

# FOIA MARKER

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**Folder Title:**

[Fast Track] Questions and Answers

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## **Fast Track Q&A**

**Q: Where's the bill?**

**A:** The Administration is continuing its consultations with members of the House and Senate, with the objective of delivering a bill that attracts broad bi-partisan support. We plan to introduce legislation within a few days.

**Q: Isn't it a setback to fast track proponents that you don't have a bill in place now?**

**A:** The President has just outlined how important fast track is to strengthen America's economic future. The sensible goal at the start of this process is to put legislation in front of Congress that has broad support. We've been making good progress. There is no substitute for the far-ranging discussions we have had on the Hill with both Democrats and Republicans.

**Q: Given the delay in developing legislation, do you still expect to get a bill by the end of the year?**

**A:** We have not lost time on the congressional calendar. Obviously, we hope to see hearings scheduled soon, and our goal is to see fast track legislation enacted this year. It will accelerate progress and boost prospects for fast track approval if our bill has broad support at the beginning of the process.

**Q: Senator Daschle has indicated that he personally sought a delay in introduction of the legislation to address labor and environmental concerns. How do you address labor and environmental issues and sustain support for fast track among Republicans?**

**A:** Democrats and Republicans would agree that international environmental and labor issues are important. We are going to continue to work in a bi-partisan manner to define terms that advance the trade agenda and other objectives. Consistent with Senator Daschle's views, we expect that the in-depth consultations that we are conducting with House and Senate members will expand support for fast track.

**Q: What are the substantive issues that have delayed introduction of legislation?**

**A:** We believe that it is critically important for members of Congress to have a clear understanding of trade objectives immediately in front of us and how this legislation will accomplish those goals. Fast track defines a partnership between the Executive Branch and Congress. A lot of interests and opinions need to be taken into account; obviously, each member of Congress has different interests, but we have tried to demonstrate how our legislation will be responsive to their concerns.

**Q: Are you using these additional consultations to move your bill closer to Democratic concerns on labor and environment?**

**A:** Our approach is to ensure that this President has the flexibility to carry out our trade agenda and to address other related issues effectively. When it comes to labor and environmental issues in the trade agenda, the Administration's record is clear: We have made important gains in these areas and we will continue to press ahead wherever possible whether that is in bi-lateral negotiations or in a wide number of international institutions from the WTO to the U.N.

**Q: Doesn't Rep. Gephardt have a point in saying that if we don't deal with labor issues in trade agreements there is no other place to do it?**

**A:** Fast track is about opening markets to ensure that U.S. workers can compete on equal terms. The first issue we are concerned about is improving the competitive prospects for U.S. workers. If we don't set the agenda for trade negotiations, the rest of the world will go ahead without us, and the losers will be our workers and companies. We have worked to address labor conditions in a number of international arenas, and will continue to do so. We are interested in securing progress in all of these areas -- and progress on environmental or labor issues cannot be achieved in any measure by failing to move forward with fast track.

**Q: What about calling for wage level increases in trade agreements as prosperity increases in developing countries?**

**A:** Trade is increasing prosperity at home and abroad. We know that 95% of the world's consumers live outside the United States. Each year, among 30 million annual additions to the "middle class," three-fourths live in emerging markets, low and mid-income countries. Trade helps countries develop economically, and so is clearly a force in improving wages internationally. If the real concern is to see international wage rates increase, we do nothing to accomplish that goal by restricting the U.S. trade agenda.

**Q: Environmental advocates point to the Nafta as a reason "side agreements" won't work and are calling for explicit trade sanctions related to environmental issues. How do you address their concerns?**

**A:** We are working to ensure that we can make progress on both fronts -- trade and global environmental conditions -- and it is important to recognize that not having fast track will do nothing to advance global environmental objectives. The key is how do we advance the interests of trade and preserve the ability to negotiate global environmental accords. We are looking at a range of options. Also, Nafta is the first trade agreement that addressed environmental concerns. After just three years we are seeing some major water treatment, sewage plants, and pollution control projects installed along the border, and the Border Environmental Commission and the NAD Bank are making a difference. Without the Nafta and its side agreements, there would be no basis for further environmental progress along the U.S.-Mexico border.

**Q: Critics contend that trade expansion might be good for American agriculture but consumers are paying a price in reduced food safety?**

**A:** The United States has the world's safest food supply. Trade agreements apply the same food safety standards and conditions to imports as we apply to domestic agricultural products. Additionally, the Vice President's five point plan to improve food safety includes new testing procedures and will expand food testing. FDA tests have consistently shown that there is virtually no difference in health risks between domestic and imported foods. [If asked specifically about Mexican strawberries... The source of contamination for the frozen strawberries originally imported from Mexico is unknown. The Center for Disease Control and Prevention, and the U.S. Food and Drug Administration, the California Department of Health and the California Department of Food and Agriculture are still conducting an investigation to determine whether the strawberries were contaminated in Mexico, the U.S. processing plant, or some other location.

*President's  
Statement*

**Q&A's ON FAST TRACK  
SENATE FINANCE COMMITTEE MARKUP**

**Q:** What is the Administration's reaction to the fast track bill marked up in the Senate Finance Committee today?

**A:** The Administration applauds the Senate Finance Committee for successfully reporting out this legislation, which received strong bipartisan support. We particularly want to thank Chairman Roth, Ranking Member Moynihan and the other members of the Committee for working constructively, on a bipartisan basis, in shaping a bill.

This legislation gives the President the same kind of negotiating authority every President has had since 1974. It would permit the President to continue opening foreign markets to the products of U.S. workers and companies, which is critical to continuing the economic expansion the United States is now experiencing.

We look forward to working with the Senate leadership to secure Senate passage of this legislation. We also look forward to working with the Ways & Means committee and the House leadership in fashioning bipartisan legislation that can be enacted this year.

**Q:** What do you think of the labor/environmental provisions contained in the bill?

**A:** We support the provisions as a bipartisan compromise that helps move this legislation forward. This legislation gives the President what he has always wanted: the authority both to pursue his trade agenda and to encourage other countries to protect the environment and promote worker rights. [Regarding a response to specific language, we recommend you refer press inquiries to USTR.]

Background: FYI, the legislation contains a principal negotiating objective to seek agreements "to prevent the use of foreign government regulation and other government practices, including the lowering of, or derogation from, existing labor (including child labor), health and safety, or environmental standards, for the purpose of attracting investment or inhibiting U.S. exports."

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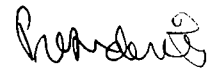
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## Fast Track



Would renew the partnership between the Congress and the President in the negotiation and implementation of major trade agreements. It means that both branches will work together before, during, and after negotiations to fashion trade agreements in America's interest.

Broad negotiating objectives in the bill means that the President can pursue his full trade agreement agenda, like his predecessors have done.

- In particular, the President will have the flexibility he needs to address critical labor and environmental issues in the context of trade negotiations.
- [The language recognizes that certain foreign government labor and environmental measures can have a real impact on our trade.]

Broad tariff proclamation authority in the bill will allow the President to pursue sectoral trade deals, like ITA, that will enhance America's competitiveness in key world markets.

The bill also gives the President and the Congress flexibility in fashioning implementing legislation that will not only allow us to carry out our trade obligations but will permit us to address important American interests as we do so.

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

600 17th Street NW  
Washington, DC 20506  
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F A X T R A N S M I T T A L

To: Bob Kyle

From: Ken Freiberg 395-7305

Date: Wednesday, Oct 1, 1997 12:32 p.m.

Pages: 2 (including cover page)

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MESSAGE

Our summary of the bill for use by CB with the press.

## TALKING POINTS ON FAST TRACK AND FOREIGN POLICY

### Fast Track and American Leadership – Overview

- The fast track debate is about much more than trade. It is about American leadership in the world. Other governments, particularly those in Latin America, view fast track as a test of whether the United States intends to maintain our half century of leadership -- or retreat and turn inward.
- A failure of U.S. leadership would be a huge mistake. For over 50 years, we have led the world toward freer markets – reducing average tariffs from 40% at the end of World War II to about 5% today. That has led to a 90-fold increase in trade, which has enormously benefited the U.S. We must not turn our back on that progress.
- American leadership is not divisible. If we fail to lead on trade, our influence will suffer in other areas. The patterns of trade developed in the coming decades will create patterns affecting our national security, foreign relations and political interests. If Latin America is permitted – by default in our leadership – to turn increasingly to Europe and Asia in its trade relations, it will weaken our relationship with Latin America. Rejecting fast track would also send a terrible signal to emerging markets, undermining the developing world trend toward free market policies and democracy. The costs far exceed lost exports.

### Exports and U.S. Growth

- For the U.S., the case for fast track is clear: if we are to sustain our economic growth, we must export. Since 1993, one-third of our growth has come from exports. Over the next decade, the economies of Latin America and Asia are expected to grow at three times the rate of the U.S. economy. In a world where 96% of the world's consumers live outside our borders, we must export to grow. It's that simple.
- We are in a perfect position to compete. Our economy is the envy of the world. We are once again the world's most competitive economy, the world's largest exporter, the leading producer in key industries like automobiles, semiconductors and pharmaceuticals. It makes no sense to sideline ourselves now.
- But we cannot afford to take our economic leadership for granted. Throughout the world, other countries are moving to reach trade deals opening their markets. We can either lead this process – or watch it proceed without us:
  - In Latin America and Asia alone, other countries have reached more than 20 preferential trade agreements without us. Today every major economy in this hemisphere has a preferential trade deal with Chile, except the U.S.
  - The EU is seeking a preferential trade agreement with MERCOSUR, a market of over 200 million people and a GDP exceeding \$1 trillion. President Chirac has declared “the future of the region rests with Europe, not the United States.”

## **Fast Track and American Foreign Policy**

- Fast track is a test of our foreign policy. As the sole remaining superpower, the United States has a fundamental interest in aiding both security and prosperity around the world -- particularly in our own hemisphere. Stable trading relationships are critical to that end. In the post-Cold War world, trade agreements serve some of the same purposes security pacts played during the Cold War: they bind nations together through a set of shared interests and common objectives.
- If the U.S. fails to lead, we risk losing influence by default. The trade patterns set in coming decades will have enormous strategic importance too. That is part of the strategy behind the FTAA and APEC processes. They are not just economic: they are also intended to reinforce broader U.S. engagement in Latin America and Asia, two regions where U.S. foreign policy, strategic and security interests are deeply implicated. Rejecting fast track would signal a retreat from these initiatives.
- That would clearly undermine broader U.S. interests. Latin America sees trade as the linchpin of stronger hemispheric relations – our failure to engage would undermine cooperation on a range of issues including drug interdiction, immigration, environmental protection and corruption. In Asia, the industrialization of the 3.5 billion people in the arc from Korea to Pakistan will be perhaps the greatest development of the 21<sup>st</sup> Century. It is critical to America's economic and security interests that we be deeply engaged in that transformation. Without fast track, we are crippled in that effort.
- The cause of democracy and free markets would also suffer. After decades of failed experiments and anti-Americanism, many of the world's emerging markets today are embracing free markets, democracy and other American values. Today - for the first time in history - half of the world's population lives under elected rulers. But this fragile progress will continue only if we continue to press countries to embrace free trade policies, build stronger middle classes and strengthen the building blocks of democracy. Rejecting fast track would send a terrible signal that we are not serious about trade liberalization and reform.

## **Conclusion**

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

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November 1, 1997

**MEMORANDUM**

**TO:** Bob Novick and Ken Freiberg  
**FROM:** Eric Biel, x65370  
**SUBJECT:** Materials Being Faxed

I am faxing you summaries of the environmental and labor initiatives responding to Sen. Daschle, etc., as well as one-pagers on labor and environment and the basic case for fast track. (All have been reviewed by Bob Kyle.) I also am sending you Bob's minor editorial suggestions on the piece Hal Shapiro drafted. Finally, I am sending a one-pager on food safety; I have given this to Bob for his review, and would feel more comfortable if someone over there with greater expertise on this subject also had a quick look (in particular, with respect to what the legislation will provide -- see the second bullet).

My schedule tomorrow is still a bit unsettled, given visiting out-of-town relatives, but I definitely will be in part of the afternoon and will touch base with you. If you need to reach me, my home phone is 202-364-0419 and paper number is 1-800-759-8888, PIN 1086210.

## SUMMARY OF EXECUTIVE INITIATIVES ON ENVIRONMENTAL ISSUES

### Transparency and Openness in the World Trade Organization (WTO)

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

### Eminent Persons Group

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

### International Financial Institutions (IFIs)

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

## SUMMARY OF EXECUTIVE INITIATIVES ON LABOR ISSUES

### Review of Future Free Trade Agreement (FTA) Partners

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

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

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

### International Financial Institutions

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

### Export Processing Zones

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

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

### Child Labor

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

## THE WHITE HOUSE

WASHINGTON

July 28, 1997

ACTION

MEMORANDUM FOR SANDY BERGER  
GENE SPERLING  
DANIEL K. TARULLO  
JOHN HILLEY

FROM:

ROBERT D. KYLE *RK*

SUBJECT:

POTUS Fast Track Meeting with House Members

Attached is a memo for the President for his meeting with House Democratic Members (Tab I) on Fast Track on Thursday, July 31. Talking points are also included (Tab A), as well Qs and As (Tab B) and a list of participants (Tab C).

Concurrence by: Bill Danvers *DK*RECOMMENDATION

That you forward the attached memo to the President.

## Attachments

Tab I Memo for the President  
Tab A Talking Points  
Tab B Qs and As  
Tab C List of Participants

## THE WHITE HOUSE

WASHINGTON

FAST TRACK MEETING WITH  
SELECTED MEMBERS OF THE HOUSE


DATE: July 31, 1997

LOCATION: Yellow Oval Room

TIME: 6:30 - 7:30 p.m.

FROM: SAMUEL BERGER

GENE SPERLING

DANIEL K. TARULLO 

JOHN HILLEY

I. PURPOSE

To make our affirmative case for fast track to undecided Democratic House members, and to encourage them to keep an open mind during the August recess.

II. BACKGROUND

This is the second small group meeting you are holding with House Democrats on fast track prior to the August recess. This second group also contains Democrats who we feel can be persuaded, plus some supporters. As with the first meeting, we recommend your message be built around three themes.

1. Optimism/Future v. Pessimism/Past: This issue is at the center of our national debate about our future: whether we will meet the challenge to compete and win, or whether we will convince ourselves - against the evidence - that we should not move forward. Trade expansion has been a key element of a forward-looking economic strategy that has created 12 1/2 million jobs, brought core inflation to a 30-year low and created sustained economic growth.

2. American Leadership: As we enter the 21st Century, we need to be in front of world trade opening efforts, not lagging behind and losing market opportunities. The world is watching. If we don't act, others will.

3. Important Market Opening Opportunities: Fast track is the tool for eliminating foreign barriers, whether through sectoral agreements (e.g., medical equipment, environmental technology, agriculture), continuing regional processes in Latin America or Asia or eliminating global barriers in the WTO. This is not a referendum on NAFTA, as

some suggest. It is about a far different agenda: eliminating foreign barriers worldwide, which are much higher than ours. .

As at the first meeting, we do not recommend you foreshadow our approach on labor/environment issues at this meeting; it likely would leak and would make it even more difficult for Members to stay neutral during August. Instead, we suggest you reaffirm your commitment to these issues and indicate we will set forth an approach in September.

### III. PARTICIPANTS

See Tab C.

### IV. PRESS PLAN

None

### V. SEQUENCE

We recommend you open with brief remarks (attached), introduce Jay Berman and Vicki Radd, then open the floor for discussion.

#### Attachments

Tab A Points to be Made

Tab B Q's and A's

Tab C Participants

POINTS TO BE MADE FOR MEETING ON  
FAST TRACK

Introduction

- I want to talk with you about why it is in our nation's interest to renew fast track trade negotiating authority. Before I begin, let me introduce Jay Berman and Vicki Radd, who will be leading our effort. Their appointment underscores the high priority I attach to this issue. It is one of the most important votes you will cast this year. In fact, when we look back, I think it will be one of the most important decisions we will make this decade.

Optimism/Future v. Pessimism/Past

- This issue is at the heart of our effort to define America's future. It tests whether we will confidently meet the challenge to compete and win in the global economy, or whether we will convince ourselves - against the evidence - that we should not move forward. As President, I have tried to adopt a forward-looking economic strategy that guides our country into the 21st Century. And it is clear to me that international trade is central to that strategy:
  - Over the next decade, the global economy is expected to grow at three times the rate of the U.S. economy. Over the past four years, one-quarter of our economic growth came from trade. In a world where over 96 percent of the world's consumers live outside the U.S., we must export to sustain growth at home.

Our strategy has made the American economy the envy of the world. We are perfectly positioned to seize these trade opportunities.

- We have enjoyed the longest period of sustained growth of all of our G-7 partners - seven years as of last March. We have created 12 million net new jobs, more than all of the other G-7 countries combined. The unemployment rate was 5% in June, the lowest in over 23 years.
- We are once again the world's largest exporter, the largest producer of semiconductors, the largest producer of automobiles. Independent studies have found America to be the most competitive economy in the world for the past five years. No country in the world is better positioned to compete.

## Global Leadership

- To continue that record, I need the authority to continue opening markets. Without it, America will not maintain its leadership position in world trade and a critical part of our economic expansion will stall. We must be in front of market opening efforts, not lagging behind and losing opportunities.
- Let's not kid ourselves - if we don't act, others will.
  - Since 1992, in Latin America and Asia alone, other countries have reached more than 20 preferential trade agreements without us.
  - Today every major economy in this hemisphere has a preferential trade deal with Chile, except the United States. Chile has an 11% across-the-board tariff that these countries are eliminating for their products. That means every time an American company competes to sell to Chile, it will face an immediate ~~8%~~ cost disadvantage compared to its Canadian competitor. Canada's Northern Telecom won a \$180 million telecommunications contract over three U.S. companies in part because it could avoid paying \$20 million worth of tariffs.
  - The EU, China and others are on the move. The EU has begun a process to reach a free trade agreement with Brazil, Argentina and other MERCOSUR countries. President Chirac has declared "the future of the region rests with Europe, not the United States." China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America.

## Significant Market Opportunities

- The potential gains are great, if we seize them. If you give me the authority, we will attack foreign trade barriers on a number of fronts:
  - Sectoral Agreements: We would negotiate agreements in sectors where the U.S. is most competitive. The recent Information Technology Agreement, for example, eliminated tariffs and unshackled \$500 billion of trade in semiconductors, computers, telecommunications equipment and software, amounting to a \$5 billion tax cut in tariffs on American exports. With fast track authority, I can tear down more barriers in areas like medical equipment and environmental technology, where America leads the world.

- Latin America/Caribbean: This area was the fastest growing market for U.S. exports in 1996. If trends continue, Latin America and the Caribbean will exceed the EU as a destination for U.S. exports by 2000 and exceed Japan and the EU combined by 2010. We remain committed to the Free Trade Area of the Americas process. Chile would be our first step in this process.
- Asia: Contains the fastest growing economies in the world, with nearly 3 billion people. Forecasters expect real growth of 6-7% annually for the next 15 years. In APEC, we are working to reach agreements in key sectors that could open these markets to America's most competitive products. Without fast track, that process will come to a halt.
- Africa: Working with Congress, I recently launched an Africa trade initiative. Africa's nations are joining the march toward freedom and open markets - and we should encourage it. Sub-Saharan Africa alone has 700 million people, but we supply only 7% of Africa's imports. We want to explore negotiations with South Africa when it is ready.
- Global: Over 50 years of persistent American leadership has helped bring down global tariffs from an average of 40% at the end of World War II to about 5% today, leading to a 90-fold increase in global trade. Upcoming WTO talks on agriculture can help us cut barriers and subsidies in the \$526 billion global farm market. We can eliminate barriers to services trade, a \$1.2 trillion global market, where U.S. firms had a surplus of \$74 billion in 1996.

### Conclusion

- We face a critical choice. We can recognize that the American economy is the model for the world, continue to open foreign markets and seize the initiative. Or we can convince ourselves that we are on the wrong track, that we cannot succeed and that we should not move forward. Years from now, we will either proudly recognize that we saw our opportunities and we took them. Or we will have become paralyzed by indecision, squandered our strong competitive advantage and let others seize the initiative. The choice is that clear - and that important. I ask you to support me on this critical issue.

**QUESTIONS AND ANSWERS  
FAST TRACK MEETING**

**NAFTA**

Q: NAFTA is relevant to fast track. Critics argue that NAFTA has cost us over 400,000 jobs. Our trade surplus has turned into a deficit. If NAFTA was a failure, why should we extend it to the rest of the hemisphere and beyond?

A: The critics are wrong. The best information available indicates that NAFTA has had a positive effect on jobs, creating 90,000 to 160,000 jobs in trade with Mexico alone. The trade deficit with Mexico was caused by Mexico's peso crisis and the recession, not NAFTA.

If anything, the trade deficit would have increased further if it were not for NAFTA. When Mexico had its last financial crisis in 1981-82, it imposed 100% duties on American products, U.S. exports fell in half and it took 7 years for us to recover to 1981 levels. This time, Mexico continued to reduce its tariffs as required by NAFTA (even though it raised on them on our competitors). U.S. exports recovered to pre-recession levels in 18 months, protecting the 750,000 jobs dependent on those exports. A Federal Reserve of Dallas study concluded U.S. export growth was 7% higher than it would have been absent NAFTA.

Q: What will you do about labor/environment in future trade agreements?

A: I share your concerns about labor and environmental issues. We must remain committed to promoting worker rights and ensuring that economic growth is not at the expense of the environment. In the fall, I will set forth a proposal addressing these concerns. In the meantime, I ask you to keep an open mind.

But failing to engage these countries will not improve their worker rights or the environment. These countries will advance economically, whether or not we negotiate trade agreements with them - and other countries won't be as concerned about their labor or environmental protection. By leading the world, we have a far better opportunity to promote our values than by disengaging.

Q: NAFTA was supposed to have improved labor/environment conditions on the border, but it hasn't. In fact, the problem is worse.

A: The problems along the border existed before NAFTA and they won't be solved overnight. But NAFTA has given us better

progress and cooperation than we would have had without it. There are clear signs of improvement:

- From 1993 to 1996, Mexico increased its budget for enforcement of labor laws by 250%.
- The overall rate of occupational injuries and illnesses fell from 47 per thousand in 1994 to 33 per 1000 in 1996.
- Mexico has seen the number of environmental violations dropping; with a 72% reduction in serious violations in the maquiladora industry from 1993 to 1996; and a 43% increase in the number of maquiladora facilities in complete compliance.
- The NAFTA institutions financing border cleanup projects have certified 16 projects, including infrastructure projects costing nearly \$230 million.

Q: Opponents have successfully made this a referendum on NAFTA. How do I refute that?

A: I think NAFTA's been good for this country. But no matter what you think, this is not about NAFTA. It's about the global trading agenda I outlined.

- Our competitors would like nothing better than to have us rehash the NAFTA debate for four years, while they seize new market opportunities.
- Inaction will simply let foreign barriers stand. When we reach these trade agreements, we give up very little, while other countries give up far more. When the Uruguay Round is phased in, our tariffs will average only 2.8%. Other countries are far higher: India (31%); Thailand and Turkey (26%); Chile and Indonesia (11%). Becoming mired in a debate about NAFTA won't level the playing field.

Q: NAFTA has diverted investment from the U.S. to Mexico. It was an investment agreement, not a trade agreement.

A: No. U.S. foreign direct investment in Mexico averaged \$3.1 billion in 1994-96, little changed from the \$2.5 billion the year before NAFTA took effect. The \$3.1 billion was less than 0.3% of gross private fixed investment in the U.S. in 1996. The Big 3 invested \$39 billion in the U.S. economy in the last three years, only \$3 billion in Mexico.

Q: U.S. companies use the threat of relocation to Mexico to jawbone down the wages of America's workers. That will just

happen over and over again if we reach more free trade agreements.

A: The fact is that NAFTA makes it more attractive to stay in the United States. Before NAFTA, U.S. exports faced an average 10% tariff when sending U.S.-made goods to Mexico. They had restrictions that basically forced us to locate car production down there if we wanted to sell in their market. NAFTA eliminates all of this - and will eliminate only a 2% average tariff on products coming here.

If we let other countries reach trade agreements, while we sit on the sidelines, it will make it even more attractive for U.S. companies to move offshore. If Brazil has eliminated all tariffs it faces in this hemisphere - and we still face high tariffs - U.S. companies have one more incentive to move offshore. If we want to keep jobs here, we should eliminate trade barriers for U.S.-made products.

### Trade Generally

Q: Why should we reach trade agreements with low wage countries? How can U.S. workers compete against foreign workers earning a fraction of U.S. wages?

A: The fact is that U.S. workers do compete successfully with low wage countries. In the last 10 years, U.S. exports to low-wage countries have risen 240%, while exports to high wage countries are up just 140% and domestic sales by 75%. Exports to low wage countries now account for 42% of total U.S. exports. And these are good jobs. Wages for export-related jobs pay 13-16% more than the national average.

Competition from low wage countries does create competitive pressures in industries where skills and productivity are lower, but most such jobs don't compete with imports. In fact, imports from non-oil developing countries account for only 4% of U.S. spending and has grown only 1.5% during the past decade.

For those workers who are affected, we need to maintain our commitment to education and worker retraining. That's why I have made them a priority. It must be part of a complete strategy to prepare us for global competition.

Q: The U.S. trade deficit has hurt the U.S. economy and cost American jobs.

A: It's hard to argue that the trade deficit is devastating the U.S. economy. We are growing at a steady pace of about 3% per

year over the past five years, unemployment is at a 23 year low, income levels are rising and exports are at record levels.

But one way to attack the deficit is to break down foreign barriers - and I can't do that unless I have fast track authority.

Hill Participants

Representative James Moran  
Representative Vic Fazio  
Representative Silvestre Reyes  
Representative Charles Stenholm  
Representative Peter Deutsch  
Representative Zoe Lofgren  
Representative Tom Barrett  
Representative Norm Dicks  
Representative Jay Johnson  
Representative Chris John  
Representative Adam Smith  
Representative David Minge  
Representative Nita Lowey  
Representative Bill Luther  
Representative Vic Snyder  
Representative Lee Hamilton  
Representative Martin Meehan  
Representative Michael McIntre  
Representative David Price  
Representative Floyd Flake  
Representative Bob Clement  
Representative Jane Harman  
Representative Bob Etheridge  
Representative Ike Skelton  
Representative Ellen Tauscher  
Representative Harold Ford, Jr.  
Representative John Murtha  
Representative Bob Menendez  
Representative Carolyn McCarthy  
Representative Donald Payne  
Representative Joseph Kennedy  
Representative Julian Dixon  
Representative Lloyd Doggett

Administration Participants

The President  
Vice President  
Secretary Rubin  
Secretary Glickman  
Secretary Dailey  
Secretary Herman  
Administrator Browner  
Ambassador Barshefsky  
Under Secretary Eizenstat  
Erskine Bowles  
Sandy Berger  
Daniel K. Tarullo  
Gene Sperling  
John Hilley  
Mack McLarty  
Jay Berman  
Vicki Radd  
Susan Brophy  
Bob Kyle  
Bill Danvers  
John Podesta/Sylvia Mathews

THE WHITE HOUSE

Office of the Press Secretary

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For Immediate Release

October 1, 1997

**Statement by the President on  
Senate Finance Committee Vote on Fast Track Legislation**

I am pleased that the Senate Finance Committee, with overwhelming bipartisan support, has reported out legislation that renews the partnership between the President and the Congress in reaching trade agreements, a negotiating authority every President has had since 1974. To keep the American economy strong, we must continue to break down unfair foreign trade barriers to our goods and services. This legislation will allow us to tear down those barriers and help American businesses and workers compete and win in the global marketplace. I look forward to working with the congressional leadership to build on the bipartisan spirit we saw in the Senate Finance Committee today and to secure passage of this important legislation this year.

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**Fast Track Legislation  
Staff Concept Paper  
September 26, 1997**

The following memorandum details concepts that might form the basis for a Chairman's mark and Committee approval of legislation providing fast track negotiating authority. It is divided by relevant section. Where helpful for context, the memorandum draws contrasts with the 1988 Act and the Administration's proposal.

**I. Negotiating Objectives**

The 1988 Act provides a useful starting point for drafting the negotiating objectives. In contrast to the Administration's bill, the 1988 Act includes a number of additional objective that, updated to reflect the changes during the intervening years, still provide a solid basis for guiding future trade negotiations.

Toward that end, the current draft includes a variety of negotiating objectives that focus on reducing barriers to trade and investment structured along the following lines.

**A. Overall Negotiating Objectives**

The overall objectives for agreements subject to the fast track procedures would focus on reducing trade barriers and other trade distorting practices. In contrast to the Administration's bill, it would be limited to those trade-related directives.

**B. Principal Negotiating Objectives**

The principal negotiating objectives for agreements subject to the fast track procedures would also focus on the reduction of trade barriers. In contrast to both the 1988 Act and the Administration's approach, the draft would not address broader economic policy objectives that might be appropriately addressed in other contexts.

In terms of specifics, the draft will likely include at least the following items as negotiating objectives --

1. Reducing barriers on trade in goods, including an item intended to address tariff disparities left over from previous rounds of multilateral tariff negotiations;
2. Reducing barriers to trade in services (the language could retain the guidance for negotiators contained in the 1988 Act admonishing them to be mindful of our domestic policy objectives in various area, including labor and the environment);

3. Reducing barriers to investment, including through the negotiation of multilateral agreements (e.g., the MAI negotiations in the OECD) (the guidance from the 1988 Act could also be retained here);

4. Reinforcing intellectual property protection;

5. Reducing barriers to trade in agriculture, including new forms of disguised barriers to trade in the standards area that were reflected in the Administration's bill;

6. Reinforcing the international disciplines against the unfair trade practices such as dumping and trade-distorting subsidies;

7. Reinforcing international rules on the use of safeguard measures;

8. Enhancing the institutional basis of the WTO and expanding the coverage and participation in the WTO agreements;

9. Ensuring the effectiveness of trade dispute settlement procedures for the enforcement of U.S. rights, particularly within the WTO;

10. Encouraging transparency in the development of trade policy and practices among our trading partners (this lacks the language directed at transparency in international institutions contained in the Administration's proposal, although something like that would be could be added);

11. Encouraging greater integration of and participation by developing countries in the world trading system;

12. Encouraging the reduction of large and persistent current account surpluses that undermine the stability of the international trading system;

13. Ensuring U.S. access to high technology;

14. Seeking the revision of the WTO's treatment of border taxes to redress the disadvantage it creates for countries like the United States that rely more heavily on income taxes, as opposed to value-added, sales or excise taxes;

15. Addressing the problems created for U.S. producers when governments use government regulation or other government practices to afford a commercial advantage

to domestically produced goods or to attract investment.

### C. Economic Policy Objectives

Consideration for a new subsection relating to international economic policy objectives that would reinforce the trade negotiations process in various ways, including provisions such as work within international monetary institutions to encourage currency stability and efforts within international conventions on intellectual property other than the WTO TRIPS agreement to ensure adequate enforcement of intellectual property rights.

This subsection could also provide a vehicle for addressing concerns regarding labor and the environment, including requesting that the President offer his recommendations as to the agenda he intends to pursue in those areas. Legislation to implement agreements resulting from such efforts would not be subject to fast track consideration.

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## II. Trade Agreement Negotiating Authority

### A. Tariff Negotiating Authority

The draft will track prior grants of negotiating authority in terms of tariff negotiations and the President's authority to proclaim changes resulting from such negotiations. It does not contain the extensive grant of tariff negotiating authority included in the Administration's bill that would allow for the elimination of duties in all sectors without any opportunity for congressional review. The question is how such authority could be crafted to permit negotiations like the recent Information Technology Agreement, without opening the authority for broader use without some form of consultation and consideration by Congress of future negotiations.

### B. Tariff and Non-Tariff Negotiating Authority

The 1988 Act, on the one hand, and the 1995 House bill and the Administration's proposal, on the other, take different approaches to negotiations other than conventional tariff negotiations subject to the conditions that apply to such negotiations. The 1988 Act bifurcates the authority to negotiate on non-tariff measures generally from the authority to negotiate free trade agreements (i.e., agreements addressing both tariff and non-tariff measures free of the limitations contained in the tariff proclamation authority. The 1995 House bill and the Administration's proposal unify those two tracks into a single track, and then apply common consultation and implementing procedures

to all such negotiations.

There are two advantages to adopting the latter approach. The first is that any Senate bill is likely to track existing proposals, which could be an advantage in light of the time constraints on the legislative process at this juncture. The second is that providing for a single set of consultation and implementation procedures provides a foundation for congressional consideration at the outset of all negotiations that would eventually go through the fast track process.

### C. Qualification for Fast Track

The 1988 Act and the more recent proposals all contain specific sections addressing which types of agreements qualify for fast track treatment. The current draft will reflect a similar approach, including the direct link between the trade negotiating objectives set at the outset of the legislation and drawn from the 1995 House bill and the Administration proposal.

### D. Duration

The draft provides for an initial grant of authority through 2001. It then provides a process for extending the authority in two two-year increments. The disapproval resolution procedures would, at this juncture, remain the same as they have in previous grants of fast track authority.

## III. Consultations and Implementation

Consistent with the 1988 approach to free trade agreements and the more recent proposals, the draft reflects the need to have the President consult at the outset of negotiations that might result in fast track legislation. The draft also reflects the common approach to having the President consult with the Congress, the relevant advisory committees, and the public throughout the negotiating process. The draft retains the structure carried forward since the Trade Act of 1974 regarding the President's obligation to consult with Congress prior to entering into any agreement when trade talks have reached their final stages.

The working draft would provide for Congressional disapproval of negotiations under two circumstances -- (1) where Congress disapproves of the negotiations within sixty days of the President's initial notification and (2) where the President fails to consult along the way as required by law. The sixty-day disapproval process was a part of the 1988 Act, although it applied just to entry into free trade

agreement negotiations. The Administration's proposal had eliminated that step entirely.

The actual implementation requirements (i.e., the need for an implementing bill and statement of administrative action) would remain unchanged from prior grants of fast track authority. Nor would the actual fast track rules change.

**CBI Parity  
Staff Concept Paper  
September 26, 1997**

The following memorandum outlines possible concepts for inclusion in a Chairman's mark on CBI parity.

**I. Basic Approach**

The intent is to provide a benefit that would afford and opportunity for greater economic development among the CBI beneficiaries while still encouraging their participation in the WTO and in the negotiation of the FTAA. As a consequence, the draft proposal would establish a set of factors or criteria that would be taken into account in determining eligibility for the benefits made available under any eventual parity bill. Those factors include participation in various WTO agreements and implementation of existing WTO obligations on an accelerated basis.

**II. Coverage**

The concept would include some or all of the product categories previously excluded from CBI tariff preferences. That would include textile and apparel, footwear, canned tuna, petroleum and derivatives, watches and watch parts.

With respect to textiles, there are various possible options. They range from proposals designed to encourage the use of the U.S. textiles in Caribbean apparel operations to proposals that would provide eligibility for Caribbean-origin fabric, yarn and thread to proposals that would allow eligibility for textile and apparel products using even non-CBI-originating components.

Related to the options for product coverage in the textile area is the timing of proposal and the conditions that are applied to beneficiary status. One option would be to phase-in further access over time if individual countries were making progress toward fulfilling the criteria set out for eligibility. Another would be to give the President authority to include additional products based on some criteria other than progress toward the objectives set out in the act (i.e., to allow for a petitioning process analogous to GSP where beneficiary countries propose additional items for duty-free benefits on an annual basis).

**III. Preferences**

Given the basic concept of NAFTA-parity, the intent would be allow for treatment commensurate with that

available for that which would obtain under the NAFTA, while still providing some continuing leverage for encouraging participation in the CBI. One approach that has appeared in previous proposals would involve a formula by which the extent of the preference granted amounts to a percentage of the Mexican preference available under NAFTA, with the possibility of expanding the preference to full NAFTA parity over time. Another approach would involve simply instituting the full NAFTA preference at the outset, although that would potentially limit the value of the program as a means for encouraging further participation in WTO agreements or the FTAA process.

#### IV. Duration

The most recent proposals opted for a single year or, at most, at two-year program. One consideration would be to allow for extending the program for additional years consistent with the overall approach of using the program as an incentive to encourage participation in the FTAA and the trading system generally.

Information regarding upcoming WTO negotiations

Estimate of

	U.S. Exports	Total World Market
Agriculture	60 billion	600 billion
Commercial services	250 billion	1.2 trillion
Procurement	200 billion	1 trillion
Intellectual Property	Cannot quantify	


Examples of Costs of Inaction-

Every major economy in the hemisphere - with the exception of the U.S. has gained duty free access to Chilean markets. U.S. firms conducting business in Chile operate at a competitive disadvantage, as they are subject to an 11 percent tariff on U.S. goods entering Chile. U.S. telecommunications companies are, for example, at a disadvantage because the trade agreement between Canada and Chile eliminated Chile's across the board tariff on Canadian goods.

A recent study by the American Chamber of Commerce in Chile has identified some \$500 million in US export sales that have been lost to other suppliers from these countries that can take advantage of duty preferences already in place - advantages that are not available to US suppliers.

We already have benefitted from the liberalization that has occurred in Latin America and the Caribbean. During this decade (1990-96), U.S. exports to Latin America and the Caribbean Basin, including Mexico, doubled from \$54 billion to \$109 billion. And these sub-regional trade agreements have broken much new ground and demonstrate the potential of free trade. For example, in 1990, Mercosur's trade among its members amounted to just nine percent of its total exports; by 1996 it had more than doubled to twenty percent. For the Andean Pact region, intra-pact trade amounted to three percent in 1990; by 1996 it had more than tripled to over ten percent. This growth shows that regional integration is working at a rapid pace. And these agreements can help prepare countries for eventual hemispheric free trade by injecting greater competition to their economies.

But there are real reasons for concern, and they suggest we must get on with the FTAA, and soon. While the U.S. is sitting on the sidelines, our exporters -- both farmers and manufacturers - are facing an increasing price disadvantage in countries that have negotiated free trade agreements with others but not with us. Chile is a prime example. Chile has sought to maximize its benefits from free trade, and has signed trade agreements with Mercosur, with Canada and with Mexico (as well as being a member of APEC.) A recent study by the American Chamber of Commerce in Chile has identified some \$500 million in U.S. export sales that have been lost to other suppliers from these countries that can take advantage of duty preferences already in place - advantages that are not available to U.S. suppliers. There is a viable free trade process in place ready to produce results once we get fast track.



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Emerging markets are also the fastest growing export markets for trade in services. U.S. exports to emerging markets have grown at impressive rates: nearly 30 percent to China, Taiwan, and Korea; and over 20 percent to Hong Kong and Argentina. Opportunities abound for U.S. environmental technology, agriculture, automotive, telecommunications, and energy sectors among others. Fast Track will strengthen our efforts to dismantle trade barriers and open international markets, which will be key to maintain our nation's competitiveness and innovation in these critical sectors.

### Cost of Inaction

Further delay in granting Fast Track authority will cost us abroad -- and ultimately here at home. There is a real danger in U.S. inaction. The rest of the world will not wait for us, and trading pacts will be concluded without our imprint. Already more than 20 trade agreements have been signed in our hemisphere since 1992 without our participation.

*Chile \**  
We are already beginning to feel the effects of not having Fast Track authority. For example, every major economy in this hemisphere -- with the exception of the United States -- has gained duty-free access to Chilean markets. U.S. firms conducting business in Chile operate at a competitive disadvantage, as they are subject to an 11-percent tariff on U.S. goods entering Chile. As the President said last week, that is a bad deal for America. For example, U.S. telecommunications companies are now competing for contracts in Chile at a significant disadvantage because the trade agreement between Canada and Chile eliminated Chile's across-the-board tariff on Canadian goods.

Earlier this week, the EU announced their intent to negotiate a trade agreement with MERCOSUR by 1999, the growing regional bloc among four nations in South America -- including Brazil and Argentina. Our negotiations won't even start until 1998. This begs the question -- do we want to stand back and watch while Europe gains greater access in our hemisphere at our expense? I don't think we do. We cannot invoke the Monroe Doctrine to block their advance. But we can use Fast Track -- and we must if we are serious about expanding opportunity for the United States.

Our global competitors are focused on the fastest growing markets in the world, not only in Latin America and the Asia-Pacific Rim, as well as additional markets of great promise such as Africa and Central Europe. America's place is not on the sidelines -- it is on the frontline, battling to open markets so our companies and workers can compete everywhere.

### The Dangers of Inaction

There are serious and immediate consequences if we do not renew this authority. Major trade agreements are being negotiated without our participation. In every region of the world, but particularly Latin America and Asia, governments are pursuing strategic trade policies and, in some cases, preferential trade arrangements. They are forming relationships around us rather than with us, and they are creating new exclusive trade alliances to the detriment of U.S. interests. I can assure you that our trading partners are not waiting for us.

Let me cite three examples:

- Argentina, Brazil, Paraguay, and Uruguay have formed a common market, MERCOSUR, which has a GDP of over \$1 trillion and ambitions to expand. MERCOSUR is the largest economy in Latin America and encompasses a population of 200 million. It has struck agreements with Chile and Bolivia, and is discussing agreements with a number of Andean countries as well as countries within the Caribbean Basin. There are also recent press reports that the EU intends to sign a free trade deal with Mercosur by 1999.
- Canada recently signed a new trade agreement with Chile, giving Canadian exporters substantial advantages in comparison with their U.S. counterparts and just last week Canada and the EU both announced their intention to enter into trade agreements with MERCOSUR.
- Chile, one of South America's leading economies, has signed trade agreements with Bolivia, Colombia, Ecuador, Mexico, Venezuela, Canada and the MERCOSUR states. Indeed, Chile has preferential trading relationships with every major trading partner in our hemisphere but one -- the United States. The EU has also concluded a framework agreement with Chile which may lead to a free trade agreement.

The consequences of agreements being reached without us are not just theoretical; they are quite real. Many U.S. firms are experiencing the competitive disadvantage resulting from preferential agreements that do not include us. Our companies are losing export opportunities. Our past efforts to level the playing field will prove futile over the long-term if we begin to cede this ground to our competitors. Examples abound:

- On a host of important U.S. agricultural exports, our producers face tariffs of 8 percent to 20 percent on shipments to MERCOSUR, while MERCOSUR members trade tariff-free amongst themselves on most products.

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- The Washington Apple Commission and the Oregon-Washington-California Pear Bureau have identified Columbia, Venezuela, Peru and Ecuador as potential growth markets. But these countries currently impose import duties of 15 percent to 25 percent on U.S. apples and pears while imports from Chile face little or no duty.
- Chile's bilateral agreement with Ecuador has put U.S. wine at a considerable disadvantage. U.S. wine faces a 25 percent tariff versus no duty for Chilean wine.

The danger of inaction in Latin America, and in other regions where free trade agreements are being signed, is the danger of lost opportunity for U.S. agriculture. We risk losing out increasingly to others in our own backyard, not because they are more efficient producers, but because they are party to trade agreements that put the United States at a commercial disadvantage. We need fast track authority as an important tool to level the playing field for U.S. agriculture in regional trade agreements and in agreements negotiated in the WTO.

### **The Export Expansion and Reciprocal Trade Agreements Act of 1997**

The President's bill calls for the reactivation of the long-standing partnership between the Congress and the President in trade negotiations. The President's proposal ensures that the Congress is fully integrated into the formulation of U.S. goals, strategies, and decision-making for each trade negotiation subject to fast track procedures.

The proposal first sets out *overall* and *principal* trade negotiating objectives for the President. The *overall* objectives call on U.S. negotiators (1) to obtain more open, equitable, and reciprocal market access; (2) to obtain the reduction or elimination of barriers and other trade-distorting policies and practices; (3) to further strengthen the system of international trading disciplines and procedures; (4) to foster economic growth, raise living standards, and promote full employment in the United States and to enhance the global economy; and (5) to address those aspects of foreign government policies and practices regarding labor, the environment, and other matters which are directly related to trade and decrease market opportunities for United States exports or distort United States trade.

The *principal* objectives specify that U.S. negotiators should seek (1) to reduce or eliminate trade barriers or trade distortions, including government policies and practices directly related to trade that decrease market access for U.S. exports or that distort U.S. trade; (2) to reduce foreign government barriers that discriminate against or impose unreasonable regulatory barriers on U.S. services providers; (3) to reduce unreasonable barriers to U.S. foreign investment; (4) to obtain adequate and effective protection for U.S. intellectual property rights and increased access to foreign markets for U.S. businesses that rely on intellectual property; (5) to make the proceedings of international trade bodies more open to public view; (6) to secure fairer and more open conditions of trade for U.S. agricultural products; and (7) to promote through the World Trade Organization internationally recognized worker rights and sustainable development.

In order for an agreement to qualify for fast-track treatment under the bill, the President

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for U.S. dairy products, especially in Latin America where U.S. value-added dairy products are desired. But the company faces tough competition from MERCOSUR dairy producers who benefit from preferential duties, and the highly subsidized products of the European Union. In addition, the New Zealand Dairy Board has purchased a cheese plant in Mexico and a milk powder plant in Venezuela to gain access to MERCOSUR and other pact countries and avoid import duties.

- ▶ Russell Stover Candies of Kansas City, Mo., has identified South America as a key market for its confectionery and candy products. However, Russell Stover has to pay high duties to sell its products in South American markets while its competitors in MERCOSUR countries are able to sell their products at much lower prices.
- ▶ Crystal International Corporation of New Orleans, La., can not compete in Caribbean and South American markets because members of the Caribbean common market and MERCOSUR grant each other duty preferences. The company, which manufactures value-added products like sauces and powdered drinks, can't be price competitive in these lucrative markets.

Despite the ground-breaking progress made in past agreements, agriculture remains one of the most protected and subsidized sectors of the world economy. Because U.S. agriculture is the most competitive in the world, the trade distortions in agriculture are a particular problem for the United States. As U.S. agriculture increasingly turns to world markets to increase sales, trade agreements that open markets and reduce unfair competition are critical for protecting and improving the health of the U.S. agricultural sector. Free and fair trade allows one of our nation's greatest assets--the competitive strength of American agriculture--to work to full advantage.

And we need fast track to get there.

*Ag Dept. Testimony*

**Questions and Answers for  
Meeting with Congresswoman Hooley**

**Q: What do we know about job gains and losses from the NAFTA and trade in general?**

**Answer:**

- We have a good idea of the number of **U.S. jobs supported by exports**. This year they will total an estimated 12.1 million. This represents an increase in 2.2 million since 1992, reflecting the 50 plus percent increase in U.S. exports (to \$930 billion in 1997 annualized).
- Our knowledge of the **effects of imports on jobs** is much less complete. Not all imports displace U.S. production (think of petroleum, coffee and tea, or complementary inputs into U.S. production). It is not always easy to know therefore whether particular imports are displacing U.S. jobs, are neutral with respect to U.S. jobs or are supporting U.S. jobs. You can understand that it is a much more feasible analysis to estimate the number of jobs supported by U.S. production that actually occurs (exports) than to estimate job losses from production that might or might not have taken place in the absence of imports.
  - Some obvious non-competing imports from **Mexico -- petroleum** (\$8.1 billion) and **coffee, tea and spices** (\$559 million) -- accounted for about half of the United States \$17.5 billion deficit with Mexico in 1996. Similarly with the **world**, U.S. imports of **petroleum** (\$78.2 billion) alone accounted for 46 percent of the U.S. goods trade deficit in 1996 (\$170.2 billion)
- Perhaps the one solid piece of evidence that we do have is the number of Americans who are covered by **trade adjustment assistance programs** under the NAFTA TAA or the regular Trade Adjustment Assistance. In 1996, new certifications totaled 140,000. (Workers covered by these certifications do not always suffer job loss; the certification is for threat of job loss; actual job loss would be a smaller number). For all reasons, not just trade, there are roughly 3 million involuntary job losses in the U.S. market in any given year.
  - The Department of Labor does not know the number of individuals out of the 140,000 certifications who actually lost jobs. What Labor does know is the number of certified workers who actually received benefits in 1996. These were: **33,000 for income support; 36,000 for training benefits, and 62,000 for reemployment services**. These numbers are NOT additive, as individual workers may receive several forms of benefit.
- Some have argued that **trade deficits reduce employment** on the simple logic that, if exports support jobs, then imports must have an equal job displacing effect. Evidence, however, suggest otherwise. Job loss in the U.S. tends to be greatest when the trade deficit is shrinking, as in the 1991 recession. And, trade deficits tend to grow when the

economy and jobs are booming, as in the 1992-97 period. The U.S. trade deficit (goods and services) annualizes to \$115 billion this year. But with unemployment at a 24 year low and the economy arguably at full employment, it is hard to argue that the trade deficit is costing jobs. The recent trade deficits have, in fact, been more a sign of the strength of the U.S. economy, rather than an independent source of weakness in job creation or otherwise.

- I would also note that, with reductions federal budget deficits and the drain it represents on national saving, **we have made a great deal of progress in reducing the size of the trade deficit relative to our economy.** At its peak in the previous business cycle, the U.S. goods and services deficit represented 3.3% of U.S. GDP. Last year it was 1.5%.
- With respect to the **NAFTA**, I would recommend to you the President's recent report to Congress. Trade flows with Mexico in recent years have been shaped more by strong U.S. growth and the Mexico's severe recession in 1995 than by the NAFTA itself. In the report we discuss studies that attempt to isolate the effect of the NAFTA on trade, controlling for other such non-NAFTA influences. We find that NAFTA per se stimulated U.S. exports to Mexico more than imports from Mexico during its first three years (according to DRI, exports to Mexico up \$12 billion a year due to the NAFTA, imports up \$5 billion). This is not illogical, as Mexico made tariff cuts 5 times greater than did the United States (from 7% to 3% for Mexico versus 2% to 0.5% for the U.S.) It is particularly difficult therefore to sustain the notion that the NAFTA has been a job loser for the U.S. I would further note that with Mexico's rapid recovery from its 1995 recession, U.S. exports grew by 23% in 1996 and 24% in the first 7 months of this year. The trade deficit with Mexico has also begun to decline.
- Let me add that **the President is very sensitive to the challenges faced by any American losing a job involuntarily** and having subsequent difficulty in the labor market. Trade, however, is only one, and far from the principal, source of job displacement. Home grown technological change plays a far greater role. No matter what the cause -- trade, technology or other factors such as shifting demand linked to the changing age structure of the U.S. population, the answer has to be education, retraining and temporary income support, not restricting the sources of change that benefit the country as a whole. This is why we have special trade adjustment assistance.

**Q: What about the wages of those jobs gained and lost due to trade?**

**Answer:**

- Jobs supported by **goods exports pay wages that are 13% to 16% above the U.S. national average.** These are both good manufacturing jobs and good service jobs (largely in business related services). The higher wage is widely thought to reflect higher levels of productivity in America's competitive export sectors.

- There are, as I mentioned, no credible estimates of jobs actually displaced by imports. Instead, academics have tended to look at the labor characteristics of U.S. jobs in U.S. industries clearly in an import-competing posture. Such studies usually find **below average wages for import competing jobs**. For instance Larry Summers, as an academic, and Lawrence Katz, the President's first chief economist at the Labor Department, published a study estimating that jobs in import competing industries pay wages roughly 16% below the U.S. national average.
- Good trade agreements which reduce or remove foreign trade barriers expand U.S. exports and, gradually over time, shifts the composition of U.S. job creation from lower to higher productivity sectors, from lower to higher paying jobs. **Good trade agreements are part of the solution, not the problem in terms of raising average real wages.**
- I would also note that a CEA study for the period February 1994 to February 1996 showed that over **two-thirds of the U.S. employment increase overall was in areas paying wages above the U.S. median wage**. **Real average hourly earnings, according to official data, have started increasing again**, rising 1.4% in the last twelve months. And, of course, to the extent that official statistics are overstating the rate of consumer price increases -- as many believe -- the rate of real labor compensation increases are being understated.

**Question: What about job movement by industry overseas due to the NAFTA and trade generally?**

**Answer:**

- Unfortunately, beyond anecdotal information, **there are no reliable comprehensive data base to our knowledge that tracks job movement by U.S. industries overseas**. This is unfortunate as it probably helps create an environment in which concerns and allegations are rife. But, we do know the following:
  - Since 1992, **U.S. real industrial production is up 20%** compared to much slower growth in our major industrial trade partners.
  - **Investment by U.S. industry in the U.S.** has been so strong that our **industrial capacity** is rising faster than at any time since the early 1970s.
  - **Manufacturing employment** has stopped falling and started rising, up 439,000 since 1992. The limitation on U.S. manufacturing employment has not been trade, but rather tremendous productivity growth resulting from strong U.S. investment in advanced production technologies. Also, a substantial part of the near 13 million net U.S. job increase since 1992 is likely to have been good paying service jobs (in business services) supported by expanding U.S. industrial production.

**Question: What about increased U.S. investment overseas or in Mexico due to NAFTA?**

**Answer:**

- There is little evidence of increased **U.S. foreign direct investment in Mexico** since NAFTA implementation. In 1993 such investment totaled \$2.5 billion, in 1994 it rose to \$3.7 billion, but declined to \$3.0 billion in 1995 and \$2.7 billion in 1996. These are very small figures relative a U.S. economy where private business fixed investment exceeds \$800 billion a year.
- To the extent U.S. investment in Mexico is stimulated by the NAFTA, it is often not at the expense of production in the United States. Mexico's economy is very different from our own and it has very different advantages in terms of the types of production it can attract. **U.S. investment in Mexico is more likely to displace U.S. imports from developing countries in Asia and elsewhere with whom Mexico competes more directly than production in the U.S.** This is clearly going on in the apparel area where imports from Mexico are displacing those from China. **The advantage to U.S. workers is that the U.S. produced content in imports from Mexico is much greater than in imports from China or elsewhere in Asia.**
- The **United States is itself the world's largest recipient of foreign direct investment**, with amounts totaling \$45.7 billion in 1994, \$67.5 billion in 1995 and \$77 billion in 1996.
- Looking at total foreign capital flows -- direct plus portfolio -- the United States is the world's greatest magnet for foreign investment. **In the last 15 years capital inflows to the United States have exceeded capital outflows by nearly \$1.5 trillion.** These foreign capital inflows have helped sustain healthy rates of investment in the United States and in recent years have reflected the attractiveness and strength of our economy.

[Of course no country can enjoy capital account surpluses without experiencing current account (broadest measure of trade) deficits. And, in fact the U.S. current account surpluses have totaled the same \$1.5 trillion in the last 15 years (though in recent years they have been substantially reduced relative to the size of our economy)].

## House Ways and Means Committee

**23 Republicans**

**Y N**

Archer, Bill	TX-7	✓	
Crane, Philip	IL-8	✓	
Thomas, Bill	CA-21	✓	
Shaw, Clay	FL-22	✓	
Johnson, Nancy	CT-6	✓	
Bunning, Jim	KY-4	✓	
Houghton, Amo	NY-31	✓	
Herger, Wally	CA-2	✓	
McCrery, Jim	LA-4	✓	
Camp, Dave	MI-4	✓	
Ramstad, Jim	MN-3	✓	
Nussle, Jim	IA-2	✓	
Johnson, Sam	TX-3	?	
Dunn, Jennifer	WA-8	✓	
Collins, Mac	GA-3	✓	
Portman, Rob	OH-2	✓	
English, Phil	PA-21		✓
Ensign, John	NV-1		
Christensen, Jon	NE-2	✓	
Watkins, Wes	OK-3	✓	
Hayworth, J.D.	AZ-6	✓	
Weller, Jerry	IL-11		✓
Hulshof, Kenny	MO-9	✓	
<b>TOTAL REPS</b>		20	

**16 Democrats**

**Y N**

Rangel, Charles	NY-15		✓
Stark, Pete	CA-13		✓
Matsui, Robert	CA-5	✓	
Kennelly, Barbara	CT-1		✓
Coyne, William	PA-14		✓
Levin, Sander	MI-12		✓
Cardin, Ben	MD-3		✓
McDermott, Jim	WA-7	✓	
Kleczka, Gerald	WI-4		✓
Lewis, John	GA-5		✓
Neal, Richard	MA-2		✓
McNulty, Michael	NY-21		✓
Jefferson, William	LA-2	✓	
Tanner, John	TN-8	✓	
Becerra, Xavier	CA-30		✓
Thurman, Karen	FL-5		✓
<b>TOTAL DEMS</b>		4	

24 age  
14 mo