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U.S. Department of Transportation

400 7th St., S.W./Room 10232, Washington, D.C. 20590

FAX

Date: 11/7/97

Number of pages including cover sheet: 3

To: Bob Kyle

Phone:

Fax phone:

CC:

From: C. Hunnicutt

Phone:

Fax phone: 202-493-2005

REMARKS: [X] Urgent ☐ For your review ☐ Reply ASAP ☐ Please comment

Michael Huerta believes that Bonilla has agreed on basis of letter to give his vote. He will have the Secretary call the Congressman to confirm that this letter will do it or we won't send the letter.

Charlie

456-5280

CONCURRENCES
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The Honorable Henry Bonilla
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Bonilla:

As we discussed in our telephone conversation, the United States fully intends to honor its NAFTA commitment to allow safe Mexican trucks to operate in the United States. I would like by December 18, 1997, the second anniversary of the date by which the first phase of NAFTA's liberalized transportation provisions was to have become effective, to reach an understanding with Mexico on a process and timetable for achieving this goal. I am sure you will agree, however, that ultimate implementation of the agreement must be conditioned on our assurance that the safety and security of U.S. citizens will not be compromised.

On December 18, 1995, the Administration announced a delay in the NAFTA implementation schedule for safety reasons. Since then, officials from the Department of Transportation and from Mexico's Secretariat of Communications and Transportation (SCT) have met on numerous occasions to devise a strategy for addressing our safety concerns. These negotiations are taking place within the context of the Land Transportation Standards Subcommittee, which was established by NAFTA to address development of compatible safety and operating standards for truck, bus, and rail transportation and for the transportation of hazardous materials.

The three countries have agreed to develop a safety certification assessment process that will address these critical safety areas: (a) safety management systems, (b) driver qualifications, (c) hours of service compliance, (d) drug and alcohol testing, (e) condition of vehicles, (f) accident monitoring programs, and (g) compliance with regulations governing the transportation of hazardous materials. In addition, we have agreed on several elements that are essential to implementation of a successful cooperative and coordinated compliance and enforcement program, such as clear communications between governments and with motor carriers; development of electronic data bases and exchange of safety information for companies, drivers, and vehicles; and involvement of state and local officials.

Our major bilateral concern is that there be a system in place in Mexico to independently verify the safety compliance of the carriers that will be operating across the border into the United States. The United States and Mexico have agreed that both countries must have an ongoing system for safety oversight to continuously assess the safety compliance of commercial motor carriers and that the key components of this system are a roadside vehicle inspection program, a system for collecting and exchanging information on motor carriers (including their drivers and vehicles) seeking grants of operating authority across national borders, and a safety management oversight program. Discussions are continuing with a particular focus on a timetable for Mexico to implement specific elements of its compliance and enforcement program.

GRID

I believe NAFTA's transport provisions can be implemented with adequate safeguards to prevent any compromise of our highway safety standards, and I am committed to that goal. We have made considerable progress in our discussions, and I am confident that Mexico's actions, in addition to actions we have taken in the United States to enhance and improve federal and state enforcement programs, will provide the safety basis necessary for implementation of NAFTA's trucking provisions.

Sincerely,

Rodney E. Slater

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November 7, 1997

Dear Representative Lofgren:

I am writing to set out the Clinton Administration's commitment to address the important issues you have raised in connection with the House of Representatives' consideration of legislation to renew fast track trade negotiating authority.

President Clinton and I share your perspective that American trade policy not only needs to address our core objective of breaking down foreign trade barriers but also can help advance other important policy goals, including increasing respect in other countries for worker rights and environmental protection. The renewal of traditional trade negotiating authority will enable the United States to continue to assume the leadership role in negotiating strong trade agreements to open other markets -- creating new opportunities for our workers and our companies -- while also helping promote greater attention by other countries to the protection of worker rights and the environment.

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

I. The House Fast Track Bill

The fast track legislation under consideration in the House of Representatives grants the President the authority needed to address these important objectives. **[Add regarding overall strategy here.]**

The fast tracl legislation itself contains provisions on worker rights that are more focused and detailed than in any previous fast track bill -- directing us to negotiate agreements to prevent other contries from manipulating or ignoring their labor, environmental, health, or safety laws to gain a unfair competitive advantage, and also requiring U.S. trade negotiators to take into accoun our domestic health and safety, environmental, consumer, and labor objectives in future negotiations. The Administration will utilize these provisions to negotiate agreements preventing other countries from using or ignoring their labor laws to gain an unfair advantage for their fims, at the expense of American workers and companies.

II. Other Initiatives on Worker Rights and the Environment

Under the House fast track bill the President retains his full authority to use additional means to promote greater respect for worker rights in other countries. He is committed to doing so vigorously through direct negotiations with these countries, whenever appropriate, as well as in a variety of international fora. In this regard, earlier this week the Administration announced a series of new initiatives on both labor and environmental issues. These initiatives complement the provisions on labor and the environment in the fast track legislation. They demonstrate that we should work to promote stronger protection of worker rights and the environment in a variety of ways in a variety of fora. Indeed, they reveal that trade negotiations may not always afford the best venue for achieving these important objectives.

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

A. Labor Issues

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

Review of Future Free Trade Agreement (FTA) Partners

The Administration is ~~has~~ committed to ensuring that Congress and the American public have an opportunity to thoroughly evaluate future free trade agreements. ~~set out a series of commitments to ensure that we consult closely with the Congress on any plans to initiate future free trade negotiations.~~ One important element of this plan is our commitment to make certain that Members of Congress and the public are informed of the broader relevant conditions in prospective FTA partner countries, including each country's labor laws and practices, environmental laws and ~~laws,~~ practices, legal system, macroeconomic policies and conditions, trade laws and practices, ~~, and economic conditions~~ and other relevant conditions~~of each prospective FTA partner~~. To advance this effort:

We will submit to the Congress, and make available to the American public, a ~~undertake a~~ review evaluating these conditions in each prospective FTA partner country ~~of the laws and policies of each such country~~ when an agreement is brought back for congressional approval. This review will be prepared with the participation of relevant Executive Branch agencies, including the Department of Labor, the Environmental Protection Agency, the Department of Justice, the Department of Treasury, the Office of the United States Trade Representative, and the Department of Commerce. ~~include an evaluation of the country's legal system, trade laws and practices, labor laws and practices, environmental laws and practices, macroeconomic policies and conditions, and other relevant conditions. We will provide the report to the Congress, and also will make it publicly available.~~

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

Labor Department Annual Report on Labor Conditions under ~~Review of~~ the North American ~~Labor~~ Agreement on Labor Cooperation

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

The Department of Labor will produce an annual report reviewing for each NAFTA partner the labor laws, practices, and conditions covered by the, ~~the operation of the~~ NAALC, as well as the relevant~~including a survey of major issues arising under the Agreement, the~~ proceedings, ~~and~~ actions and cases ~~brought by the~~ under the NAALC~~parties~~, and the steps being taken by our NAFTA partners to conform to the findings in any such cases. ~~brought under the Agreement.~~

International Financial Institutions (IFIs)

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

Ensuring International Focus on Worker Rights Issues

The Administration believes the United States should continue to heighten attention to this issue. To that end, Secretary Rubin highlighted the need to place greater emphasis on labor standards in his speech at the World Bank/IMF Annual Meeting in September. He will continue to do so in appropriate fora.

We will propose a summit meeting of the presidents of the IFIs and the Director General of the ILO to reinforce the commitment of the institutions to working closely together.

Enhanced Focus Within the Administration

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

Heightening the Priority given by the IFIs to Worker Rights Issues

We will call for the World Bank to establish an office that is dedicated to analysis of labor issues and has direct input into the Bank's program and lending activities, and will encourage regular direct contacts between ILO staff and this office. We will seek over time to pattern this effort on the institutional reforms undertaken by the Bank in recent years to strengthen its capacity to incorporate environmental considerations in lending and policy advisory activities.

We will continue to promote vigorously our proposal to develop a screening mechanism -- now under discussion with the multilateral development banks -- to ensure that worker rights issues are taken systematically into account in the institutions' operational planning and programming. We also will explore the best means for ensuring that IFI budgets contain resources sufficient to conduct screening operations and similar analytical functions.

We will actively promote the Administration's proposed joint World Bank-IMF conference on issues related to core labor standards in an effort to pursue explicit commitments to make tangible progress in the IFIs on these issues. The conference could bring together senior IFI and ILO officials, as well as academics and representatives of non-governmental organizations.

We will urge the multilateral development banks to increase both technical assistance and direct lending to promote greater adherence to core labor standards.

We will urge the IMF to further emphasize the importance of labor issues in its annual reviews of member countries and by examining the link between promotion of core labor standards and long-term macroeconomic performance (for possible inclusion in its new governance policies).

We will follow up vigorously on the paper completed, at our urging, by the World Bank on child labor issues, including its specific proposals for more active Bank engagement on these issues.

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

Export Processing Zones

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

Child labor Issues

Addressing exploitative child labor practices abroad has been a longstanding priority of this Administration. Our initiatives here have included cooperative efforts with the private sector, including the unprecedented Apparel Industry Partnership ("No Sweatshop" Initiative) launched last year; expanded technical assistance to developing countries like Bangladesh to help them eliminate child labor practices; use of U.S. trade law in response to persistent child labor practices; and regular reports and workshops designed to increase attention to and awareness of this issue and means for addressing abuses.

Building on these efforts, the Administration supported the recent enactment of legislation amending U.S. trade law to permit the exclusion from the United States of products made with forced or indentured child labor. President Clinton has asked Secretary of the Treasury Rubin to establish a special Administration task force to implement this important new provision. In addition, the Labor Department will be issuing reports on actions being taken internationally to combat exploitative child labor, as part of our effort to shine more "sunlight" on these practices. We will continue to exercise a leadership role in fighting exploitative child labor through a variety of initiatives, including in the International Labor Organization.

B. Environmental Issues

World Trade Organization (WTO): Transparency and Openness

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

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

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

Seeking to open WTO dispute settlement panel and Appellate Body proceedings to observance by the public.

Providing for more timely public access to dispute settlement documents, including through electronic means, to enhance the ability of non-governmental representatives to provide their input and expertise.

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

WTO: Eminent Persons Group

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

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

We will propose that the group examine the interaction of national and international environmental policies with WTO rules and principles. Among the issues it ~~We anticipate that the issues this group~~ should address~~could focus~~ are~~on would include~~: the relationship ~~interpretation~~ of GATT Articles III and XX ~~with respect~~ to environmental ~~matters~~measures that affect trade; the relationship between trade measures in international environmental agreements and WTO rules; and the relationship between trade disciplines and ecolabeling~~, provisions and proposals.~~

International Financial Institutions (IFIs)

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

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

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

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

We will examine closely the practices of the independent inspection panels established to examine alleged non-compliance with established policies and propose improvements to this process and its expansion to the IFIs that currently do not make use of independent inspection panels. ~~, as required.~~

We will pursue vigorously international support for our proposal to create a $250 million fund that would provide below market rate loans to finance environmental initiatives.

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

III. Initiatives to Help American Workers and Communities

This Administration also is committed to make it possible for all Americans to share in the benefits of open trade through a strategy that helps American workers and communities succeed in the global economy. We rejects the view that in the new economy, workers should somehow be left on their own. Our plan -- developed with many Members of Congress -- illustrates the Administration's vision of economic growth: as we tear down foreign barriers and open foreign markets, we also are determined to work to bring more Americans into the winner's circle.

In order to help more Americans succeed in a global economy, this plan (which will be part of the President's fiscal year 1999 budget) increases funds for worker and community adjustment, while doing more to tap the untapped potential of our inner cities and poor rural communities. The Administration's plan consists of three broad elements.

A. Worker Adjustment

- **IMPROVE AND EXPAND TRADE ADJUSTMENT ASSISTANCE AND ENSURE A QUICK RESPONSE FOR WORKER DISLOCATION.** To make economic adjustment easier for workers, the Administration proposes a series of actions to make the dislocated worker and trade adjustment programs work better.

  - **GIVE WORKERS IN FIRMS WHICH SHIFT PRODUCTION TO ANOTHER COUNTRY TRADE ADJUSTMENT ASSISTANCE.** Under TAA, workers may only be certified for assistance if their firm is adversely affected by imports. Under NAFTA-TAA, workers may be certified if either their firm is adversely affected or their firm shifts production to Mexico or Canada. As part of the President's FY99 budget, the Administration would propose legislation to give workers in firms which shift production to another country trade adjustment assistance. Covering shifts in production under TAA, as well as NAFTA-TAA, would cost $69 million per year or about $345 million over five years.

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  - **ISSUE GUIDELINES TO PROMOTE GREATER USE OF "RAPID RESPONSE" FOR WORKER DISLOCATION.** Based on the recent experience with layoffs at Fruit of the Loom in Louisiana, the Labor Department will issue guidelines to the states promulgating that "rapid response" should be used for all substantial layoffs and plant closures. Rapid response is the initial information sharing activity (for employees, as well as employers) to facilitate access to all public programs -- this process helps individuals look for new jobs, while assessing their needs for reemployment services. The activity would occur as soon as the State receives a Worker Adjustment and Retraining Notification (WARN) notice of any substantial layoff or plant closure, or when the State becomes aware of such event through other sources.

- **CUT CERTIFICATION TIMES BY ONE-THIRD.** In order to cut the TAA certification time from 60 days to 40 days, the Department of Labor will take the following four steps: (1) reduce investigator caseload to allow for more timely follow-up in obtaining relevant company and customer data; (2) develop an enhanced in-house system for tracking import trends and performing import-impact analysis; (3) reduce the amount of time from 21 to 14 days between the day the Labor Department requests and receives data from companies; and (4) reduce the response time for the customer survey from 21 to 14 days. Technological improvements as well as possible staffing increases will allow the Department to assemble, review, and analyze investigative data and information in a more timely manner. The total cost for these improvements would be about $2.5 to $3 million over five years.

- **MODIFY WAIVER FOR TRAINING REQUIREMENTS FOR TAA AND NAFTA-TAA SO THAT THEY ARE SIMILAR.** TAA requires that a participant be enrolled in training in order to qualify for income support; however, waivers of the training requirement are granted very often. In contrast, there is no waiver authority under NAFTA-TAA. As part of the President's FY99 budget request, the Administration would propose to narrow waiver authority under TAA and loosen it under NAFTA-TAA. This would serve to both reduce the abuse of the waive provision under TAA and to harmonize the two programs. The costs of this proposal are undetermined, but it is likely revenue-neutral.

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

- **CREATE PRESIDENTIAL COMMISSION ON "WORKERS AND ECONOMIC CHANGE IN A NEW ECONOMY."** The Administration will create a commission on "Workers and Economic Change in a New Economy." This commission will study businesses' best practices in the areas of education and on-the-job training, and the opportunities for improving trade-related training programs; specifically examining the Federal-State and public-private partnerships in helping educate and train America's workers for the next century. The Administration will seek to include workforce development professionals, academics, state workforce or labor commissioners, union leaders, business leaders, and Members of Congress. This commission will be appointed by the President and will report back to him with its results by December 1, 1998. Improve and expand Trade Adjustment Assistance and ensure a quick response for worker dislocation;

- **EXPAND DISLOCATED WORKER FUNDING SO THAT FUNDING IN 2003 WOULD BE TRIPLE WHAT IT WAS IN THE YEAR BEFORE CLINTON TOOK OFFICE.**

    - **$750 MILLION DOLLAR INCREASE IN DISLOCATED WORKER FUNDING OVER FIVE YEARS.** In the year before President Clinton took office, the dislocated worker program was funded at $517 million. Since President Clinton took office, dislocated worker money has more than doubled, allowing some 300,000 more dislocated workers to receive training this year than five years ago. The Administration proposes to increase funding so that a total of $750 million more in dislocated worker funding is provided over the next five years. And that means that the resources for dislocated workers in 2003 will be more than triple the $517 million funding in the year before President Clinton took office.

- **EARMARK $250 MILLION IN EXISTING FUNDS FOR SECONDARY WORKERS -- WHILE INITIATING AN INFORMATION CAMPAIGN TO REACH OUT TO THEM MORE EFFECTIVELY.**

    - **$250 MILLION OVER FIVE YEARS IN SECRETARY'S DISCRETIONARY FUND EARMARKED FOR SECONDARY WORKERS.** In conjunction with the passage of fast-track authority, the Department of Labor will issue a Statement of Administrative Action extending the Secretary's discretionary authority to use JTPA Title III funds to serve secondary workers in firms doing business with primary firms eligible for or certified for TAA. To ensure that adequate funding in available the Secretary of Labor will fence off $250 million over the next five years to provide job training and income support for secondary workers.

    - **CLARIFY THAT SECONDARY FIRMS CAN BE CERTIFIED FOR ASSISTANCE EVEN IF PRIMARY FIRM DOES NOT APPLY FOR CERTIFICATION.** Some have expressed concern that secondary firms were being denied benefits because the relevant primary firm had not obtained certification. There are cases when the primary firm does not go through the certification process, but the secondary firm is adversely impacted from trade. Therefore, the Secretary of Labor will clarify that secondary firms -- adversely affected as a result of business lost with a primary firm -- can be certified for assistance, even if the primary firm does not apply for TAA or NAFTA/TAA certification. In order to certify these firms, the Labor

Department will need to do broader, two-tiered investigations. This will cost an estimated $5 million over five years.

- **INITIATE AN INFORMATIONAL CAMPAIGN TO INCREASE THE TAKE-UP RATE OF SECONDARY WORKERS.** Many secondary workers do not know they are eligible for training and income support. This informational campaign will work to raise their awareness of these programs. Outreach efforts can successfully reach many workers who are not, but should be, receiving job training and income support. The resulting increased case load could require 4-5 FTEs, at a cost of $2 million over five years.

  The Administration proposes four methods to raise the secondary worker take-up rate:
  (1) The best way for the Labor Department to find secondary workers is to start with the primary firm and work outwards. By December 1997, the Labor Department's Employment Training Administration will issue guidelines to the states requesting that they seek information from primary firms about their suppliers during or immediately following the certification process. This information will form the basis of a concerted effort to identify and locate potentially eligible secondary workers.
  (2) By December 1997, the Labor Department will issue a set of guidelines so that direct contact with potentially eligible secondary firms and their workers is made. The Labor Department will also disseminate fact sheets and posters to these secondary businesses, and will make information available to personnel offices. The Labor Department will also set up a bilingual web site to help contact secondary workers.
  (3) The Labor Department will distribute information to State Employment Service and Unemployment Insurance offices where workers go to file unemployment benefits.
  (4) In order to increase the take-up rate among secondary workers, the Labor Department would run a public education campaign using public service announcements in English and Spanish in trade-impacted areas. Specifications for the bidding process will be in place by December 1997 and the competition will begin soon thereafter. In seeking bids for the project, the Department will include in the specifications a requirement that the firm have experience with the Hispanic media in the region and will ask bidding firms to submit evidence of prior successful public education campaigns.

- **CREATE TRADE ADJUSTMENT ASSISTANCE CONTINGENCY TO ENSURE THAT ALL WORKERS WHO LOSE THEIR JOBS DUE TO TRADE -- INCLUDING THOSE WHO LOSE THEIR JOBS DUE TO TRADE AGREEMENTS NEGOTIATED UNDER FAST-TRACK AUTHORITY -- RECEIVE BENEFITS.**

  - **CREATE TRADE ADJUSTMENT ASSISTANCE CONTINGENCY.** While the Administration believes that trade agreements are beneficial for the country -- with more jobs being created on net than lost -- we understand the concerns of those who believe workers will be adversely affected by these agreements. Thus, to be certain that no one is left behind, we are proposing a Trade Adjustment Assistance Contingency that automatically will make additional adjustment assistance available for workers who have lost their jobs due to trade -- including those people who lose their jobs due to trade agreements negotiated under fast-track authority. Additional funds will be made available in increments if adjustment assistance demands ever exceed the estimate in our budget. While we fully expect this contingency will not trigger on, with this safety net added to the Trade Adjustment Assistance program there should be no question that resources will be there if the need ever arises.

B. Community Adjustment

- **PROVIDE $250 MILLION OVER FIVE YEARS FOR COMMUNITY ADJUSTMENT -- CREATE OFFICE OF COMMUNITY AND ECONOMIC ADJUSTMENT TO COORDINATE RESPONSE TO TRADE-IMPACTED AREAS.**

  - **EXPAND COMMUNITY ADJUSTMENT BY $250 MILLION OVER FIVE YEARS -- CREATE OFFICE OF COMMUNITY AND ECONOMIC ADJUSTMENT TO DEAL WITH TRADE-IMPACTED REGIONS.** DOD's Office of Economic Adjustment (OEA) was the Administration's first point of contact with communities experiencing a military base closure or defense plant closing.

    Learning from the defense conversion experience, we would create an OEA-type body (the Office of Community and Economic Adjustment) to coordinate the Administration's response to trade-impacted regions by working with Labor, Commerce, SBA, HUD, Treasury, and other government entities. This group would provide planning grants and expertise to help communities develop comprehensive economic adjustment strategies. They also would bring the appropriate state, local and federal groups to the table to provide adequate resources for implementing plans. The expert staff at OEA could be detailed to this body to help trade-impacted regions and workers. Moreover, to ensure there is proper funding for regions adversely impacted by trade, the Administration will expand the Economic Development Administration (EDA)'s Title IX budget. In 1997, Title IX had $27 million in funding to help areas with sudden and severe economic dislocation, such as major plant closings. The Administration will propose $50 million per year -- or $250 million over five years -- in community adjustment funding, more than doubling EDA's Title IX budget each year, while creating an Office of Community and Economic Adjustment. This will allow for comprehensive economic development assistance to regions adversely impacted by trade, or other severe economic dislocations.

- **IMPROVE AND EXPAND NADBANK.** The Administration proposes a three-point plan to improve and expand the North American Development Bank (NADBank):

  - **EXPAND FINANCING FOR THE NADBANK CAIP.** The Administration proposes expanding paid-in capital for the North American Development Bank (NADBank) Community Adjustment and Investment Program (CAIP) by $37 million -- a full 160 percent increase over existing funds. These new funds will allow the Bank to leverage private capital markets to provide over $150 million in additional financing to trade-affected communities. The additional resources could finance new actitities, such as permitting the CAIP to provide matching grants, permitting more affordable financing for business development in trade-impacted communities, and to develop a micro-lending program to address the specialized needs of dislocated workers by encouraging small start-ups. The CAIP could also use the additional funding to expand its direct lending program by providing direct loans or innovative credit enhancements through intermediaries to assist a wide range of commercial and nonprofit borrowers who would otherwise lack access to commercial lending institutions.

- **EXPAND OUTREACH AND TECHNICAL ASSISTANCE.** The CAIP will work to increase awareness about its programs and improve accessibility for trade-impacted communities. To that end, the CAIP will work to refine the criteria of the direct lending program to better address community needs and disseminate them widely through a variety of media, including by developing a bilingual Web Site with detailed explanations of the direct lending criteria and application forms. In addition, CAIP would work with trade-impacted communities to provide technical assistance in the development of strategic plans to help identify opportunities and attract investment.

- **PUERTO RICO ELIGIBILITY.** Efforts must be made to permit communities within the Commonwealth of Puerto Rico that have been adversely impacted by trade and production shifts associated with NAFTA to access CAIP resources. To that end, the CAIP Finance Committee will develop a marketing plan identifying the appropriate authorities and community development organizations in Puerto Rico that should be provided with extensive information about CAIP eligibility requirements and programs. CAIP staff will work directly with Department of Labor (DOL) and Economic Development Administration (EDA) staff to identify communities in Puerto Rico that may be eligible for assistance through CAIP as well as EDA and workers who may be helped through NAFTA-TAA. In these eligible communities, CAIP will hold round tables with community groups, bankers, elected officials, and community leaders to market the program.

- **IMPROVE ENVIRONMENTAL PROTECTION ALONG THE BORDER.** The Administration will improve environmental protection along the border by making infrastructure financing more affordable for poor communities, strengthening community environmental capabilities and accelerating project approvals.

  - **MAKING ENVIRONMENTAL INFRASTRUCTURE MORE AFFORDABLE.** The North American Development Bank (NADBank) and the Border Environment Cooperation Commission (BECC) will take steps to address the needs of poor communities: NADBank is establishing co-financing arrangements with U.S. and Mexican grant programs to provide affordable financing for border environmental infrastructure. We will seek appropriations of $250 million for this program over the next three years. NADBank is working on a proposal to help smaller U.S.

communities access the tax-exempt bond market by establishing reserve funds for debt servicing in cooperation with the State Revolving Funds. This would leverage $4 million per year in NADBank financing to make available an additional $16 million per year for smaller border communities. Finally, BECC and NADBank will establish a program to assist residents in poor communities to finance residential hook-ups of water and wastewater services by providing lines of credit (through a public utility or other intermediary) to fund the costs of such services.

- **STRENGTHENING COMMUNITY CAPABILITIES:** NADBank and BECC are developing new programs to provide technical assistance to border communities for environmental infrastructure development and management. In cooperation with the EPA, BECC is establishing a Project Development Assistance Program (PDAP) to help border communities develop environmental infrastructure project proposals. This Program will commit and disburse up to $10 million to communities by the end of the year. NADBank has established an Institutional Development Program (IDP) to help communities on both sides of the border achieve effective and efficient operation of their water, sewage and solid waste management services. So far, NADBank has approved $1.8 million in technical assistance for 12 projects, and we will seek to double total IDP resources to $4 million.

- **ACCELERATING PROJECT DEVELOPMENT:** NADBank and BECC have developed a work plan for accelerating project development. Their 1997-99 work plan has identified more than 30 projects and potential projects with a total cost of more than $500 million. They will also take steps to expedite project approvals, especially for smaller border communities: Small projects (typically costing $100,000 or less) will be eligible for expedited processing, provided they are sponsored by an appropriate Federal or state agency (*e.g.*, the Texas Water Development Board). Similar projects that meet BECC/NADBank requirements for project quality and review will be considered for certification as a group and financed through a NADBank line of credit with an appropriate Federal or state agency.

- **IMPROVE EXPORT ASSISTANCE CENTERS SO THAT THEY DO MORE TO HELP SMALL BUSINESSES.** There are over a hundred Export Assistance Centers located across the United States helping businesses export American goods abroad. Small businesses are an essential part of America's export strategy, accounting for almost 96% of all exporters, but only 30% of the value of exports. As part of our National Export Strategy, we will:

    - **INCREASE BOTH THE NUMBER OF RURAL BUSINESSES AND SHARE OF SMALL AND MEDIUM-SIZED BUSINESSES RECEIVING EXPORT ASSISTANCE.** By the end of 1999, the Export Assistance Center Network will increase by 20 percent the number of small and medium-sized firms receiving export assistance in the United States. To ensure this increase, the Export Assistance Center Network will do more to fully engage the programs of all its strategic partners to reach out to those businesses which have not ventured into foreign markets. Many small businesses in poorer rural communities have not realized their full export potential. To ensure more is done for rural small businesses, the Export Assistance Center Network will increase its focus on manufacturers and service companies located in rural areas -- with the goal of increasing by 20 percent the number of rural businesses who report exporting successes through the Export Assistance Network.

- **ENHANCE AND REGULARIZE TRAINING FOR EXPORT ASSISTANCE CENTER STAFF.** The Department of Commerce will enhance and regularize the training of all Export Assistance Center staff, improving customer service. Part of this training will be increasing the familiarity of the Export Assistance Centers field staff with all Trade Promotion Coordinating Committee (TPCC) agency programs, particularly in the trade finance area.

C. Helping Tap the Potential of Poor Urban and Rural Areas

- **EXPAND INITIATIVES THAT HAVE PROVEN RECORDS OF HELPING TO CREATE JOBS AND OPPORTUNITY FOR DISADVANTAGED AMERICANS.** In order to create jobs and opportunity for disadvantaged Americans, the Administration proposes to:

  - **MAKE FLEXIBLE FUNDING AVAILABLE FOR SECOND-ROUND URBAN EMPOWERMENT ZONES.** The Administration would request $100 million per year in flexible grant funds for second-round urban EZs. This funding could be used for a wide range of activities, including economic development and housing projects, project-based rental assistance, and job training. Providing flexible grant funding for the second-round of urban Empowerment Zones would cost $500 million over the next five years.

  - **EXPAND THE YOUTHBUILD PROGRAM.** YouthBuild provides high school dropouts 16-24 with general academic and job skills training, as well as apprenticeships constructing and rehabilitating affordable housing. The FY 1998 appropriation for YouthBuild is $35 million. This proposal would provide, beginning in FY 1999, an increase of $10 million per year -- or $50 million over five years -- for YouthBuild (above the FY 98 level).

  - **CREATE OPPORTUNITY AREAS FOR OUT-OF-SCHOOL YOUTH.** The Administration requested and continues to advocate strongly for $250 million in competitive grants to selected high-poverty urban and rural areas, including designated EZs and ECs, to increase out-of-school youth employment. The House Labor-HHS-Education Appropriations bill includes $100 million in funding for FY 1999; the Senate bill $250 million (also advance funded). The Administration will work to ensure that the out-of-school youth program receive $250 million per year, or $1.25 billion over five years.

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

- **$225 MILLION FOR CDFIs TO EXPAND THE AVAILABILITY OF CREDIT IN DISTRESSED URBAN AND RURAL AREAS.** The Community Development Financial Institution (CDFI) fund is designed to expand the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities. The Administration requested $125 million for CDFIs, but the Treasury-Postal conference report provided $80 million for FY98. The Administration will propose a $45 million increase over the conference report in our next budget -- that's $225 million over five years for CDFIs.

- **ENHANCE AND BUILD ON TAX PROVISIONS FOR EQUITY INVESTORS IN SSBICs.** The Administration is committed to ensuring the success of the initiatives contained in the President's 1993 Economic Plan to encourage investments in specialized small business companies (SSBICs). The Administration would work with Congressman Jefferson and Congressional tax-writing staffs to enhance the effectiveness of these provisions through proposed modifications. These proposed modifications would cost on the order of $50 million over five years.

I look forward to working closely with you in support of both expanded trade and the promotion of worker rights abroad.

Sincerely,

Charlene Barshefsky

Dear FIELD(Salutation Name):

I am writing to explain why your vote on fast track legislation later today is critical not only to our economic future, but also to the national security of the United States.

Now more than ever, our economic security is the foundation of our broader national security. In the post-Cold War world, national influence increasingly is dependent on a country's economic allies, its trading partners and the strength of its economy. Trade agreements bind nations together in a way that can serve America's broader national interests. Without fast track authority, the United States would be unable to negotiate these agreements, crippling our ability to help shape a post-Cold War world. It would undermine our capacity to promote America's security and values, as we did so successfully during the Cold War.

If the United States fails to lead, we risk losing influence by default. The trade patterns established in coming decades, including in Latin America and Asia, carry great strategic importance. If Latin America is permitted to turn increasingly to Europe and Asia for trade, it will weaken our influence in the countries within our own hemisphere. In Asia, the stakes are also large. The United States has fought three major wars in Asia in this century; continued engagement is essential. Rejection of fast track would cause Asia to question America's commitment at a time when the emergence of China, tensions in Korea and the need for stability in the region generally make our continuing commitment imperative.

Expanded trade also provides the foundation for a strong military production base in this country. For many of these companies, post-Cold War downsizing has been offset only by additional commercial and military export opportunities. Without exports, these companies would be far weaker today. Creating export opportunities is an integral part of keeping a strong production base at home. Fast track is an essential tool in that effort.

In the end, the fast track vote is a test of American leadership. America won the Cold War because America was prepared to lead. Today, American leadership can continue to sustain a vision of democracy, open markets and American values that will make the world a better, safer place. But American leadership is not divisible. If we fail to lead economically, our influence will suffer in other areas. We cannot afford to take that course.

The United States faces a critical choice. We can recognize our economy is the model for the world, exert U.S. leadership and help shape a post-Cold War world that supports U.S. national security interests. Or we can fail to compete, turn inward and cede leadership to others. The choice is that stark - and that important. That is why I am asking for your support in today's vote.

Sincerely,

FIELD(Address)