our success in competing in this dynamic market into the 21st century. We are now turning to the negotiating phase of the FTAA and believe that the second Summit of the Americas set for March 1998 in Santiago is the venue to launch the hemispheric negotiations.

Chile is our next concrete step in building the FTAA. The region views what we do with Chile as a litmus test for our plans for the region. Chile is symbolic of the opportunities in the region and the region's rising strategic significance to our longer-term economic interests. U.S. exports to Chile are up 148 percent since 1990. Chile is a leading reformer in Latin America -- its kind of reform will ensure a growing export market well into the next century.

At the same time, the Administration will explore prospects for additional comprehensive trade agreement partners, while at the same time forging ahead with the multilateral FTAA discussions. Building stronger and more comprehensive sub-regional and bilateral trade ties will strengthen our strategic position in the longer term process of building an FTAA that reflects U.S. inspired rules.

The Administration remains committed to Caribbean Basin Trade Enhancement and will be working with the Congress on legislation to accomplish this objective. We believe it is important to provide the countries of this vital region with the right kinds of incentives to be full participants in the FTAA effort while at the same time provide the most effective tools possible to assist them in this effort.

The Asia Pacific region is enormous in its scope and has significant commercial and strategic implications for the United States. It contains the fastest growing economies in the world, largely emerging economies with a total population nearing 3 billion people. Within the Asia Pacific Economic Cooperation (APEC) forum, the goal of open markets would increase U.S. goods exports dramatically. Independent forecasts put 1996 GDP at \$2.8 trillion, which is expected to grow in real terms by 6% to 7% annually.

As a step towards the ultimate APEC goal, market-opening agreements with key economies (or key sectors) of the Asian Pacific rim would provide U.S. exporters with a strategic advantage over U.S. competitors in the region. It would also provide the United States with a strong economic position in

Asia, a key step to ensure we are at the center of the commercial activity in this region bursting with vitality and opportunity. Therefore, the Administration will explore options to advance trade agreements initiatives in this region; fast track provides us the necessary credibility to engage in such an effort.

With Europe, our focus will be on non-tariff barriers which continue to impede transatlantic commerce, most particularly regulatory barriers and a variety of agricultural impediments. Approximately half of our \$126 billion of merchandise exports to the EU require some form of EU certification in addition to U.S. requirements. Our business community strongly supports our current negotiations to complete Mutual Recognition Agreements (MRAs) to eliminate redundant testing between the United States and the EU. The areas under discussion include telecommunications, electronics, medical devices, pharmaceuticals and recreational craft.

Africa is a region rich in resources and potential, which we should engage with determination to ensure its effective and sustainable development and democratic governance. We recently submitted a report to Congress on the Administration's trade and development policies for Sub-Saharan Africa, and we look forward to working with Congress this year to rejuvenate and expand our trade and investment policies toward African nations. There is an urgent need to integrate Sub-Saharan Africa into the international trading system. We believe the achievement of this goal lies in African countries reforming their own economies and in our encouraging this process. Fast track procedures ensures Africa we are prepared when appropriate to build the most comprehensive trade relationship possible, an important ingredient in a lasting and effective agenda with the region. The Administration is particularly interested in exploring the potential for a free trade agreement with South Africa.

III. Commitment to Worker Rights and Environmental Protection

Past efforts to gain fast track negotiating authority have foundered, in no small part, on the inability to find consensus over the relationship between the trade agenda and the important issues of worker rights and environmental protection. Continued stalemate is not an acceptable outcome: this impairs our ability to provide international leadership and advances neither the trade liberalization agenda nor the objectives of improved adherence to worker rights or environmental protection. We need a strategy that maximizes our ability to make progress in all three important areas: trade, worker rights, and environmental protection. The Administration's carefully-crafted and balanced approach, both through the fast track legislation itself and a variety of separate initiatives, addresses this imperative.

A. Worker Rights

1. Background

Our trade agenda has always complemented and reinforced other important policy goals, and U.S. leadership on trade globally has provided the opportunity to advance other key objectives that also reflect significant American values. One of these values is the respect for workers, safe working conditions, and adherence to core labor standards. Promoting adherence to and enforcement of internationally-recognized labor standards is integral to the Administration's commitment to ensuring 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 and 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 area also affords a clear example to the rest of the world that, as the Organization for Economic Cooperation and Development has found, a country's strong record of enforcing labor standards helps contribute to increased growth and prosperity. Finally, by setting the terms of the agenda, the United States can help ensure that efforts to promote stronger enforcement of labor standards are not motivated by the desire to protect domestic markets. Indeed, the Administration's record here, in particular in connection with the North American Agreement on Labor Cooperation (NAALC), confirms its commitment to support improved worker rights consistent with trade expansion, not trade protection.

Attention to the relationship between international trade and labor standards is nothing new; in fact, the International Labor Organization (ILO) was established, as part of the Treaty of Paris ending the First World War, against the backdrop of considerable interest in how a country's record in safeguarding the rights of its workers would affect its competitiveness in international markets. This Administration has helped foster renewed attention to this subject by working to gain international recognition for core labor standards -- those not dependent on a particular country's level of development. Today, through the leadership of the United States and the ILO, there exists an internationally-accepted definition of these core labor standards:

- the freedom of association;
- the right to organize and bargain collectively;
- a prohibition on forced labor;
- a prohibition on exploitative child labor; and
- a prohibition on discrimination in employment.

2. Legislative Direction

Since 1974, the Congress has directed successive Administrations to seek “the adoption of international fair labor standards” in the GATT. In the Omnibus Trade and Competitiveness Act of 1988, the Congress directed that the President pursue the adoption as a principle of the GATT “that the denial of worker rights should not be a means for a country or its industries to gain competitive advantage in international trade.” The legislation implementing the Uruguay Round, the Uruguay Round Agreements Act in 1994 mandated that the President pursue the protection of worker rights, taking into account differences in level of development among countries. **[Add more on 1994 provision?]**

Other U.S. trade legislation also embodies our longstanding commitment and recognizes the importance of encouraging the protection of basic worker rights. The Generalized System of Preferences statute, Caribbean Basin Economic Recovery Act, and Andean Trade Preference Act all include worker rights criteria.

The legislation introduced [today] is fully consistent with these previous efforts to support greater international protection of worker rights -- both through strong labor standards and effective enforcement of those standards. Tracking a similar provision in the 1988 Trade Act, it sets out the principal U.S. negotiating objectives regarding worker rights and protection of the environment (the latter of which is described in greater detail below). Through the World Trade Organization, the United States will seek to promote respect for worker rights, including with respect to child labor; to secure a review of the relationship of worker rights to GATT articles, objectives, and related instruments with a view to ensuring that the benefits of the trading system are available to all workers; and to adopt, as a principle of the WTO, 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, it provides that the United States will seek to establish in the ILO a mechanism for the systematic examination of, and reporting on, the extent to which member governments protect worker rights and enforce core labor standards.

[Add a paragraph elaborating on/explaining purposes here, etc.]

3. Administration Accomplishments to Date

This Administration already has taken a variety of significant steps to advance the policy goals described above. We have gained broad international recognition of the concept of core labor standards through painstaking, consistent initiatives at the global level. In 1994, we pressed for recognition of core labor standards in the GATT/WTO Ministerial meeting in Marrakesh, as well as in the ILO and through the OECD. In 1995, we gained agreement for the necessity for greater implementation of core labor standards from the more than one hundred Heads of State attending the United Nations Summit for Social Development in Copenhagen, Denmark.

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?]**

Another recent success is the agreement reached in June 1997 under which the ILO now is in the process of developing a new instrument to bind all member states to the core labor standards referenced above -- whether or not they actually have ratified the applicable ILO conventions -- and to establish new means of accountability for implementation of those core standards. **[Add on plans to continue process here leading to June 1998 ministerial?]**

Our commitment to advance core labor standards has been integral to our regional and bilateral trade initiatives as well. We have worked to implement the NAALC with Canada and Mexico -- an unprecedented agreement that is designed to greatly enhance cooperation on labor law enforcement and in specific areas such as workplace safety, child labor, and worker education and training. We have spearheaded such efforts at the 1995 OAS Labor Ministerial, at which the ministers adopted the Buenos Aires Declaration and Plan of Action recognizing the importance of implementing labor standards as part of regional economic integration; and the Transatlantic Labor Dialogue, endorsed at the June 1996 U.S.-EU Summit in Washington. The U.S.-EU Transatlantic agenda also includes a joint Working Group on employment and labor issues that is examining cooperation on international labor standards. We also support greater attention to these issues through the Human Resources Group of the Asian Pacific Economic Cooperation forum. **[APEC placeholder in 3/97 draft, but no details given.]**

Under Treasury Department leadership, the Administration also has worked to give effect to the statutory requirement (through the Frank Amendment) that the United States urge international financial institutions (IFIs) to adopt policies encouraging borrowing countries to protect internationally-recognized labor standards. The Administration notes, in this regard, the June 1997 statement of World Bank President Wolfensohn to the ILO Conference in Geneva at which he signaled support for given a more prominent role to the advancement of labor concerns. The annual Treasury Department report to Congress required by the Frank Amendment will permit a regular updating on how the IFIs are advancing labor standards.

We have also spearheaded collaborative action domestically by the private sector, labor unions, and non-governmental organizations regarding codes of conduct that discourage activities that contravene the protection of core labor standards. The Apparel Industry Partnership (AIP) began its work in August 1996 and, eight months later, in April 1997, the coalition members announced agreement on a code of conduct and monitoring principles. The AIP initiative both permits greater attention to positive measures already being undertaken to integrate trade and labor concerns and encourages further steps toward this end -- all driven by the private sector, with support from the Administration.

Finally, the Department of Labor has undertaken a series of initiatives designed to increase public understanding of all of the above accomplishments. With respect to child labor alone, the Department has published four reports and is currently working on a fifth, and has allocated funds to several projects in developing countries intended to substantially reduce child labor practices.

5. Ongoing Initiatives: Multilateral, Regional, and Domestic

Our continuing efforts to advance worker rights and core international labor standards will focus on both working to improve country practices, where warranted, and encouraging appropriate international institutional cooperation to advance respect for core standards globally and regionally. The Administration's initiatives here are not based on any desire to negotiate international wage rates, restrict access to the U.S. market, or impose burdens that are beyond the scope of what is feasible taking into

account a country's level of development; rather, they are designed to promote a worker rights agenda fully consistent with the objective of trade expansion and liberalization.

Consistent with the terms of the legislation establishing worker rights as a principal U.S. negotiating objective, the Administration is committed to work within the WTO 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.

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. These efforts will include:

- urging the ILO to make core labor standards binding upon all Members, regardless of whether they have ratified specific ILO conventions;
- pressing for the continuation of an active agenda in the ILO Working Party on the Social Dimensions of International Trade, as well as continuing to support the ILO's International Program for the Elimination of Child Labor (which has supported programs in Bangladesh, Thailand, the Philippines, Africa and Brazil to reduce or eliminate inappropriate child labor practices);
- continued work to incorporate the observance of core labor standards within the WTO Trade Policy Review Mechanism (TPRM) for country reviews;
- seeking to include commitments on labor standards in the negotiation of the Multilateral Agreement on Investment (MAI) within the OECD and to expand on its Report on Trade, Employment and Labor Standards [in USTR's 3/97 draft--drop reference to MAI?]; and
- **[Add from DoL on export processing zones initiative.]**

The Administration will also redouble efforts to urge more effective cooperation among relevant international institutions. For example, we will:

- 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.
- **[DoT insert on labor and IFIs; add on other multilateral initiatives?]**

The Administration's regional efforts offer the promise of moving more broadly and more quickly than that which may be feasible in multilateral institutions. In this regard, we will:

- undertake a Department of Labor review of the terms and enforcement of the relevant labor laws of each country with which we have commenced free trade agreement negotiations, with the report to be transmitted to the Congress and made publicly available prior to congressional

consideration of the agreement and accompanying implementing legislation. **[Add insert from DoL on ILO country reviews on “core labor rights” records--link this to the review described above?]**

- **[Add DoL insert on NAALC and four-year review due next spring on how to improve functioning of the Labor Secretariat, improving cooperation, etc.]**
- build, in advance of next year’s second Summit of the Americas, on the 1995 commitment of hemispheric labor ministers to “recommend mechanisms most likely to ensure that economic growth is accompanied by improvements in working conditions, on the basis of unqualified compliance with those basic labor standards that represent fundamental rights”;
- work with the ILO and relevant regional organizations (e.g., the Organization for American States and the Inter-American Development Bank) to ensure technical assistance is available to countries that may need to modernize their legal and enforcement regimes; and
- continue support for the creation of an Free Trade Area of the Americas (FTAA) Labor Forum to precede the periodic meetings of the Ministers responsible for trade.

With respect to the Asia Pacific region, the Administration will:

- pursue the development of an effective Human Resource Work Program in the context of the APEC process; and
- work with the Asian Development Bank to advance to the maximum degree possible the protection of core labor standards and additional worker related issues.

With respect to Europe, the Administration will build on the progress already made in the TransAtlantic Labor Dialogue, including in the Working Group on Employment that is addressing means of cooperation on core labor standards.

The Administration will also remain committed to encourage the adoption of core labor standards and improved protection of workers through existing legislation and institutional mechanisms. The Administration will:

- implement the Generalized System of Preferences, the Caribbean Basin Initiative, the Andean Trade Preferences program, and the policies of the Overseas Private Investment Corporation (OPIC) in a manner to encourage progress on worker rights;
- continue to encourage appropriate collaborative action by businesses, labor unions, and non-governmental organizations to discourage activities that contravene the protection of core labor standards, building on the apparel industry “No Sweat” partnership; and
- generate Department of Labor reports on child labor issues around the world bringing attention to these issues and thus discouraging the exploitation of child labor; [and]
- **[Add on White House Conference on Trade and Labor?]**

In addition to pursuing worker rights and core labor standards abroad, we must ensure that our workers are equipped with the tools to compete and win in the ever changing global economy. Our children's education and our workers' life long learning have, therefore, been cornerstone's of this Administration's policy. Our policy has included budget increases for adult education and tax incentives for those improving job skills and employer provided education assistance.

Notwithstanding these efforts, there will be dislocation in the workforce as it transitions to new opportunities. We must ensure that workers receive the assistance they need to make the transition successfully. Therefore, this Administration has doubled funding for dislocated workers, from \$651 million in FY 1993 to \$1,286 million in FY 1997. It will assist 580,000 workers in 1997. It provides 274,000 more workers in FY 1997 with job training and job search services. We increased funding to \$1,350 million to serve 605,000 dislocated workers in FY 1998. **[Add anything more specific on plans for TAA improvements/expanded funding?]**

[Following is verbatim from 3/97 USTR draft: To ensure that we are always improving our programs to give our workers the tools to compete, we will establish an Advisory Committee on Trade and Education. Like our other advisory committees, this Committee will work with _____. We intend to include representatives from _____, but would welcome suggestions from _____.]

B. Environmental Protection

[Linda Eddleman to edit/revise this section.]

Another key American value is protection of the environment. This Administration is committed to ensuring that economic growth and higher standards of living occur hand in hand with global environmental protection. Consistent with that commitment, we will continue building on our strong record of initiatives for making trade and environmental policies mutually supportive.

By working with other nations to address key global environmental priorities, and to help them develop sound environmental management policies, the Administration is working to create a world in which nations are better positioned to respond to both the environmental opportunities and stresses arising from economic development.

Thanks in large part to U.S. leadership, making environmental and trade policy mutually supportive has now taken an important place on the international trade agenda. The 1992 Rio Sustainable Development Summit, the 1994 Summit of the Americas and ongoing work in the World Trade Organization all reflect an international commitment to the importance of making trade and environmental protection mutually supportive.

Efforts to reconcile trade and environmental policy making did not begin with this Administration. President Bush successfully negotiated the inclusion of environmental provisions into the NAFTA. In 1993, this Administration built upon that base, negotiating an unprecedented framework for environmental cooperation through the North American Agreement on Environmental Cooperation, which is dedicated to enhancing environmental protection throughout North America and the effective enforcement of our respective laws. In addition, we concluded the U.S.-Mexico Border Environmental Cooperation Agreement, which created the Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADBank). We have since taken a leadership role in the implementation of these agreements, whose institutions have already taken concrete steps to address shared environmental problems through certifying and arranging financing for numerous infrastructure projects, initiating a diverse cooperative work program and facilitating cooperative environmental enforcement activities.

The United States led the successful effort to include in the Uruguay Round Agreements provisions that more clearly safeguard U.S. environmental, health, and safety standards, and provide greater transparency to the procedures for dispute settlement. We also persuaded other countries that the trading system needs to address a much broader range of issues where trade and environmental policy interact, resulting in a commitment to undertake a program of work on the trade-environment relationship through a Committee on Trade and Environment.

While promoting global recognition of the interrelationship between trade policy and environmental policy, we have been equally dedicated to using global, regional, and bilateral diplomacy to achieve progress on a wide range of environmental concerns. We are fully cognizant of the need to ensure that the economic development fostered by trade liberalization takes place in the context of appropriate environmental policies. We are equally cognizant of the fact that U.S. opportunities for global environmental leadership can only be enhanced by a United States positioned to be the global leader on trade matters.

U.S. global environmental diplomacy has focused on five environmental priorities: the problems of climate change, toxic chemicals, species extinction, deforestation, and marine degradation, which are the consequences of the enormous pressures placed on the world's resources by an ever-increasing population, spreading industrialization, land conversion, urbanization, and rising consumption. We are leaders, for example, in the negotiation of agreement on future emissions reductions in the Global Climate Change Convention; the negotiation of a global agreement requiring that trade in hazardous chemicals and pesticides be accompanied by greater sharing of information about these substances' hazards; the establishment of national networks of protected forest areas through the Convention on Biological Diversity; and the implementation of the Convention on International Trade in Endangered Species. We have taken bold steps on multiple fronts to address the unprecedented stresses on world fisheries; we have led the negotiation and ratification of a landmark 1995 U.N. treaty designed to improve the management of shared fish stocks, and creating and strengthening regional fisheries conservation and management bodies.

Recognizing the reality that environmental problems do not respect borders, the United States has worked to improve environmental cooperation among neighboring nations. We are opening regional environmental hubs at U.S. embassies in Costa Rica, Uzbekistan, Ethiopia, Nepal, Jordan, and Thailand, to work on transboundary solutions to regional environmental problems, and to raise the profile of environmental issues in many of our bilateral relationships. Priorities for regional environmental diplomacy include water resources, air quality, energy resources, land, use, and urban and industrial growth.

As part of our goal of ensuring that trade liberalization takes place in the context of sound environmental protection regimes, the United States has led efforts in both the Western Hemisphere and APEC to further regional environmental cooperation. In each forum, the region's environment ministers have pursued an active agenda of environmental initiatives. At the 1996 Bolivia Sustainable Development Summit, we and other hemispheric leaders forged a comprehensive plan of action covering health and education (as they relate to the environment), sustainable agriculture and forests, sustainable cities and communities, water resources and coastal areas, and energy and minerals. In APEC, we have taken the lead on implementing two of three sustainable development initiatives launched at the July 1996 Environment Ministerial, those concerning "clean production" and the marine environment. These initiatives, undertaken in tandem with the FTAA and APEC trade liberalization initiatives, can serve as a model for future regional trade liberalization activities.

In addition to global, multilateral and regional environmental initiatives, the Administration has undertaken and will continue a wide range of bilateral activities to further U.S. environmental policy interests and enhance environmental cooperation. We are using new and existing high level dialogues with key countries to leverage our resources on important global issues, including the Vice President's bilateral Commissions with Russia, South Africa, and Egypt, and a set of high level policy dialogues with Japan, Brazil, and India. We are also working to establish a sustainable development forum with the Chinese where environmental issues will be a major focus.

The Administration will continue to pursue its environmental policy goals at the multilateral, regional and bilateral levels, including, as appropriate, in the context of trade negotiations and institutions. Our objectives are twofold: to seize promising opportunities to improve international cooperation on environmental problems, and to ensure that trade liberalization takes place in manner consistent with sustainable development.

We will continue our active leadership role in the negotiation of international environmental agreements, and maintain our insistence on compliance with international environmental obligations. To that end we will:

- sponsor an international conference in 1998 on increasing compliance with multilateral environmental agreements; and
- work to strengthen the United Nations Environment Program's role in promoting compliance with multilateral environmental agreements.

The United States is leading efforts to reform environmental institutions and ensure that the roles and relationships of the CSD, UNEP and multilateral environmental convention secretariats are logical and clearly demarcated. We will:

- push for reform of the United Nations Environment Program (UNEP) by clarifying its mandate and improving its governance structure. UNEP should be the primary international environmental policy forum for setting priorities and addressing emerging environmental threats. It should manage and integrate the work of the secretariats for multilateral environmental conventions, and promote the implementation of and compliance with those conventions; and
- seek international clarification that the role of the Commission on Sustainable Development is to promote the broader issues of sustainable development by integrating economic development, social concerns, and environmental protection.

We will strive to increase the environmental accountability of national and international financial institutions, while leveling the playing field for U.S. businesses investing abroad. In particular, we will:

- push within the G-7 for the development of common environmental guidelines for developed countries' export credit agencies, so that U.S. companies are not competitively disadvantaged by U.S. decisions not to finance environmentally problematic projects; and
- ensure that public development financing through multilateral development banks takes environmental concerns into account. The U.S. has successfully led efforts to get the World Bank and IMF [others] to employ environmental guidelines in lending decision making.

We will continue our efforts to make trade agreements and their accompanying institutions compatible with sustainable development. For example, we will:

- raise in the WTO Trade Policy Review Mechanism (TPRM) information on trade-related environmental measures of each country under review;
- ensure that the Multilateral Agreement on Investment (MAI), currently under negotiation in the OECD, is consistent with sustainable development, using the extension of the negotiating deadline for more extensive public consultation on environmental concerns; and
- continue to use the OECD Trade & Environment Joint Experts Group to perform analytical analyses and further dialogue on trade and environment issues, and to oversee OECD

governments' implementation of the Trade and Environment Procedural Guidelines

The Administration has consistently pressed for more open, transparent proceedings in the WTO, NAFTA and other trade institutions. We will:

- renew the push for increased transparency of WTO documents and proceedings, and for the use of environmental expertise in environment-related panel disputes; and
- push to make the MAI Multilateral Agreement on Investment dispute settlement process transparent, e.g., to make panel reports public, and to include scientific review boards.

We will continue efforts to improve regional environmental cooperation, and to build such cooperation arrangements in regions targeted for trade liberalization, such as APEC and the FTAA.

In the Western Hemisphere, we are leaders in the follow up to the Miami Summit Action Plan and the 1996 Bolivia Sustainable Development Summit:

- In the area of biodiversity, USAID is initiating or expanding projects on environmental health and education, and on the Central American Biodiversity Corridor, a biodiversity Internet site (in cooperation with UNDP). In the energy sector, DOE has focussed its resources on renewable energy, technology exchange and rural electrification.
- EPA and the Department of Justice are cooperating to develop a network of experts in environmental law and enforcement to explore strengthening laws and regulations in the hemisphere. EPA and Justice are also examining ways to address water issues -- both clean drinking water and waste water -- and land-based sources of marine pollution.
- NOAA, working under a cooperative agreement with USAID, is considering the establishment of a Marine Environment Center in the Caribbean Basin.
- Regarding transparency and enhancing the participation of civil society, with our leadership the Bolivia Summit has mandated the OAS to develop an Inter-American Strategy for Public Participation in Sustainable Development Policy-making

IV. Future Trade Agreements, Labor and the Environment

A. Trade Agreements

Our future trade strategy must focus on creating the greatest possible trade opportunities for our workers and firms, and must enhance our national interests. That means, first and foremost, that our future trade initiatives must be judged by their potential to expand U.S. exports and create American jobs, which can best be achieved by reducing foreign trade barriers. At the same time, in choosing among the bilateral, regional and multilateral trade opportunities, the Administration will consider a variety of other factors bearing on our national interests. The Administration will consult closely with the Congress and representative elements of the private sector before reaching any decisions on which agreements to pursue.

While we would like to be able to take advantage of strategic opportunities as they arise, the Administration does not envision that it will embark on numerous bilateral trade agreements. Rather, fast track authority will be used primarily to conclude an agreement with Chile, and to pursue multilateral and sectoral initiatives.

Nonetheless, careful deliberation should be used in assessing potential free trade agreement candidates. The Administration will focus on the extent to which a comprehensive trade agreement with a particular country would expand U.S. exports and jobs. The Administration will also examine a range of other key economic, foreign relations, and policy issues, such as the strategic value of such an agreement in the global economic context, the extent to which concluding a trade agreement with the country concerned helps to achieve U.S. economic and other policy goals in regional markets, and the country's commitment to market-based competition, economic reform and fair trade.

B. Labor and the Environment

The Administration counts among U.S. national interests that must be taken into account in the selection process for our bilateral and regional free trade initiatives, the potential for progress toward the achievement and application of internationally recognized core labor standards and environmentally sustainable development. In assessing promising potential free-trade candidates, the Administration would intend to examine and take into consideration the progress such countries have made, and the prospect for further progress in the context of a free-trade agreement with the United States, on core labor standards and environmental protection.

In the Administration's view, the prospect of privileged access to the U.S. market should encourage -- and be used to encourage -- our potential trade agreement partners to consolidate or accelerate progress towards critical labor and environmental objectives. The economic rewards generated by increased trade both at home and abroad -- and the promise of such rewards -- can help spur progress toward a cleaner environment and enhanced worker rights. In each instance, the Administration, in consultation with the Congress and the private sector, including interested non-governmental organizations and worker groups, will need to assess the conditions in the country or countries under consideration and make a careful, hard-headed assessment of how best to prompt such progress.

1. Core Labor Standards and Trade Negotiations

With these principles in mind, the Administration will make core labor standards and worker welfare issues an important factors in assessing potential fast-track trade partners. For example, the Administration will consider the steps particular countries have taken, or could be expected to take, in proceeding towards and concluding a trade arrangement, to promote core labor standards and greater worker welfare. In particular, the Administration will consider the extent to which specific countries recognize and protect the right of association and the right to organize and bargain collectively, prohibit the use of any form of coerced or compulsory labor, establish and enforce a minimum age for the employment of children, and require acceptable conditions of work and non-discrimination in employment.

As a further example, where relevant the Administration will consider the history of our bilateral relations pertaining to the worker rights criteria of any U.S. preferential tariff program -- such as the Generalized System of Preferences, the Caribbean Basin Initiative, and Andean Trade Preferences legislation -- applicable to a particular country. In addition, the assessment process will focus on the degree to which the countries concerned have participated, or can be expected to participate, constructively in international fora that address core labor standards and worker welfare issues.

2. Environmental Protection and Trade Negotiations

Efforts to make environmental and trade policy mutually supportive have now taken an important place on the international trade agenda. Consistent with the Administration's commitment to that policy, the Administration also intends to make environmental issues a key component on the list of policy considerations it will take into account in assessing otherwise promising free-trade partners. For example, the Administration will consider the extent to which a particular country has made progress -- or will make progress in the context of a comprehensive trade arrangement with the United States -- in the adoption of laws providing for high levels of environmental protection and in the effective enforcement of those laws.

The Administration would also expect to examine the extent to which the country concerned participates in and complies with multinational environmental agreements or is likely to do so in the context of a comprehensive trade agreement with the United States.

As a further example, the Administration would look to the country's domestic legal procedures to see whether they provide -- or would be modified to provide -- its people with access to remedies for environmental harms. Moreover, the Administration will consider the extent to which a free-trade agreement with the country in question could be expected to prompt or encourage further bilateral cooperation on environmental protection issues.

C. Parallel Initiatives

1. Factors to Consider

Over time, the increased economic wealth generated by international trade should help improve working conditions and wages abroad and spur action towards greater environmental protection. But progress can be encouraged and in some cases hastened through bilateral cooperation in the context of a free-trade

arrangement.

How best to encourage such progress will vary from country-to-country. In some cases, the prospect of a future trade negotiations with the United States will prompt governments to improve their labor and environmental legislation and enforcement efforts, recognizing that progress in these areas will be of considerable interest to decision-makers in the United States when it comes to evaluating potential free trade partners.

In some cases, it may prove most advantageous to conclude bilateral labor and environmental agreements with the country in question, either prior to negotiations on a trade accord or in parallel with that process. The United States currently has in place with Canada and Mexico, for example, three-way labor and environmental cooperation agreements. These agreements call for the adoption and vigorous enforcement of key labor and environmental protection standards, and provide a mechanism for the three governments to share information and promote progress on labor and environmental concerns.

The Administration anticipates Chile, for example, will join the existing North American labor and environmental cooperation agreements, as a prerequisite for the conclusion of a free-trade arrangement with that country. Chile has already made that commitment. The Administration may find it appropriate, in other cases, to insist that our fast-track trade partners conclude bilateral, or other regional, labor and environmental agreements with us in parallel with trade negotiations. Some such arrangements may be similar to the North American model, while others will need to vary in order to take into account the specific of labor and environmental issues in particular cases.

In still other cases, progress on labor and environmental issues may best be achieved by encouraging other governments to join in regional or multilateral labor and environmental initiatives. In other cases, the Administration may conclude that any progress that may be required can be promoted through more informal mechanisms.

No single model will fit all countries. But the object in each case will be to prompt the greatest degree of progress toward improved worker rights and environmental protection, bearing in mind the economic, labor, environmental and other effects of the trade agreement contemplated between the United States and the country in question.

In no case does the Administration contemplate that such agreements or arrangements would purport to change U.S. environmental standards, or require a change in U.S. legislation. Similarly, to the extent parallel undertakings are reached, they would be separate from the trade agreement.

2. Consultations with Congress and the Private Sector

In evaluating progress toward, and the status of, core labor rights and environmental protection in particular countries, the extent to which parallel initiatives in these areas are warranted, and the most appropriate initiatives to undertake, the Administration will consult with Congress, industry, labor, nongovernmental groups, and other interested constituencies.

The Administration will seek to ensure that it has before it all relevant information regarding key labor and environmental issues for those countries that are the most promising near-term candidates for bilateral or regional agreements. Accordingly, the Administration will request its federally-chartered

Labor Advisory Committee (LAC) and its Trade and Environment Policy Advisory Committee (TEPAC) to prepare and submit annually a report to the Administration and the Congress on those issues.

In addition, the Administration will solicit under Section 135 of the Trade Act of 1974 in advance of any fast-track negotiation with a particular country, or regional grouping of countries, information and advice from the two Committees regarding labor and environmental issues of concern in the pertinent country or countries. Moreover, the Administration will include in its official notice published in advance of the trade negotiations, a request for public comments on labor and environmental practices -- as well as trade practices -- in the country concerned that the Administration may wish to address. The Administration will solicit further public comments on pertinent environmental and labor issues in advance of the negotiations through hearings conducted under Section 133 of the Trade Act of 1974.

To supplement the comments it receives, the Administration will consult with the relevant Congressional committees and provide adequate, timely, and continuing opportunity for representative elements of the private sector and interested non-federal governmental entities to submit advice and recommendations, with the object of obtaining a full spectrum of views from interested Members, groups, and entities on relevant trade, labor, and environmental issues related to the negotiations. Finally, when the trade agreement is concluded, the Administration will solicit the views of the LAC, TEPAC, and other officially-established trade advisory groups regarding the agreement, as required by Section XX of the bill.

V. **Summary/Conclusion**