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[President] Carter Calls [Fast Track]

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Congressional Hispanic Caucus

Switchboard	224 - 3121
Ed Pastor (D -AZ)	225 - 4065
Xavier Becerra (D - CA)	225 - 6235
Mathew Martinez (D - CA)	225 - 5464
Lucille Roybal Allard (D - CA)	225 - 1766
Loretta Sanchez (D - CA)	225 - 2965
Esteban Torres (D - CA)	225 - 5256
Ileana Ros-Lehtinen (R - FL)	225 - 3931
Lincoln Diaz-Balart (R - FL)	225 - 4211
Luis Gutierrez (D - IL)	225 - 8203
Robert Menendez (D - NJ)	225 - 7919
Jose Serrano (D - NY)	225 - 4361
Nydia Velazquez (D - NY)	225 - 2361
Henry Bonilla (R - NY)	225 - 4511
Henry Gonzalez (D - TX)	225 - 3236
Ruben Hinojosa (D - TX)	225 - 2531
Solomon Ortiz (D - TX)	225 - 7742
Silvestre Reyes (D - TX)	225 - 4831

S. 219 -

Support for Value-added Agricultural Exports

The export of value-added agricultural products is an important component of U.S. agriculture's success in foreign markets. These exports contribute directly to farm income and to the health of the overall economy, and value-added farm sales overseas are an important factor in improving the United States merchandise trade balance.

Unfortunately, U.S. farmers and ranchers cannot realize their full export potential because some foreign countries deny fair and equitable market access to U.S. agricultural products. In order to identify unfair market restrictions on U.S. value-added agricultural exports, and to focus our resources on removing these barriers, the Administration/I support(s) S. 219, the Value-added Agricultural Products Market Access Act of 1997.

This bill requires the U.S. Trade Representative, on an annual basis, to identify countries that deny market access for value-added U.S. agricultural products, or that apply standards for the import of value-added agricultural products from the United States that are not related to public health concerns or cannot be substantiated by reliable analytical methods. The Trade Representative shall undertake an investigation of such countries, and report annually to Congress on the progress of removing barriers to free and equitable trade in value-added agricultural products.

AGRICULTURE

- *Agriculture's future is tied to trade.* U.S. agricultural exports climbed to $60 billion in 1996, the highest ever. Since 1990, the value of U.S. agricultural exports has increased by $20 billion, or nearly 50 percent. Each week last year, on average, American producers and processors shipped out more than $1.1 billion in farm and food products to foreign markets.

- *American agriculture is more than twice as reliant on foreign trade as the U.S. economy as a whole*, with exports currently accounting for an estimated 30 percent of agriculture's cash receipts. Production from up to a third of U.S. cropland is exported.

- *Exports are agriculture's source of future growth in sales and income.* The domestic U.S. market is relatively mature and slow growing. American farmers and ranchers already produce an abundance far in excess of domestic needs, and their productivity continues to increase. Meanwhile, global food demand is expanding rapidly, and more than 95 percent of the world's consumers live outside U.S. borders. U.S. exports are growing more than three times as fast as domestic demand for foods.

- *The share of U.S. production exported averages:* 26 percent for coarse grains; 27 percent for oranges; 28 percent for grapes, broccoli, and pears; 36 percent for soybeans; 40 percent for grapefruit; 45 percent for cotton; 49 percent for rice; 54 percent for wheat; 57 percent for hides and skins; and 70 percent for almonds.

- *Total agricultural exports in fiscal 1996 included:* $9.3 billion worth of coarse grains; a record $8.1 billion in meat and livestock products; $7.9 billion in soybeans and products; $7.0 billion in wheat and flour; a record $5.7 billion in fruits, vegetables, and preparations; $3.0 billion in cotton; and a record $2.4 billion in poultry meat.

Agricultural Trade Contributes to a Strong U.S. Economy

- *Agricultural trade is important to the overall U.S. economy.* U.S. agricultural exports support nearly a million jobs -- more than 60 percent of those jobs off the farm in processing, transportation, and trade. Export-related jobs pay higher than average wages, providing good-paying jobs for American workers in rural and urban areas throughout the nation.

- *The total contribution to U.S. economic activity from 1996's agricultural exports is estimated at around $140 billion.* Each dollar in agricultural exports multiplies throughout the economy, generating farm purchases of inputs and spurring additional economic activity in manufacturing and other sectors.

Ag Cont.

- Agriculture is one of the few U.S. industry sectors that consistently runs a trade surplus, posting a surplus every year since 1960. In fact, among industry sectors, agriculture was the leading positive contributor to the U.S. trade balance in 1996 -- not chemicals, industrial machinery, or computers, but agriculture. Our agricultural trade surplus in fiscal 1996 topped $27 billion, the largest farm trade surplus in history. The surplus in agricultural trade was enough to pay for virtually all the cars imported last year from Japan and Germany combined.

- *The United States is once again the world's largest exporter of food and farm products,* commanding around a 22-percent share of global agricultural trade. Last year, our agricultural exports were twice the level of our agricultural imports -- a claim no other industry sector can make. Dollar for dollar, we export more corn than coal, more wheat than steel, more meat than aluminum, and more fruits and vegetables than CD's, records, and tapes.

Trade Agreements Help U.S. Agriculture

- *Agriculture remains one of the most protected and subsidized sectors of the world economy.* Because U.S. agriculture is among the most competitive in the world, the trade distortions in agriculture are a particular problem for the United States.

- *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.

Fast Track Is Needed for Further Trade Negotiations

- *Despite progress in the WTO and other free trade agreements, we still have a lot of work to do* in removing barriers to U.S. agricultural exports and addressing unfair competition from other countries. The only way we can make substantial progress is through broad negotiations where the United States has the ability to request concessions from other countries, and induce commitments by making some of our own.

- *To have credibility at the negotiating table, the President must be backed up by fast track authority.* Otherwise, other countries will not make the concessions we need because of fear that Congress will demand the President pull U.S. commitments off the table at the last second.

Fast Track Will Be Used to Create New Trade Opportunities

- *The Administration is seeking broad fast track authority* -- the ability to negotiate trade agreements in the WTO and in specific regions as appropriate under the changing circumstances facing our exporters.

- *Further work in the WTO is a priority for the Administration.* The WTO is the only way for us to comprehensively address the countries around the world that maintain high tariffs or

Ag Cont -

trade-distorting subsidy policies. U.S. participation there will determine whether world agricultural trade liberalization continues or regresses to protectionism.

- *NAFTA has been a big success for U.S. agriculture, and broadening NAFTA membership will open up new markets for our exports.* Other regional trade arrangements, such as APEC (Asia-Pacific Economic Cooperation), the FTAA (Free Trade Area of the Americas), or new agreements in areas such as Africa are promising areas for the United States to open export markets and ensure growing opportunities for years ahead.

U.S. Agriculture Will Pay a Price If Fast Track Is Not Granted

- *Most U.S. trading partners in this hemisphere have been active in forging closer ties with neighboring countries* in an effort to provide for economic growth and export opportunities for their agricultural producers.

- *For example, Argentina, Brazil, Paraguay, and Uruguay have formed a common market, MERCOSUR,* that provides significant trade preferences to each other in this rapidly expanding region. Chile, one of the best economic performers in Latin America, has been particularly aggressive, signing trade agreements with Bolivia, Colombia, Ecuador, Mexico, Venezuela, MERCOSUR, and most recently Canada. More than 30 bilateral and regional trade agreements are already operating here in the Western Hemisphere, and the United States is party to only one -- NAFTA. While these preferential trade agreements multiply, the U.S. share of the region's total agricultural imports is declining.

- *The EU is already the world's largest trading bloc and is poised for major expansion in the next few years.* Through its "association agreements," the EU has already secured for its exporters a significant advantage in the emerging markets of Central and Eastern Europe. The only way to limit the effects of these agreements and of EU expansion, particularly in agriculture, is by negotiating further multilateral liberalization in the next round of WTO talks.

- *As a low-cost supplier of high-quality foods, the United States is well positioned to benefit substantially from trade liberalization among the 18-member APEC group.* Reducing tariffs in the fast-growing countries of the Pacific Rim could provide a dramatic boost to U.S. exports of consumer-oriented products. Without fast track, the U.S. commitment to economic development and future trade growth in the region will not be taken seriously.

- *As long as the United States lacks fast track authority, we won't be able to make any progress in the WTO.* Without a negotiating mandate, the U.S. will lack credibility to push for a fast start on WTO agriculture negotiations scheduled to start at the end of 1999. Further multilateral trade negotiations in the WTO are the most effective way to open a range of markets of interest to U.S. producers and exporters. In contrast to a web of bilateral and regional arrangements, WTO negotiations can ensure that U.S. exporters have the same chance to compete in foreign markets and allow U.S. negotiators to push for concessions that benefit all U.S. industries.

INFORMATION TECHNOLOGY INDUSTRIES

Fast Track means expanding trade, creating more higher paying jobs, improving our standard of living and maintaining America's global leadership. With Fast Track, the President will keep breaking down barriers to our products and services. He has outlined his broad trade objectives for opening markets in Asia, Latin America, Africa and elsewhere.

Flexibility is needed to negotiate agreements and increase exports in sectors where the United States is most competitive, such as agriculture, medical equipment, tele-communications and environmental equipment. Exports support an estimated 11.5 million American jobs, including one in five manufacturing jobs and over the last four years have created 1.7 million new jobs.

We face a critical choice: shape the global economy to America's advantage, or turn back and fail to compete for new business, new contracts and new jobs. It is particularly important to U.S. information technology industries and their workers that we negotiate from a position of strength. Fast Track will give us that advantage.

Below are useful facts about U.S. information technology industries and some of the difficulties our companies face around the world.

The information technology industries are vital to the U.S. economy

- U.S. information technology companies have operations in all 50 states and generate over 3.5 million domestic jobs directly and indirectly; this sector provides predominantly high-wage employment.

- Information technology industries have become the back-bone of the U.S. and global economy. Information technology has become integrated into all modern business transactions and is an engine of growth in global trade.

- In 1996, U.S. shipments for computer hardware, telecom equipment and electronic components was $166.4 billion.

U.S. manufacturers are global leaders

- Through diligent efforts to improve competitiveness, U.S. industry has taken back leadership in global market share, including: semiconductors, semiconductor manufacturing equipment, and printed circuit board production.

- Computer software alone, is the third largest manufacturing industry in the U.S. economy in terms of value-added and was estimated to be worth approximately $66.8 billion in 1996.

Inf. Tech cont

- In 1996, U.S. telecom equipment shipments were valued at $56 billion, accounting for one-third of world-wide shipments. One reason that U.S. telecommunications technology is so competitive is that the United States was the first country to open its market to competition in 1984.

Exports are an essential component of info-tech companies market strategy

- U.S. computer hardware, telecom equipment and electronic component companies exported an estimated $90.9 billion in 1996. Info-tech companies as a whole export over one third of their production.

- Due to dramatic growth in technology markets world-wide, U.S. IT companies are becoming export dependent; thus, exports are vital to U.S. competitiveness.

Access to low and middle income countries is critical to this strategy

- Emerging markets are the engine for future growth. Asia and Latin America technology markets, in particular, will continue to experience double digit growth rates, at least double the rate of U.S. and European markets.

- Brazil has the largest telecom sector in Latin America with a market worth nearly $ 8 billion in 1996, however, tariff rates are up to 32 percent.

Tariffs and non-tariff measures block access to emerging markets

- Export growth would be greatly enhanced for all information technology products if tariff and non-tariff measures were reduced among U.S. trading partners through the broadening of agreements such as the recent Information Technology Agreement.

- Non-tariff measures (NTMs) are the most significant barriers to export growth of U.S. information technology products.

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

- To combat these problems, U.S. government and industry are attempting to pursue these issues in existing multilateral and regional fora, including the WTO, APEC, ASEAN Dialogue, and by enforcing U.S. trade laws.

- U.S. info-tech companies place high priority on the implementation of tariff elimination under ITA-I. Additionally, they strongly support new and expanded coverage under ITA -II, such as expansion of product coverage and country signatories, and addressing the removal of NTMs.

Inf. Tech cont.

Competition doesn't wait for U.S. leadership

- Since the Mercosur countries chose not to join the Information Technology Agreement, the FTAA is very important to U.S. IT companies. U.S. competitors are targeting Latin America as a market priority. Already, the European Union has signed a framework agreement with the Mercosur partners, which could give advantages to European products in the key emerging markets of Latin America.

- Preferences granted in Central Europe to the European Union under its association agreements to members like Hungary who have not yet joined the ITA may hinder U.S. exports. These preferences arise in several countries and the situation could worsen once they are fully phased in. This can be particularly difficult in the technology sector, where for example, tariff preferences can be as high as 15 percent.

SERVICES

Fast Track means expanding trade, creating more higher paying jobs, improving our standard of living and maintaining America's global leadership. With Fast Track, the President will keep breaking down barriers to our products and services. He has outlined his broad trade objectives for opening markets in Asia, Latin America, Africa and elsewhere.

Flexibility is needed to negotiate agreements and increase exports in sectors where the United States is most competitive, such as agriculture, medical equipment, tele-communications and environmental equipment. Exports support an estimated 11.5 million American jobs, including one in five manufacturing jobs and over the last four years have created 1.7 million new jobs.

We face a critical choice: shape the global economy to America's advantage, or turn back and fail to compete for new business, new contracts and new jobs. It is particularly important to U.S. service industries and their workers that we negotiate from a position of strength. Fast Track will give us that advantage.

Below are useful facts about the U.S. service industries and some of the difficulties our companies face around the world.

The services sector is by far the largest component of the U.S. economy

- Four out of five private sector non-farm jobs are in the U.S. economy's service sector - 81 million in 1996.

Exports of services by U.S. firms supported and estimated 3.9 million U.S. jobs in 1996

- U.S. service exports have more than doubled over the last ten years, increasing $135 billion since 1987, and $84 billion just since 1990.

- In 1995, U.S. services exports accounted for 16 percent of global services exports; our closest competitors that year were France (8 percent), and Germany, Italy, Japan and the U.K. (between 5 and 6 percent)

- With services exports estimated to reach $300 billion by 2005 and $350 billion by 2010, the future growth in services exports is tremendous. With the expanding electronic commerce market, the growth trend in the service sector may easily surpass these estimates.

- Take for example the healthcare services industry. In 1994, exports reached $812 million, the industry is estimated to grow to $1.03 billion by 1998 and continue its growth to $1.4 billion by 2002.

Services cont.

Emerging markets are the fastest growing export markets

- 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.

- United States also exported over $1 billion in 1995 to the emerging markets of Argentina, Brazil, China, Hong Kong, the Philippines, India, Indonesia, Korea, Malaysia, Singapore, and Thailand.

- In Korea, transportation services account for over 6 percent of GDP, with growth of over 15 percent annually during this decade.

- Korea's construction and engineering markets could reach over $22 billion per year.

Unless negotiated away, barriers can inhibit increased U.S. exports

- Brazil has restrictive investment laws, lack of transparency in administrative procedures, and limits on foreign capital participation. The Brazilian Constitution prohibits new foreign entries into the financial sector; the government reserves the right to refuse entry to managers or executives associated with providing a service if they do not provide new technology, increase productivity in Brazil, or attract new investment.

- In Korea, a number of service sectors' remain restrictive for foreign investment, including audio-visual services, insurance, telecommunications, and advertising.

- Distribution in the domestic market is restricted in Indonesia. Under Thai law, foreigners are prohibited from working in certain professions; and Malaysia maintains restrictions on advertising and radio/tv content.

- India maintains a variety of restrictions on services operations: investments in insurance are prohibited (except in narrowly defined segments); in banking, they are severely regulated although U.S. firms are active in financial services with domestic firms.

- South Africa fails to provide adequate intellectual property rights with respect to franchising. The estimated market size of fast food franchising in South Africa is $300 million.

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

- To combat these problems, U.S. government and industry are attempting to pursue these issues in existing multilateral and regional fora, including the WTO, APEC, ASEAN Dialogue, and by enforcing U.S. trade laws.

NATIONAL SECURITY COUNCIL

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Hm (404) 355- 6329
Wk (404) 420-5180
Bob Pastor
(404) 355-3898
404 420-5196 #10
Primary

FAX COVER SHEET

NATIONAL ECONOMIC COUNCIL 17th & Penn, N.W. Washington, D.C. 20504 Did you get a complete, clear transmission? If not, please call: (202) 456-9281	**From: Linda Eddleman** **To: Robert Pastor** **Agency: Carter Center** **Fax Number: 404-355-3898** **Date/Time: 10/24/97 11:55** **No. of pages to follow: 20** **Message: Fast Track**

Senate Calls

Max Cleland	(202) 224-3521
Tom Harkin	(202) 224-3254
John Kerry	(202) 224-6551

House Calls

Leonard Boswell	(202) 225-3806
Peter Deutsch	(202) 225-7931
Nita Lowey	(202) 225-6506
Karen McCarthy	(202) 225-4535
Nancy Pelosi	(202) 225-4965
Ike Skelton	(202) 225-2876
Bill Hefner	(202) 225-3715
David Price	(202) 225-1784

TALKING POINTS IN RESPONSE TO CRITICISM OF FAST TRACK BILLS

Introduction

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

Labor and the Environment

- The opponents neglect to mention that the House and Senate fast track bills both set out specific negotiating objectives to address foreign governments' labor practices -- the most detailed provisions of this type ever included in fast track legislation.

- The opponents also ignore the fact that these fast track bills *for the first time* include trade-distorting environmental, health, and safety practices in the principal fast track negotiating objectives.

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

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

- By contrast, these bills are far stronger -- turning the vague language of the past into clear authority for the President to negotiate with other countries to ensure they do not manipulate or ignore their labor and environmental laws to gain a competitive advantage for themselves.

- And the President also retains the full authority under these bills to utilize a variety of means to promote greater respect for environmental protection and worker rights -- including through a prohibition on exploitative child labor. The Administration is committed to addressing these issues vigorously in a variety of international fora and, where appropriate, with our trading partners.

- [If asked--for House bill only] The opponents also claim that language in the House bill providing that foreign governments should not be precluded from changing their laws for "sound macroeconomic reasons" creates a loophole here. That is untrue. We have long urged other governments to implement economic policies that make good development sense in the long term -- and that are consistent with labor, environmental, and health and safety concerns. *Sound* macroeconomic policies and strong labor and environmental protections are complementary goals.

Other Issues

- The opponents also are wrong when they claim that the bills will significantly restrict Congress' ability to include provisions of importance to American workers in future trade agreement implementing legislation.

- In fact, both bills ensure that future fast track legislation can include trade adjustment assistance for U.S. workers and firms, must protect our strong laws addressing unfair foreign trade practices, and can accommodate other relevant provisions of interest to Members of Congress and the Administration.

Conclusion

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

- Opposing fast track, by contrast, would do nothing to advance our ability to address these concerns with other governments. It simply would ensure that our labor and environmental concerns are ignored in the years ahead-- even as we are denied the chance to pursue new export opportunities that translate directly into good jobs for American workers.

THE WHITE HOUSE

WASHINGTON

October 24, 1997

MEMORANDUM FOR ROBERT PASTOR

THROUGH: ROBERT D. KYLE LE for

FROM: LINDA H. EDDLEMAN LE

SUBJECT: Fast Track

Attached is a copy of the memorandum prepared for you by Jay Berman in connection with the calls President Carter has agreed to make to members of Congress regarding fast track legislation. Also attached is the following background information:

1) General talking points regarding fast track,
2) Fact sheet regarding opportunities (WTO related) that the United States would lose if fast track legislation is not passed,
3) Talking points regarding fast track and American workers,
4) Talking points regarding the fast track bill produced by the Ways and Means Committee,
5) Talking points regarding the fast track bill produced by the Senate Finance Committee,
6) Questions and answers prepared for President Clinton for his use in discussions with Senators, and
7) Background information regarding Administration efforts in the area of child labor.

Please contact either Bob Kyle or me at (202)456-9281 if you need any additional information.

Memorandum

To: Sandy Berger
From: Jay Berman
Subject: Calls for President Carter
Date: October22, 1997

The Senate calls are:

S. 219, ag. X

1 High Tech

Max Cleland — I know issue well, gettable. Tried to get

Tom Harkin —> Huge problem w/ child labor. Wants to make sure we're helping S. 219

John Kerry —> lone Religion against. I seen what Mass High Tech area —> helped Massachusetts

Both Harkin and Kerry are likely to raise labor and the environment as issues. Tom Harkin has been particularly concerned about child labor. There is, as you know, a specific reference to child labor in both bills. Cleland is a total unknown, though he has expressed some concern about Congressional prerogatives.

The House calls are:

Leonard Boswell(D-Iowa) - he is concerned about <u>child labor.</u> ag
Pork producers - pro. Labor against

-> Sugar
-> Fill into obligations

Peter Deutsch(D-~~Fla.~~) - he could be there at the end but needs to convinced this is truly a matter of national interest. Issue -> Sugar
changing companies for ... profit. Everglades ...

Nita Lowey(D-NY) - undecided but concerned about labor and the environment and whether this bill restricts the President more than previous grants of fast track. -> concern, labor will be angry

Karen McCarthy(D-Mo.) - under intense pressure from labor and yet still undecided. Mon day -> UAW plans to run ads. "Kind" letter

Nancy Pelosi(D-Cal) - unhappy about China MFN and concerned about labor and the environment in terms of whether this grant is more restrictive than what Democratic Congresses have given to Republican Presidents--as in 1988.
-> Close to supporting. High Tech

3 points outlining Pres's dev
for S. Am. Ag concerns

Ike Skelton(D-Mo.) - undecided.

Bill Hefner(D-N.C) - undecided. Tough sell Textile industry
Job loss. Knows that these have gone beyond

David Price(D-N.C.) - undecided, appeal to him on national interest grounds and the fact that there will be a significant trade adjustment assistance package. He was a college professor and is comfortable with the policy arguments. Concerned about labor politically.

Prob on board ~~Research triangle~~
Hope to get yes

Prob most will get calls
TAA, not most import
Heffner, Pelosi

Pres = developing package
3 points that are out there

TALKING POINTS ON FAST TRACK AND FOREIGN POLICY

Fast Track and American Leadership -- Overview

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

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

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

Exports and U.S. Growth

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

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

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

Fast track and American Foreign Policy

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

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

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

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

Conclusion

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

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

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

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

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

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

AGRICULTURE

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

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

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

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

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

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

COMMERCIAL SERVICES

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

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

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

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

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

GOVERNMENT PROCUREMENT

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

Civil Aircraft

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

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

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

Energy Equipment

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

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

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

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

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

Environmental Technologies and Services

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

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

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

Medical Equipment

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

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

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

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

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

KEEPING AMERICA AND ITS WORKERS THE MOST COMPETITIVE IN THE WORLD

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

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

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

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

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

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

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

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

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

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

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

A Record of Strong Action to Help Families and Workers

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

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

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

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

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

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

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

TALKING POINTS ON
NEW WAYS & MEANS COMMITTEE
TRADITIONAL TRADING AUTHORITY LEGISLATION

The Ways & Means Compromise Meets the Objectives of the President and is a Good Bipartisan Approach. We want to thank Chairman Archer and Mr. Dreier for working with us constructively in fashioning a good bipartisan bill. The compromise recently reached (which is different than the bill Chairman Archer introduced Monday) meets the concerns of both Congressional Democrats and Republicans. It also advances the key objectives of the President.

- Serving Our Overall Objectives. The bill ensures the President is able to pursue his three core objectives: 1) to break down unfair foreign trade barriers and create good American jobs; 2) to promote and advance worker rights; and 3) to promote responsible environmental protections. Our goal throughout this process has been to ensure the President is able to pursue all three objectives effectively.

- Promoting Our Labor and Environmental Goals. The bill contains a fast track negotiating objective specifically addressing protection of the environment and promotion of worker rights abroad. The President also retains the ability to pursue labor and environmental objectives through a variety of means.

The Bill Advances Our Trade Agenda. The Ways & Means bill permits the President to continue attacking foreign trade barriers and opening markets to the products of U.S. workers and companies. Renewal of fast track authority, which every President has had since 1974, is critical to continuing the economic expansion the U.S. is now experiencing.

The Bill Gives Us the Ability to Protect Worker Rights and the Environment. This bill enables us to address worker rights and environmental protection in negotiations with our trading partners. Key provisions include:

- Principal Negotiating Objective. The bill includes the promotion of worker rights (including deterring exploitative child labor) and protection of the environment as a principal negotiating objective of U.S. negotiators. It establishes the objective of ensuring "that foreign governments do not derogate from or waive existing domestic environmental, health, safety or labor measures, including measures that deter exploitative child labor, as an encouragement to gain competitive advantage in international trade or investment".

- Worker Rights in the ILO/WTO. The bill also promotes worker rights and the environment by stating the President should pursue non-fast track agreements on various labor/environmental subjects in the ILO, WTO and other fora.

- Assistance for Dislocated Workers. The bill contains reauthorization for Trade Adjustment Assistance (TAA) and NAFTA-TAA. It also states that future trade agreement implementing bills could contain adjustment assistance for workers and firms adversely affected by trade.

The President Can Use Additional Tools. The Ways & Means Committee approach recognizes that the President retains additional options for pursuing our labor and environmental objectives.

- Side Agreements. The President retains broad executive authority to reach labor and environmental agreements with other countries. These agreements do not require Congressional approval. We have already committed to such agreements in conjunction with future trade negotiations, where appropriate, and Chile has already agreed to conclude such agreements with us.

- Other Agreements. The Clinton Administration has done more than any other to press countries to improve their labor and environmental protections – and we will continue to do so, whether through the WTO, ILO, UN or international financial institutions. We should be concerned about improving labor and environmental conditions in all countries, not just in free trade partners.

The Bill Includes Other Key Provisions. The Ways & Means Committee bill also incorporates a variety of other important provisions sought by Democrats and others.

- Agriculture. The bill contains a specific, detailed negotiating objective on agriculture, requested by Democrats, that is designed to promote fairer and more open conditions of agricultural trade.

- Better Consultations. It includes several provisions to require greater consultations with the Congress than ever before.

- Flexibility in Future Bills. The Ways & Means Committee bill also provides flexibility to include in future trade agreement implementing bills provisions "related to the operation or effect of the provisions of the trade agreement", thereby permitting the U.S. to include assistance for dislocated workers or other provisions important for adjustment to the effects of the trade agreement's provisions.

- Duration. The bill extends fast track authority to 2001, extending it until 2005 only after a Congressional vote.

Traditional Trading Authority

The Senate Finance Bill Addresses Key Democratic Concerns. The Senate Finance Committee bill, passed on October 1 with overwhelming Democratic support, advances the key objectives of the President and Congressional Democrats.

- Serving Our Overall Objectives. The bill ensures that the President is able to pursue his three core objectives: (1) to break down unfair foreign trade barriers and create good American jobs; (2) to promote and advance worker rights; and (3) to promote responsible environmental protections. Our goal throughout this process has been to ensure the President is able to pursue all three objectives effectively.

- Promoting Our Labor and Environmental Goals. The bill contains a fast track negotiating objective specifically relating to protecting the environment and promoting worker rights abroad. The President also retains the ability to pursue labor and environmental objectives through a variety of means.

The Bill Advances Our Trade Agenda. The Finance Committee bill permits the President to continue attacking foreign trade barriers and opening markets to the products of U.S. workers and companies. Renewal of fast track authority, which every President has had since 1974, is critical to continuing the economic expansion the United States is now experiencing.

The Bill Gives Us the Ability to Protect Worker Rights and the Environment. This bill enables us to address worker rights and environmental protection in negotiations with our trading partners. Key provisions include:

- Principal Negotiating Objective. The bill includes the promotion of worker rights (including child labor standards) and protection of the environment as a principal negotiating objective of U.S. negotiators. It directs U.S. negotiators to seek agreements to prevent foreign governments from lowering, or derogating from, the country's labor, environmental, or health and safety standards for the purpose of attracting foreign investment or inhibiting U.S. exports.

- Worker Rights in the ILO. The bill also promotes worker rights by having the U.S. seek to have the International Labor Organization examine how other countries are enforcing core standards such as freedom of association and the right to organize and bargain collectively -- an idea proposed by Senator Moynihan and other Democrats.

- Assistance for Dislocated Workers. The bill also envisions that trade agreement implementing bills could contain assistance for those workers dislocated by trade, such as through the Trade Adjustment Assistance (TAA) program.

- Environmental Protection. The bill affirms the importance of protecting and preserving the environment and calls for enhanced international efforts to accomplish this objective.

- Protecting Our Laws. The bill safeguards U.S. laws that provide world-class protection to our workers and the environment.

The President Can Use Additional Tools. The Finance Committee approach recognizes that the President retains additional options for pursuing our labor and environmental objectives.

- Side Agreements. The President retains extensive executive authority to reach labor and environmental agreements with other countries. These agreements do not require congressional approval. We have already committed to such agreements in conjunction with future trade negotiations, where appropriate, and Chile has already agreed to conclude such agreements with us.

- Other Agreements. The Clinton Administration has done more than any other to press countries to improve their labor and environmental protections -- and we will continue to do so, whether through the WTO, ILO, UN, or international financial institutions. We should be concerned about improving labor and environmental conditions in all countries, not just in free trade partners.

The Bill Includes Other Key Provisions Requested by Democrats. The Finance Committee bill also incorporates a variety of other important provisions sought by Minority Leader Daschle and other Democrats.

- Agriculture. The bill contains a specific, detailed negotiating objective on agriculture, requested by Democrats, that is designed to promote fairer and more open conditions of agricultural trade.

- Better Consultations. It includes several provisions to require greater consultations with the Congress than ever before -- concerning both trade negotiations and any planned agreements on labor and the environment.

- Trade Adjustment Assistance. At the insistence of Senator Moynihan and other Democrats, the Finance Committee bill extends and funds the TAA program for two additional years.

- Flexibility in Future Bills. The Finance Committee bill also preserves the ability to include in future fast track legislation improvements in U.S. fair trade laws or assistance for dislocated workers, important for the U.S. to adjust to the effects of the trade agreement.

- Duration. The bill extends fast track authority to 2001, extending it until 2005 only after a congressional vote.

POSSIBLE QUESTIONS AND ANSWERS FOR MEETINGS WITH SENATORS

Labor and the Environment

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

- Your characterization of these bills is wrong. They contain the most references to labor and the environment ever in fast track legislation. Promoting worker rights and environmental protection is expressly set out as a principal negotiating objective of the United States. We will be able to use trade agreements to keep other governments from weakening their labor or environmental laws to gain a competitive advantage in trade or investment.

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

Effects of NAFTA

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

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

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

Helping Workers and Communities

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

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

- And I am committed to doing even more to build on this strong record. I have asked my senior economic advisers to develop a series of additional initiatives to help both individuals and communities that may be affected by trade flows. I expect that we will be announcing the details of those plans in just a few more days.

The U.S. Trade Deficit

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

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

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

Trade Agreements with Developing Countries

Q: Isn't there a vast difference between trade agreements with Canada or Western Europe and with low-wage countries where workers earn a fraction of U.S. wages?

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

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

Fast Track and Senate Prerogatives

Q: How can you claim that fast track is needed for trade agreements, when a range of other agreements are routinely submitted to the Congress without it?

- Fast track is essential where large trade agreements, like NAFTA and the Uruguay Round, involve changes to U.S. law. These types of agreements may involve changes to thousands of individual tariff lines, as well as a wide range of other U.S. laws and regulations. They also necessarily involve important "tradeoffs" among different U.S. interests. It doesn't make sense for my trade officials to negotiate careful, balanced agreements and then open up each individual provision to possible change. And our trading partners have made clear that they would not begin negotiations if that opportunity existed.

- That's why fast track procedures were set up in the first place, and why they have been available to every President since Gerald Ford. Remember: the fast track process involves much more than an up-or-down vote at the end of the day. It guarantees Congress an extensive role before, during, and after trade negotiations -- greater involvement than typically occurs with respect to other kinds of agreements. And the Senate Finance Committee's bill provides for the most extensive notification and consultation procedures to date -- ensuring that Senators will be actively involved at all stages of the process.

- Let me also make clear that I am not asking for fast track for every single trade agreement we negotiate with other countries. Indeed, we concluded over 200 trade agreements during my first term -- many of which were "one-way" agreements with Japan, China, and others in which they agreed to remove specific barriers under pressure from us. But I do need fast track for broad-based agreements like those we intend to pursue in the World Trade Organization on agriculture and services, and for a free trade agreement with Chile.

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

- No. This issue was thoroughly reviewed during consideration of the Uruguay Round agreements in 1994. The vast majority of constitutional scholars expressly rejected the argument that trade agreements must be submitted to the Senate as treaties. They affirmed that the House and Senate have the authority under Article I of the Constitution to pass legislation under fast track procedures to approve these agreements. And the Senate itself rejected the treaty argument and passed the Uruguay Round legislation overwhelmingly by a 76-to-24 vote.

Child Labor

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

- The Labor Department is preparing a fourth study on the use of child labor in products exported to the United States.

- We are encouraging additional private sector efforts to eliminate child labor, including through codes of conduct or labeling efforts.

- We are working in the ILO to strengthen the measures available to pressure member states to end exploitative child labor, and are continuing to engage other governments directly on this issue.

Hill, Roseanne M.

From:	Malley, Robert
Sent:	Thursday, October 23, 1997 11:21 AM
To:	Kyle, Robert D.
Cc:	@INTECON - Economic Affairs
Subject:	Bob Pastor [UNCLASSIFIED]

Shannon
(404) 420-5196

404-420-5180
f 404-355-3898

He's expecting your call around 12:00. (Bob Pastor)

His number today (404) 355-6329

Thanks

- TP's

BA-Kyle → BA-Paster

6-9280

Memorandum

To: Sandy Berger
From: Jay Berman
Subject: Calls for President Carter
Date: October22, 1997

The Senate calls are:

Max Cleland
Tom Harkin
John Kerry

Both Harkin and Kerry are likely to raise labor and the environment as issues. Tom Harkin has been particularly concerned about child labor. There is, as you know, a specific reference to child labor in both bills. Cleland is a total unknown, though he has expressed some concern about Congressional prerogatives.

The House calls are:

Leonard Boswell(D-Iowa) - he is concerned about child labor.

Peter Deutsch(D-Fla.) - he could be there at the end but needs to convinced this is truly a matter of national interest.

Nita Lowey(D-NY) - undecided but concerned about labor and the environment and whether this bill restricts the President more than previous grants of fast track.

Karen McCarthy(D-Mo.) - under intense pressure from labor and yet still undecided.

Nancy Pelosi(D-Cal) - unhappy about China MFN and concerned about labor and the environment in terms of whether this grant is more restrictive than what Democratic Congresses have given to Republican Presidents--as in 1988.

General on F.P.

TALKING POINTS ON FAST TRACK AND FOREIGN POLICY

Fast Track and American Leadership -- Overview

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

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

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

Exports and U.S. Growth

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

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

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