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Subseries:

OA/ID Number: 10602

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Questions and Answers [Fast Track Source Book]

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QUESTIONS & ANSWERS FOR FAST TRACK SOURCE BOOK

BASICS OF FAST TRACK

Q: For what does the Administration plan to use this authority?

A: Fast track is about ensuring that America speaks with a united voice as we pursue our trade agenda. Our immediate plan is to use fast track to wrap up negotiations on a comprehensive trade agreement with Chile. But we will need fast track to pursue a range of other bilateral, regional, and world-wide trade initiatives that can expand export opportunities for our companies and workers. Already on the agenda of the World Trade Organization, for example, are negotiations that we can use to bring down barriers that keep our highly competitive agricultural products out of key markets around the world. We will also need fast track to initiate new negotiations to lower trade global barriers in other sectors where we are the world's leading producer -- like we did for computers and other electronic equipment through the recently concluded International Technology Agreement. Fast track tells our trading partners that Congress and the President are working together to carry out America's trade agenda.

Q: What are the risks if the Administration does not get renewed fast track authority?

A: We have worked hard as a nation to regain our competitive position and to ensure that we continue to steer the global trade agenda for the advantage of our companies and workers. That work has paid off. [Econ stats current as of time of use.] If we abandon our leadership role, if

we do not have the tools in place to bring down barriers to American products and services around the world, we will leave American companies and workers on the sidelines while our competitors set the world's trade policies and give each other privileged trading rights. This is not a theoretical possibility. Since 1992, our commercial rivals have concluded more than 20 regional trade agreements that leave the United States out. Every day, the world's trading nations are forging strategic and preferential alliances without us.

A recent example demonstrates that the costs of watching from the sidelines are real. In November 1996, Canada reached a free-trade agreement with Chile that eliminates Chile's 11 percent tariff on most Canadian products. Northern Telecom -- a Canadian-owned producer -- recently won a nearly \$200 million telecommunications equipment contract over three U.S. companies in part because Canada's trade deal with Chile gave Northern a \$20 million cost advantage over its U.S. rivals. Recently, Canada has said that it wants to move beyond Chile and form a trade alliance with Latin America's common market countries -- Mercosur -- with or without the United States.

American companies have already begun to source their sales to Latin America from Mexico or other countries that have negotiated preferential trading arrangements with Mercosur. That means lost opportunities for workers and manufacturers in the United States.

RECORD ON NAFTA

Q: What benefits has NAFTA provided?

NAFTA has played a vital role in expanding markets for U.S. products in our first and third largest trade partners, Canada and Mexico. NAFTA also acted as a buffer against reduced access to these markets, particularly, Mexico during Mexico's recession and peso crisis.

U.S. goods exports have risen to historic records in the last 3 years (1993 to 1996): up 33% to Canada, reaching \$134 billion and up 37% to Mexico, reaching \$57 billion.

The strength of U.S. exports to Mexico under NAFTA, even in the face of the peso crisis, is significantly in particular sectors areas. For example, U.S. agricultural exports to Mexico are up by 52% in 3 years, from \$3.5 billion in 1993 to \$5.4 billion in 1996. Exports of cereal, led by corn, are up 174% to \$1.8 billion. Exports of electrical machinery are up by nearly 60% to \$1.1 billion, and exports of paper are by one-third to \$1.5 billion. Even the consumer goods category has shown strong growth, with exports up 34% to \$6.5 billion. Similarly, NAFTA has translated into significant gains for the states' economic performance. **[Stats on state exports.]** While virtually every region in the country has benefited from NAFTA, the Midwest, in particular, has experienced an economic boom, in part, because of the increase in manufactured exports to Mexico.

These increased exports translate into job growth, jobs that pay high wages. Goods exports to Mexico and Canada supported 2.3 million U.S. jobs last year. These jobs have also increased since NAFTA began taking effect, up 122,000 for exports to Mexico (to an estimated 750,000 in

1996) and up 189,000 for exports to Canada. Such U.S. jobs supported by exports pay 13% to 16% more than the U.S. national average.

In addition to the direct benefits provided by NAFTA, NAFTA also shielded the U.S. from the potentially more serious consequences of Mexican recession. In 1995, a year in which Mexico experienced its worst recession in the 20th century (production and employment down 7%), that country continued to lower its trade barriers to U.S. and Canadian products (in line with its NAFTA obligations), while raising them in certain areas against products from the E.U. and Japan. Our share of Mexico's imports actually rose from 71% in 1994 to 76% in 1996.

In Mexico's previous international payments and peso crisis in 1981-82, U.S. exports were cut in half and took 7 years to recover. In contrast, in 1995 U.S. exports fell by 9% and had fully recovered in 18 months, helping to protect more than 700,000 good paying U.S. jobs supported by exports to Mexico. Also, while the recession did cause a deterioration in our trade balance with Mexico, NAFTA helped limit to some extent the size of the bilateral deficit growth. A recent study published by the Federal Reserve Bank of Dallas estimated that U.S. export growth to Mexico has been 7 percent higher than it otherwise would have been due to NAFTA, while U.S. import growth from Mexico was only 2 percent higher per year due to NAFTA.

Q: How has NAFTA helped the agricultural sector?

NAFTA has ensured U.S. agriculture products exporters increasing access to Mexico, their third largest export market; they enjoyed a \$1.3 billion trade surplus with Mexico in FY1996 (up 37% from FY1993).

In 1996, U.S. farm and food exports to Mexico soared by \$1.9 billion to reach another record level of \$5.4 billion. A range of agricultural sectors enjoyed significant export growth and a larger share of Mexico's market. For example, the U.S. market share of Mexico's pork market went from 77% in 1994 to 95% in 1996. Exports of corn, grains, soybeans, wheat, cotton and rice all set new value records in 1996.

Because of Mexico's commitments under NAFTA, U.S. agricultural exports were able to recover fully in 1996 after the Mexican recession in 1995. Despite its recession, Mexico maintained its commitment to reduce tariffs thereby limiting the effect of the recession. Thus, while exports to Mexico declined in FY1995 due to the recession, they increased dramatically by 35% in FY1996 to regain any shortfalls in FY1995 and reach record levels.

Q: Hasn't NAFTA created a trade deficit with Mexico, resulting in the loss of thousands of U.S. jobs?

The trade deficit with Mexico was caused by Mexico's recession and peso crisis, not NAFTA. Mexico experienced its worst economic downturn in modern history in 1995. As a result of the

peso crisis, investment fled and interest rates jumped.. Mexican production fell by nearly 7 percent, making Mexico's recession about three times worse than the last U.S. recession in 1991-1992. Mexico's imports fell and the sharp decline in its domestic spending power made more of its remaining production available for export.

During that same period, the U.S. economy was growing, which contributed to the trade deficit with Mexico. Between 1994 and 1996, U.S. net employment rose by 4.8 million, the unemployment rate fell from 6.1 to 5.4 percent and U.S. industrial production rose by over 6 percent in real terms.

If anything, the trade deficit would have increased further if it were not for NAFTA. During the recession, Mexico continued to lower its trade barriers as required by NAFTA. Compare that behavior to the last economic crisis in 1981-1982, during which Mexico imposed 100% duties on American products and strict licensing requirements. In that crisis, U.S. exports were cut in half and jobs supported by exports fell by more than 50%; it took 7 years to recover to 1981 levels.

In this crisis, Mexico increased tariffs on certain products from our competitors, but not on our products. In this period, U.S. exports fell by 9% and fully recovered in 18 months, protecting the 750,000 jobs that depend on those exports. A Federal Reserve of Dallas study concluded that U.S. export growth was 7% higher than would have been absent NAFTA; import growth from Mexico only 2% higher because of NAFTA.

Issue: How can you argue that U.S. workers have benefited from NAFTA?

NAFTA has increased exports, supporting and creating U.S. jobs. Under NAFTA, U.S. goods exports have increased. Exports to Canada increased 33 percent from 1993 to 1996, reaching \$134 billion. Exports to Mexico rose 37 percent during the same time period, totaling \$57 billion. Increased exports to the NAFTA countries supported the expansion of high wage jobs in the United States. Goods exports to Mexico and Canada supported 2.3 million jobs in the United States last year. These jobs pay 13 to 16 percent more than the national average. NAFTA has created 122,000 new jobs supported by exports to Mexico and 189,000 new jobs supported by exports to Canada.

NAFTA also insured that the jobs that rely on exports, particularly to Mexico, were protected during Mexico's financial problems. Notwithstanding Mexico's worst recession in the 20th century, it continued to lower its trade barriers to U.S. and Canadian products.

Q: How can you argue that trade with Mexico and Canada has not hurt U.S. workers when over 100,000 have been certified for assistance because they lost their jobs due to imports from those countries or plant relocations to those countries?

As we move farther towards a global economy, of which NAFTA is a part, we create new opportunities that require increasingly higher skill and education. Many such opportunities were created as evidenced by the more than 300,000 jobs created as a result of expanded exports to the NAFTA countries. For those workers you experience dislocation during this transition we must and do provide support.

It has to be appreciated, however, that from January 1994 through March 1997, approximately 10 million U.S. workers experienced involuntary job displacement. Of those 10 million, 72,646 were certified as having experienced dislocation as a result of imports from Mexico (or displacement to Mexico). The assistance available to workers so certified goes beyond that given to workers who otherwise experience job dislocation, ie., they receive unemployment compensation for longer than others if they cannot find a job. Of this 72,000, only about 5,000 actually did not find new jobs before normal unemployment benefits expired. They received extended benefits under the legislation passed as part of NAFTA.

More generally, job growth in the United States has been strong during the entire time NAFTA has been in effect. In fact, all job displacement was offset and net employment actually increased by 9.3 million. In effect, for each job that was lost, a new one was created. **[Rebut that it is a less desirable job.]**

That said, we must be concerned anytime one of our workers does not have the skills necessary to take advantage of new opportunities. Therefore, we remain committed to creating expanded education opportunities. **[Budget and expanded education.]**

Q: Effect on peso crisis. What role did NAFTA play in the collapse of the peso in 1995 and the decline of the Mexican economy?

A: The sharp decline in the Mexican economy in 1995 and the peso crash had its roots in

Mexico's exchange rate policy in the 1980s, long before the NAFTA was envisioned. The rise in interest rates, collapse of the Mexican financial markets and the 7% decline in production and employment, undermined the Mexican economy, and these events had little to do with the NAFTA.

The NAFTA did force Mexico to meet market-opening obligations, and in spite of a recession three times worse than the U.S. recession of 1991, our exports to Mexico recovered in just 18 months. By contrast, after the peso crash of 1982, Mexico erected across-the-board trade barriers and U.S. exports took seven years to recover.

From the Mexican perspective, NAFTA can, in part, be credited with helping Mexico recover more quickly from this recession than the recession in the 1980's. It took the Mexican economy 4 years to recover from its early 1980s recession. In contrast, in 1996, just one year after the recession, the Mexican economy grew by better than 5% and recovered two-thirds of its production. Mexican growth is expected to exceed 5% again in 1997. In that event, Mexico will have recovered from a worse recession twice as fast as it did from recession in the 1980s.

Q: Didn't wages in maquiladora plants and in Mexico generally fall as a result of NAFTA?

Q: Aren't maquiladoras responsible for the increase in Mexican exports to the United States?

Maquiladoras actually account for a decreasing share of imports from Mexico. Exports from

maquiladoras have fallen from 43 percent of total Mexican exports in 1994 to 38 percent of total exports in 1996. This trend is likely to continue as cost advantage for maquiladoras will be eliminated in time. Under the NAFTA, not all tariffs on Mexican imports have been eliminated, thus providing some cost incentive for maquiladoras to export to the United States. After all tariffs have been eliminated under NAFTA, maquiladoras will lose their cost advantage. NAFTA also assures that, when fully phased in, Mexico will not be able to import non-NAFTA components duty free for assembly and re-export to the United States. Without NAFTA, such "duty drawback" provision in Mexico could have continued indefinitely.

Q: NAFTA was supposed to bring improvements in labor and the environmental conditions in Mexico. It does not appear to have done either. How do you respond?

With respect to labor and environmental, the NAFTA side agreements are working to improve conditions that existed long before NAFTA. The labor and environmental problems in Mexico are decades in the making; it is unrealistic to expect NAFTA to have remedied them in three years. There are continuing problems and they need to be addressed. The NAFTA agreements provide the vehicle for doing so, and have resulted in important progress on both fronts.

On the environmental front progress is being made to identify and fund new environmental projects and in Mexico's enforcement of its environmental laws.

On the labor front, there is an unprecedented degree of cooperation to address the difficult labor issues and the formal process allowing the submission of complaints about continuing problems

has led to solutions, change, and increased attention to these issues.

With respect to labor and environment issues, progress is continuing. In fact, Presidents Clinton and Zedillo agreed to redouble their efforts in this regard and have asked their labor and environment ministers to identify specific issues requiring more focused attention, particularly along the border.

Q: NAFTA has not really solved the most pressing trade issues between U.S. and Mexico. Why go forward with new agreements if we are not solving existing problems?

While there remain trade issues to resolve with Mexico, no trading relationship is without such ongoing issues. Neither NAFTA nor any other trade agreement is a panacea; it provides increased opportunities and a process to address outstanding and emerging issues. Pursuant to the NAFTA, we are working to solve our trade issues with Mexico and with Canada.

For example, we have made it clear that trucks entering the U.S. must comply with strict safety and environmental standards. With regard to food safety, the NAFTA imposes among the highest phytosanitary requirements of any trade agreement in the world, which must be complied with before food enters our market. With respect to labor and environment issues, progress is continuing. In fact, Presidents Clinton and Zedillo agreed to redouble their efforts in this regard and have asked their labor and environment ministers to identify specific issues requiring more focused attention, particularly along the border.

Again, withholding fast track authority will not improve these problems. Issues like this arise with all trading partners, whether we have special trade relations or not. Fast track is important so that we can create economic opportunity, exercise leadership to impose disciplines that minimize the kinds of problems to which you allude and establish processes to resolve problems when they arise.

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

RECORD ON SIDE AGREEMENTS

Q: What did they do?

[Summary of agreements and a little about dispute resolution]

Q: We hear concerns about the Mexican worker rights situation, and that the NAFTA labor cooperation agreement is of no value. How do you respond?

It is useful to put the status of Mexico's labor situation in context. First, Mexico's labor laws are as good and comparable to labor legislation in the United States and other industrialized

countries. The NAFTA labor cooperation agreement is contributing to the progress Mexico has made in enforcing those labor laws. Second, the enforcement regime in Mexico existed long before NAFTA and reflects the historic realities of this emerging economy. It is unrealistic to expect that after three years of operation, the NAFTA labor cooperation agreement would correct the these historic problems. If the question is has there been progress and is it continuing, the answer is an unequivocal yes. That progress has come notwithstanding the worst economic downturn in Mexico's modern history.

Progress is in the form of increased cooperation to address transnational labor issues and a submission process so that citizens are able to seek enforcement of the worker rights provisions in the agreement. As a result of the side agreement, significant initiatives are underway to educate and upgrade skills and policy implementation across North America, including in Mexico. Such initiatives include trilateral study tours to evaluate practices to improve working conditions; sponsorship of labor law, worker rights, and industrial relations conferences and seminars; hosting conferences, including on "Child and Youth Labor in North America" focused on eliminating inappropriate participation of children in the workplace.

The side agreements also resulted in a submission process so that complaints about labor practices would receive formal attention. The submission process is playing a catalytic role in "spotlighting" important worker rights issues and bringing them to the attention of the public and before decision makers in Mexico (and the U.S. and Canada). It has led to concrete results. For example, it recently resulted in the registration in Mexico of a newly-formed independent union

in a Maxi-Switch production facility. This significant development grew out of the Communications Workers of America (CWA) complaint about Mexico's failure to enforce its obligations allowing the freedom of association and the right to organize and bargain collectively. As a result of the complaint, the registration of the Union was accepted as well as the regularization of the procedure in the request for the reinstatement of the workers. The complaint was withdrawn because the union's objectives had been achieved, which the CWA credited to the operation of the NAFTA procedures.

It has also resulted in a commitment by the Mexican Secretary of Labor and major labor and business organizations to address concerns about union registration and internal union democracy, in legislative and regulatory reform, and an internal review of certain labor laws and practices, commissioned by the Mexican Department of Labor.

Q: Even though the NAFTA has been in effect for three years, the environmental situation -- particularly in the U.S.-Mexico border region -- has not improved, and may even have deteriorated. Why has the NAFTA not been more effective in addressing these problems?

Again, the environmental problems that exist in the U.S.-Mexico border region precede the NAFTA and were decades in the making. To expect that after three years the environmental problems in that region would be resolved is simply unrealistic. The question is whether progress is evident; the answer to that question is yes.

The NAFTA environmental side agreements (the North American Agreement on Environmental

Cooperation and the U.S.-Mexico Border Environment Cooperation Agreement) have led to new environmental initiatives along the border and increased enforcement by Mexico of relatively good environmental laws.

Environmental Initiatives: The three environmental institutions created by NAFTA are already taking concrete steps to address the region's environmental problems. (These institutions include The Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADBank), as well as the Commission for Environmental Cooperation (CEC).) They have certified and arranged financing for numerous infrastructure projects designed to reduce pollution and improve the environment in the U.S.-Mexico border region. Of those certified, the NADBank has approved financing for four water treatment and wastewater projects, with more in the pipeline for approval. The first project to break ground, in Brawley, California, will provide much needed clean drinking water.

Mexico has generally good environmental legislation. The NAFTA side agreement is resulting in improved enforcement of those laws. Pursuant to these agreements enforcement actions have increased from 3,119 in 1991 to between 12,000 and 13,000 annually during 1993-96; 3500 per year alone occur along the border. The number and sophistication of its environmental inspectors has also increased, with more than 600 inspectors having been trained by USG authorities. In addition, environmental auditing programs have been established, along with an environmental crimes unit in the Attorney General's office.

This increased enforcement has resulted in a significant decrease in the number of serious violations. For example, Mexico estimates that maquiladora industry compliance with Mexican hazardous waste laws has climbed from 25% to over 90% from 1992 to 1996. EPA data supports Mexico's estimates. The amount of maquiladora-generated hazardous waste entering the U.S. for proper disposal (as opposed to illegal disposal in Mexico or the United States) has risen from an average of 6,000 tons in 1991-1992 to 12,288 tons, reflecting maquiladora compliance with applicable laws.

ADMINISTRATION'S LABOR AND ENVIRONMENT INITIATIVES

What is Administration's record?

[This will come from the Statement of Policy once completed.]

What will Administration propose?

[This will come from the Statement of Policy once completed.]

DOMESTIC SUPPORT PROGRAMS

What does Administration do for people who lost their jobs?

[Spell out general assistance provided and assistance provided for NAFTA dislocation.]

What education initiatives is the Administration advancing?

A cornerstone of this Administration's economic plan has been to prepare our children for the ever increasing challenges of the global economy and equip our workers with the tools to win in

that global economy. As evidenced by the recent budget agreement this Administration will not accept a balanced budget agreement that does not expand educational opportunities for all Americans.

We are opening the doors to college.

Pell Grants: We increased the grant to \$3,000 in FY 1998 -- the largest increase in two decades.

An additional 348,000 students will receive grants -- 130,000 young people from moderate income families and 218,000 low income students over 24.

Tax Deduction for Higher Education: \$10,000 tax deduction is available for anyone taking courses to acquire or improve job skills. \$17.6 billion from 1997-2002 is expected to help 8.1 million middle income students.

Work study: Continue to expand the availability of work-study jobs, including an increasing number of community service positions, working closer to 1 million work-study jobs by 2000. Also of critical importance is preparing our children to take advantage of the opportunities our economic and trade agenda are creating.

Head Start: Working with Congress we have increased funding 43 percent from FY 1993 to FY 97 from \$2.8 billion to \$4 billion. The FY1998 budget will bring 86,000 more children into a program serving 800,000 in 1997.

America Reads Challenge: A \$2.75 billion effort to recruit and train more than a million volunteer tutors to ensure all children can read well by the third grade.

Charter Schools: \$100 million -- about double the 1997 level -- to support planning and start-up costs for 1100 schools.

Goals 2000: FY 1998 budget increases funding 26 percent to \$620 million, supporting standards based reform in 16,000 public schools in all 50 states.

Technology Literacy Challenge: Double funding to help ensure that all children are technologically literate by the dawn of the 21st century. Funds state-wide plans to wire schools, train teachers, and purchase educational software and on-line resources.

CHILE QUESTIONS

Q. What are the benefits to the U.S. of concluding a trade agreement with Chile?

Concluding an agreement with Chile is of both strategic and economic importance to the U.S. Chile is a litmus test of our commitment not only to Chile (two Presidents have committed to an agreement with Chile), but to the FTAA. A failure to proceed will undermine our leadership in the region. More generally, an agreement with Chile is strategically important to ensure that the FTAA ultimately reflects U.S. inspired rules, and will be viewed in some respects as precedent for the FTAA.

Chile is a leader of economic reform in Latin America. Its average economic growth rate has been 6 percent or more for over 10 years and it has a per-capita GDP of \$5,000 and growing (higher than a number of European countries), and it has dramatically reduced the number of people living below the poverty line. It has the highest savings and investment rate as a percent of GDP of any country in Latin America. U.S exports to Chile in 1996 were greater than our

exports to Russia, India and Indonesia. Our exports to Chile 1990 - 96 were up 148 percent to \$4.1 billion, while imports were up 72 percent in the same time frame to \$2.3 billion. **[What about going forward?]**

Q. What is Chile's record on labor laws and the enforcement of those laws?

Chile's labor laws and regime are respectable, and in some ways are more advanced than those in the U.S. (i.e., maternity leave, etc.). It has a significant labor union movement and has signed more ILO conventions than the U.S. Chile recognizes core labor standards. Its workers have the legal right to associate, organize and bargain collectively. It prohibits forced or compulsory labor (and no instances of this practice are known). There is a minimum age for the employment of children (14) and restrictions on the kind of labor in which they can engage. Children ages 15-18 must obtain the permission of their parents (guardian) and may only be employed in certain sectors. Child labor is virtually non-existent in the export sector and the child labor laws are well enforced in commercial agriculture. Chilean law also provides rules regarding acceptable conditions of work, including minimum wages, hours of work, and occupational safety and health standards. The legal work week is a maximum of 48 hours. The maximum work day is 10 hours. As general matter, the stepped up enforcement of Chilean labor law has been a priority since the return to democracy as has labor law reform.

One area where critics see a weakness in the Chilean regime regards temporary workers (typically agriculture, construction, port workers and entertainers). Their right to collective

bargaining remains dependent on employers agreeing to negotiate with unions of temporary workers. The Frei Administration proposed labor reform legislation in 1995 that would, among other things, provide rules for seasonal workers to bargain collectively with employers. The lower House of Congress passed the legislation, but there is still significant opposition in the Senate.

Q. What is Chile's record on environmental law and its enforcement?

Chile is a country that is increasingly focused on the need for protecting the environment and sustainable development. The Frei Administration passed a landmark Basic Framework Law on the Environment in 1994 which provides for central policy planning by the National Environment Commission which reports to the Minister of the Government. The legislation is forming a more comprehensive basis for governmental enforcement of Chile's environmental laws and policies, including the use of mandatory environmental impact assessments, which all industrial and mining projects, both public and private, must undergo. Chile is also taking important steps to address the air pollution problems in Santiago through a variety of regulatory and enforcement actions.

At the same time, Chile's natural resource extraction based economy has proven extremely successful. As is typical of countries in this situation, Chile's approach to environmental protection historically has not been as advanced as it could be. However, the Frei Administration, precisely because of Chile's natural resource based economy, is also extremely

interested in sustainable development. Therefore, it is working closely with the United States and others to ascertain the best technical assistance and policy advice available.

Q: Will Chile agree to do what Mexico agreed to in the NAFTA labor and environment agreements?

A: Chile has indicated that it would assume the responsibilities of the existing NAFTA environment and labor agreements. In fact, in its agreement with Canada, Chile adopted the Canadian approach to the side agreements. [Specify approach]

Q: Chile maintains some significant sanitary and phytosanitary (SPS) barriers to U.S. exports and seems to be moving slowly to address them for fear of losing negotiating leverage in anticipation of negotiating the trade agreement. Are you pressing Chile to address our concerns?

A: Yes. We believe SPS measures should be based solely on science, and not as disguised barriers to trade. The President raised our general concerns with President Frei earlier this year, and we continue to raise them at every opportunity. USDA has forcefully presented our concerns to the Chileans. The Chileans committed to address our concerns on wheat, for example, and we are pressing them to fulfill that commitment. Furthermore, we have made concrete progress on some other products (lemons, kiwi, grapes, oranges and grapefruits). As to the general notion of holding back on solving outstanding concerns in anticipation of upcoming negotiations, we should not be surprised if this occurs. However, such a posture will not preclude the Administration from pressing Chile.

Q: Chile maintains a discriminatory tax regime with respect to imported spirits. Are you pressing them on this issue? We understand the EU may be considering a WTO dispute settlement case to try to resolve the issue with Chile.

A: We have informed Chile of our concerns with its regime, and its proposed revision of the current regime. We will continue to point out our concerns, particularly if we believe the tax system is inconsistent with the WTO.

TRADE GENERALLY

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

A: The fact is that wages for export-related jobs pay 13-16% more than the national average. Thus, creating additional export opportunities is clearly in America's interest. Our workers are able to compete with workers in low wage countries because they are the most productive in the world. They spend far less time to produce most anything than is required of workers in low wage countries. As a result, in many areas the United States has both higher wages and lower unit labor costs than our low wage trade partners.

Even state of the art facilities in developing countries are in fact far from operating as efficiently as in countries like the United States because of low productivity and frequent quality and availability problems in the domestic goods and service supplying sectors upon which the manufacturing facility depends.

The fact is that workers can and 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.

Additional evidence of the ability of the U.S. to compete in the industrial sector is the overall strong growth of U.S. industrial output, up 18% in real terms since 1992 (compared to an 8% rise for Japan and a 1% decline for Germany). The growth in manufacturing employment since 1992 (up roughly one-quarter million), has been due largely to strong U.S. productivity growth in the manufacturing sector (3% to 4% a year).

Of course, competitive pressure from low wage countries may be felt greatest in U.S. industries where labor skills and productivity are lower than average. But most such jobs are not in industries that compete with imports. Indeed, imports from non-oil developing countries account for only 4% of U.S. spending and has grown only 1.5% during past decade.

We should be concerned when any part of our labor force lacks skills necessary for well-paying jobs. It is important, therefore, to maintain our commitment to education and worker retraining so that our workers can enjoy the benefits of America's increasing demand for a higher-skilled workforce.

Q: How do you respond to arguments that the trade deficit has hurt the U.S. economy and cost American jobs?

A: Trade deficits, by themselves, do not necessarily cost U.S. jobs. Trade deficits and employment both tend to rise when the economy is growing rapidly and consumers and businesses increase their spending. For example, the U.S. current account (the broadest measure of trade) was nearly in balance in 1991, during the last major U.S. recession, yet the unemployment rate peaked at well over 7% in that year. Since 1992, the U.S. economy recovered earlier and has grown faster than those of many of our major trade partners. The relative strength of U.S. growth contributed to the current account deficit expanding to \$165.1 billion in 1996; however, by the end of 1996, the unemployment rate was down to 5.4% and over 11 million net jobs had been created in the U.S. economy in just four years. Today unemployment is at its lowest level in a quarter century. We cannot lose sight of the fact that exports have created new, high-paying jobs. Today, more than 11 million American jobs are supported by exports, including one in five manufacturing jobs. These are good jobs; jobs supported by merchandise exports pay 13-16 percent more than the U.S. national average wage. Over the last four years, more than one-quarter of our economic growth came from exports -- and export growth has resulted in an additional 1.4 million export-supported jobs .

That said, the President and Congress working together over the last four years have reduced the federal budget deficit and strengthened the national saving rate. As a result, although the trade deficit has increased in dollar terms during this recovery, substantial progress has been made in that the trade deficit has been brought down substantially relative to the size of the overall economy (for goods and services, down from 3.3% of GDP at its peak in 1987 to 1.5% in 1996). In light of the budget agreement between the President and Congress, this trend should continue as we reduce the

budget deficit.

SECTORAL AGREEMENTS

Q: What gives you reason to believe that this Administration would be able to conclude additional sectoral agreements if you had fast track authority?

As you know, we recently concluded the Information Technology Agreement (ITA). The ITA now covers 41 countries that account for 93% of trade in the covered products. The agreement reduces tariffs on a broad range of products of significance to U.S. businesses, including producers of semiconductors, computers, telecommunications equipment and software. These industries support 1.5 million manufacturing jobs and 1.8 million related service jobs. This agreement amounts to a global tax cut of \$5 billion.

The ITA could not have been negotiated without the residual tariff proclamation authority the Administration had in the URAA. We believe more could have been accomplished if the Administration had broader authority, the kind of authority we are seeking in our fast track legislation. Specifically, we believe we could have included products beyond those currently covered, as well as addressed certain non-tariff barriers.

Our optimism about additional sectoral opportunities is real, not theoretical. At the recent APEC Ministerial, the APEC countries, which account for more than 50% of world trade, agreed to use the ITA as the model for launching new market-opening sectoral initiatives. In some cases a

commitment among the APEC countries alone to reduce tariffs and non-tariff barriers can provide significant benefits to U.S. companies and workers. Where additional countries are necessary to cover the bulk of trade in a particular sector, the APEC countries agreed to collectively seek inclusion of other countries in such an agreement. This commitment is unprecedented. The APEC countries have agreed to a process for identifying and pursuing new sectoral market opening initiatives. Specifically, the APEC Ministers agreed to have their staffs identify candidates by July 15, discuss those further in August, and present to the Ministers in November those on which negotiations could commence. Among the sectors already being considered are many in which the U.S. is a market leader. [Some of these sectors include environmental technology and services, medical equipment, .

Q: It is my understanding that the Administration already has residual tariff proclamation authority under the URAA for other products. Why isn't that authority sufficient to achieve the Administration's objectives?

The tariff authority that exists under the URAA is limited to certain sectors and products within those sectors. Thus, while that authority is important for addressing important sectors like chemicals, non-ferrous metals, wood and paper products, _____, even within those sectors, it may not allow for the full product coverage that would be desirable and it does not allow us to address non-tariff barriers. For example, the ITA was concluded using that residual authority. Had we had broader authority, we could have covered additional products and addressed non-tariff barriers. [Specifics] ITA-II, which the APEC Ministers agreed to pursue, would pursue those objectives.

More generally, for many other sectors in which the U.S. is a global leader. e.g., environmental technologies, medical equipment, _____, no such authority exists. Only a new grant of fast track authority will allow us to pursue fully these sector initiatives.

Q: I understand that environmental technology and services is among the sectors being considered for a market opening initiative. Can you comment and, if so, why is this in the U.S. interest?

Environmental technology and services is one of the sectors that was mentioned at the APEC Ministerial in Montreal, [and we are currently considering whether it is a sector that we will recommend for such an initiative.] Such an initiative would not only benefit U.S. business and workers, but contribute to exporting to the world the technology and know-how to improve environmental conditions.

The United States is the largest producer of environmental goods and services in the world, accounting for approximately forty percent of the global market. The global market is growing rapidly; today it is estimated at between \$250 to \$420 billion and is expected to reach \$600 billion by the year 2010. [Currently, this industry employs 1.3 million Americans or 1.7% of the U.S. workforce and projected growth over the next few years is expected to be between 3 and 4 percent. [Growth of 3-4% or growth to 3-4%? Does this assume increased export opportunities?] Even though the U.S. is a market leader, the U.S. continues to lag well behind in exports from this sector to other countries. Currently, only six percent of U.S. environmental industry revenues are from international markets, while our major competitors, Germany and Japan, derive 20% of their

revenues from exports.

The U.S. environmental technologies market, although one of the most advanced in the world, is facing a fiercely competitive global market. Numerous countries, including Japan, Germany and France spend billions of dollars to promote and finance their environmental technologies exports. In addition to tariff barriers, an agreement would address environment-related service barriers. [What other barriers exist?]

Q: I have heard the among the sectors that might benefit from renewed fast track authority is the medical equipment sector. How so?

The U.S. holds the strongest position in the global medical goods industry and is responsible for almost one-half of total global production. Due to the increasingly innovative U.S. medical device industry, the U.S.'s closest competitors with regards to total global production are Europe with 30% and Japan with 18%. The United States, along with Japan and Europe, is a market leader in exporting medical equipment to countries attempting to develop their health care infrastructure.

Further trade liberalization in this sector is in the U.S. interest. For example, growth markets in Latin America, Eastern Europe and to some extent Asia are critical to U.S. exporters. In most cases though, the tariff rates in these growth markets are high and unbound. We envision expanding the Uruguay Round zero/zero in medical equipment to include additional countries and any remaining products that are not already contained in the UR agreement. Although most medical equipment in these growing markets is currently procured by governments, which waive duties, their

participation in the existing zero/zero tariff initiative would bind zero tariffs as health care is privatized.

In addition, we would pursue non-tariff barriers and procurement practices, which pose the major obstacles to U.S. export growth. For example, we would seek to obtain commitments from countries that are not currently signatories to the Government Procurement Agreement (GPA) with respect to procurement of medical equipment by government-owned hospitals.

The U.S. is also a market leader in "exporting" services that use the equipment around the world. Hospitals, clinics, and testing and analysis facilities are examples of such services. The U.S. exports these services through investment, by electronic means ("telemedicine"), or by foreigners traveling to the United States for health care. To complement the goods market access commitments, therefore, we would seek commitments to remove barriers to services that use the equipment.

In addition to the economic benefits that such a sectoral agreement would reap, the human dimension is noteworthy. By exporting the equipment and know-how, we help increasing access to high-quality medical care and provide access to millions of people in developing and developed countries.

MULTILATERAL AGREEMENTS

What multilateral agreements is the Administration considering?

Why are these good/important for America?

HOW WOULD FAST TRACK HELP

Farmers

Service industries

Hi-tech industries

Manufacturing industries

Environmental technology

QUESTIONS & ANSWERS FOR FAST TRACK SOURCE BOOK

BASICS OF FAST TRACK

Q: For what does the Administration plan to use this authority?

A: Fast track is about ensuring that America speaks with a united voice as we pursue our trade agenda. Our immediate plan is to use fast track to wrap up negotiations on a comprehensive trade agreement with Chile. But we will need fast track to pursue a range of other bilateral, regional, and world-wide trade initiatives that can expand export opportunities for our companies and workers. Already on the agenda of the World Trade Organization, for example, are negotiations that we can use to bring down barriers that keep our highly competitive agricultural products out of key markets around the world. We will also need fast track to initiate new negotiations to lower trade global barriers in other sectors where we are the world's leading producer -- like we did for computers and other electronic equipment through the recently concluded International Technology Agreement. Fast track tells our trading partners that Congress and the President are working together to carry out America's trade agenda.

Q: What are the risks if the Administration does not get renewed fast track authority?

A: We have worked hard as a nation to regain our competitive position and to ensure that we continue to steer the global trade agenda for the advantage of our companies and workers. That work has paid off. **[Econ stats current as of time of use.]** If we abandon our leadership role, if

we do not have the tools in place to bring down barriers to American products and services around the world, we will leave American companies and workers on the sidelines while our competitors set the world's trade policies and give each other privileged trading rights. This is not a theoretical possibility. Since 1992, our commercial rivals have concluded more than 20 regional trade agreements that leave the United States out. Every day, the world's trading nations are forging strategic and preferential alliances without us.

A recent example demonstrates that the costs of watching from the sidelines are real. In November 1996, Canada reached a free-trade agreement with Chile that eliminates Chile's 11 percent tariff on most Canadian products. Northern Telecom -- a Canadian-owned producer -- recently won a nearly \$200 million telecommunications equipment contract over three U.S. companies in part because Canada's trade deal with Chile gave Northern a \$20 million cost advantage over its U.S. rivals. Recently, Canada has said that it wants to move beyond Chile and form a trade alliance with Latin America's common market countries -- Mercosur -- with or without the United States.

American companies have already begun to source their sales to Latin America from Mexico or other countries that have negotiated preferential trading arrangements with Mercosur. That means lost opportunities for workers and manufacturers in the United States.

RECORD ON NAFTA

Q: What benefits has NAFTA provided?

NAFTA has played a vital role in expanding markets for U.S. products in our first and third largest trade partners, Canada and Mexico. NAFTA also acted as a buffer against reduced access to these markets, particularly, Mexico during Mexico's recession and peso crisis.

U.S. goods exports have risen to historic records in the last 3 years (1993 to 1996): up 33% to Canada, reaching \$134 billion and up 37% to Mexico, reaching \$57 billion.

The strength of U.S. exports to Mexico under NAFTA, even in the face of the peso crisis, is significantly in particular sectors areas. For example, U.S. agricultural exports to Mexico are up by 52% in 3 years, from \$3.5 billion in 1993 to \$5.4 billion in 1996. Exports of cereal, led by corn, are up 174% to \$1.8 billion. Exports of electrical machinery are up by nearly 60% to \$1.1 billion, and exports of paper are by one-third to \$1.5 billion. Even the consumer goods category has shown strong growth, with exports up 34% to \$6.5 billion. Similarly, NAFTA has translated into significant gains for the states' economic performance. [Stats on state exports.] While virtually every region in the country has benefited from NAFTA, the Midwest, in particular, has experienced an economic boom, in part, because of the increase in manufactured exports to Mexico.

These increased exports translate into job growth, jobs that pay high wages. Goods exports to Mexico and Canada supported 2.3 million U.S. jobs last year. These jobs have also increased since NAFTA began taking effect, up 122,000 for exports to Mexico (to an estimated 750,000 in

1996) and up 189,000 for exports to Canada. Such U.S. jobs supported by exports pay 13% to 16% more than the U.S. national average.

In addition to the direct benefits provided by NAFTA, NAFTA also shielded the U.S. from the potentially more serious consequences of Mexican recession. In 1995, a year in which Mexico experienced its worst recession in the 20th century (production and employment down 7%), that country continued to lower its trade barriers to U.S. and Canadian products (in line with its NAFTA obligations), while raising them in certain areas against products from the E.U. and Japan. Our share of Mexico's imports actually rose from 71% in 1994 to 76% in 1996.

In Mexico's previous international payments and peso crisis in 1981-82, U.S. exports were cut in half and took 7 years to recover. In contrast, in 1995 U.S. exports fell by 9% and had fully recovered in 18 months, helping to protect more than 700,000 good paying U.S. jobs supported by exports to Mexico. Also, while the recession did cause a deterioration in our trade balance with Mexico, NAFTA helped limit to some extent the size of the bilateral deficit growth. A recent study published by the Federal Reserve Bank of Dallas estimated that U.S. export growth to Mexico has been 7 percent higher than it otherwise would have been due to NAFTA, while U.S. import growth from Mexico was only 2 percent higher per year due to NAFTA.

Q: How has NAFTA helped the agricultural sector?

NAFTA has ensured U.S. agriculture products exporters increasing access to Mexico, their third largest export market; they enjoyed a \$1.3 billion trade surplus with Mexico in FY1996 (up 37% from FY1993).

In 1996, U.S. farm and food exports to Mexico soared by \$1.9 billion to reach another record level of \$5.4 billion. A range of agricultural sectors enjoyed significant export growth and a larger share of Mexico's market. For example, the U.S. market share of Mexico's pork market went from 77% in 1994 to 95% in 1996. Exports of corn, grains, soybeans, wheat, cotton and rice all set new value records in 1996.

Because of Mexico's commitments under NAFTA, U.S. agricultural exports were able to recover fully in 1996 after the Mexican recession in 1995. Despite its recession, Mexico maintained its commitment to reduce tariffs thereby limiting the effect of the recession. Thus, while exports to Mexico declined in FY1995 due to the recession, they increased dramatically by 35% in FY1996 to regain any shortfalls in FY1995 and reach record levels.

Q: Hasn't NAFTA created a trade deficit with Mexico, resulting in the loss of thousands of U.S. jobs?

The trade deficit with Mexico was caused by Mexico's recession and peso crisis, not NAFTA. Mexico experienced its worst economic downturn in modern history in 1995. As a result of the

peso crisis, investment fled and interest rates jumped.. Mexican production fell by nearly 7 percent, making Mexico's recession about three times worse than the last U.S. recession in 1991-1992. Mexico's imports fell and the sharp decline in its domestic spending power made more of its remaining production available for export.

During that same period, the U.S. economy was growing, which contributed to the trade deficit with Mexico. Between 1994 and 1996, U.S. net employment rose by 4.8 million, the unemployment rate fell from 6.1 to 5.4 percent and U.S. industrial production rose by over 6 percent in real terms.

If anything, the trade deficit would have increased further if it were not for NAFTA. During the recession, Mexico continued to lower its trade barriers as required by NAFTA. Compare that behavior to the last economic crisis in 1981-1982, during which Mexico imposed 100% duties on American products and strict licensing requirements. In that crisis, U.S. exports were cut in half and jobs supported by exports fell by more than 50%; it took 7 years to recover to 1981 levels.

In this crisis, Mexico increased tariffs on certain products from our competitors, but not on our products. In this period, U.S. exports fell by 9% and fully recovered in 18 months, protecting the 750,000 jobs that depend on those exports. A Federal Reserve of Dallas study concluded that U.S. export growth was 7% higher than would have been absent NAFTA; import growth from Mexico only 2% higher because of NAFTA.

Issue: How can you argue that U.S. workers have benefited from NAFTA?

NAFTA has increased exports, supporting and creating U.S. jobs. Under NAFTA, U.S. goods exports have increased. Exports to Canada increased 33 percent from 1993 to 1996, reaching \$134 billion. Exports to Mexico rose 37 percent during the same time period, totaling \$57 billion. Increased exports to the NAFTA countries supported the expansion of high wage jobs in the United States. Goods exports to Mexico and Canada supported 2.3 million jobs in the United States last year. These jobs pay 13 to 16 percent more than the national average. NAFTA has created 122,000 new jobs supported by exports to Mexico and 189,000 new jobs supported by exports to Canada.

NAFTA also insured that the jobs that rely on exports, particularly to Mexico, were protected during Mexico's financial problems. Notwithstanding Mexico's worst recession in the 20th century, it continued to lower its trade barriers to U.S. and Canadian products.

Q: How can you argue that trade with Mexico and Canada has not hurt U.S. workers when over 100,000 have been certified for assistance because they lost their jobs due to imports from those countries or plant relocations to those countries?

As we move farther towards a global economy, of which NAFTA is a part, we create new opportunities that require increasingly higher skill and education. Many such opportunities were created as evidenced by the more than 300,000 jobs created as a result of expanded exports to the NAFTA countries. For those workers you experience dislocation during this transition we must and do provide support.

It has to be appreciated, however, that from January 1994 through March 1997, approximately 10 million U.S. workers experienced involuntary job displacement. Of those 10 million, 72,646 were certified as having experienced dislocation as a result of imports from Mexico (or displacement to Mexico). The assistance available to workers so certified goes beyond that given to workers who otherwise experience job dislocation, i.e., they receive unemployment compensation for longer than others if they cannot find a job. Of this 72,000, only about 5,000 actually did not find new jobs before normal unemployment benefits expired. They received extended benefits under the legislation passed as part of NAFTA.

More generally, job growth in the United States has been strong during the entire time NAFTA has been in effect. In fact, all job displacement was offset and net employment actually increased by 9.3 million. In effect, for each job that was lost, a new one was created. **[Rebut that it is a less desirable job.]**

That said, we must be concerned anytime one of our workers does not have the skills necessary to take advantage of new opportunities. Therefore, we remain committed to creating expanded education opportunities. **[Budget and expanded education.]**

Q: Effect on peso crisis. What role did NAFTA play in the collapse of the peso in 1995 and the decline of the Mexican economy?

A: The sharp decline in the Mexican economy in 1995 and the peso crash had its roots in

Mexico's exchange rate policy in the 1980s, long before the NAFTA was envisioned. The rise in interest rates, collapse of the Mexican financial markets and the 7% decline in production and employment, undermined the Mexican economy, and these events had little to do with the NAFTA.

The NAFTA did force Mexico to meet market-opening obligations, and in spite of a recession three times worse than the U.S. recession of 1991, our exports to Mexico recovered in just 18 months. By contrast, after the peso crash of 1982, Mexico erected across-the-board trade barriers and U.S. exports took seven years to recover.

From the Mexican perspective, NAFTA can, in part, be credited with helping Mexico recover more quickly from this recession than the recession in the 1980's. It took the Mexican economy 4 years to recover from its early 1980s recession. In contrast, in 1996, just one year after the recession, the Mexican economy grew by better than 5% and recovered two-thirds of its production. Mexican growth is expected to exceed 5% again in 1997. In that event, Mexico will have recovered from a worse recession twice as fast as it did from recession in the 1980s.

Q: Didn't wages in maquiladora plants and in Mexico generally fall as a result of NAFTA?

Q: Aren't maquiladoras responsible for the increase in Mexican exports to the United States?

Maquiladoras actually account for a decreasing share of imports from Mexico. Exports from

maquiladoras have fallen from 43 percent of total Mexican exports in 1994 to 38 percent of total exports in 1996. This trend is likely to continue as cost advantage for maquiladoras will be eliminated in time. Under the NAFTA, not all tariffs on Mexican imports have been eliminated, thus providing some cost incentive for maquiladoras to export to the United States. After all tariffs have been eliminated under NAFTA, maquiladoras will lose their cost advantage. NAFTA also assures that, when fully phased in, Mexico will not be able to import non-NAFTA components duty free for assembly and re-export to the United States. Without NAFTA, such "duty drawback" provision in Mexico could have continued indefinitely.

Q: NAFTA was supposed to bring improvements in labor and the environmental conditions in Mexico. It does not appear to have done either. How do you respond?

With respect to labor and environmental, the NAFTA side agreements are working to improve conditions that existed long before NAFTA. The labor and environmental problems in Mexico are decades in the making; it is unrealistic to expect NAFTA to have remedied them in three years. There are continuing problems and they need to be addressed. The NAFTA agreements provide the vehicle for doing so, and have resulted in important progress on both fronts.

On the environmental front progress is being made to identify and fund new environmental projects and in Mexico's enforcement of its environmental laws.

On the labor front, there is an unprecedented degree of cooperation to address the difficult labor issues and the formal process allowing the submission of complaints about continuing problems

has led to solutions, change, and increased attention to these issues.

With respect to labor and environment issues, progress is continuing. In fact, Presidents Clinton and Zedillo agreed to redouble their efforts in this regard and have asked their labor and environment ministers to identify specific issues requiring more focused attention, particularly along the border.

Q: NAFTA has not really solved the most pressing trade issues between U.S. and Mexico. Why go forward with new agreements if we are not solving existing problems?

While there remain trade issues to resolve with Mexico, no trading relationship is without such ongoing issues. Neither NAFTA nor any other trade agreement is a panacea; it provides increased opportunities and a process to address outstanding and emerging issues. Pursuant to the NAFTA, we are working to solve our trade issues with Mexico and with Canada.

For example, we have made it clear that trucks entering the U.S. must comply with strict safety and environmental standards. With regard to food safety, the NAFTA imposes among the highest phytosanitary requirements of any trade agreement in the world, which must be complied with before food enters our market. With respect to labor and environment issues, progress is continuing. In fact, Presidents Clinton and Zedillo agreed to redouble their efforts in this regard and have asked their labor and environment ministers to identify specific issues requiring more focused attention, particularly along the border.

Again, withholding fast track authority will not improve these problems. Issues like this arise with all trading partners, whether we have special trade relations or not. Fast track is important so that we can create economic opportunity, exercise leadership to impose disciplines that minimize the kinds of problems to which you allude and establish processes to resolve problems when they arise.

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

RECORD ON SIDE AGREEMENTS

Q: What did they do?

[Summary of agreements and a little about dispute resolution]

Q: We hear concerns about the Mexican worker rights situation, and that the NAFTA labor cooperation agreement is of no value. How do you respond?

It is useful to put the status of Mexico's labor situation in context. First, Mexico's labor laws are as good and comparable to labor legislation in the United States and other industrialized

countries. The NAFTA labor cooperation agreement is contributing to the progress Mexico has made in enforcing those labor laws. Second, the enforcement regime in Mexico existed long before NAFTA and reflects the historic realities of this emerging economy. It is unrealistic to expect that after three years of operation, the NAFTA labor cooperation agreement would correct the these historic problems. If the question is has there been progress and is it continuing, the answer is an unequivocal yes. That progress has come notwithstanding the worst economic downturn in Mexico's modern history.

Progress is in the form of increased cooperation to address transnational labor issues and a submission process so that citizens are able to seek enforcement of the worker rights provisions in the agreement. As a result of the side agreement, significant initiatives are underway to educate and upgrade skills and policy implementation across North America, including in Mexico. Such initiatives include trilateral study tours to evaluate practices to improve working conditions; sponsorship of labor law, worker rights, and industrial relations conferences and seminars; hosting conferences, including on "Child and Youth Labor in North America" focused on eliminating inappropriate participation of children in the workplace.

The side agreements also resulted in a submission process so that complaints about labor practices would receive formal attention. The submission process is playing a catalytic role in "spotlighting" important worker rights issues and bringing them to the attention of the public and before decision makers in Mexico (and the U.S. and Canada). It has led to concrete results. For example, it recently resulted in the registration in Mexico of a newly-formed independent union

in a Maxi-Switch production facility. This significant development grew out of the Communications Workers of America (CWA) complaint about Mexico's failure to enforce its obligations allowing the freedom of association and the right to organize and bargain collectively. As a result of the complaint, the registration of the Union was accepted as well as the regularization of the procedure in the request for the reinstatement of the workers. The complaint was withdrawn because the union's objectives had been achieved, which the CWA credited to the operation of the NAFTA procedures.

It has also resulted in a commitment by the Mexican Secretary of Labor and major labor and business organizations to address concerns about union registration and internal union democracy, in legislative and regulatory reform, and an internal review of certain labor laws and practices, commissioned by the Mexican Department of Labor.

Q: Even though the NAFTA has been in effect for three years, the environmental situation -- particularly in the U.S.-Mexico border region -- has not improved, and may even have deteriorated. Why has the NAFTA not been more effective in addressing these problems?

Again, the environmental problems that exist in the U.S.-Mexico border region precede the NAFTA and were decades in the making. To expect that after three years the environmental problems in that region would be resolved is simply unrealistic. The question is whether progress is evident; the answer to that question is yes.

The NAFTA environmental side agreements (the North American Agreement on Environmental

Cooperation and the U.S.-Mexico Border Environment Cooperation Agreement) have led to new environmental initiatives along the border and increased enforcement by Mexico of relatively good environmental laws.

Environmental Initiatives: The three environmental institutions created by NAFTA are already taking concrete steps to address the region's environmental problems. (These institutions include The Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADBank), as well as the Commission for Environmental Cooperation (CEC).) They have certified and arranged financing for numerous infrastructure projects designed to reduce pollution and improve the environment in the U.S.-Mexico border region. Of those certified, the NADBank has approved financing for four water treatment and wastewater projects, with more in the pipeline for approval. The first project to break ground, in Brawley, California, will provide much needed clean drinking water.

Mexico has generally good environmental legislation. The NAFTA side agreement is resulting in improved enforcement of those laws. Pursuant to these agreements enforcement actions have increased from 3,119 in 1991 to between 12,000 and 13,000 annually during 1993-96; 3500 per year alone occur along the border. The number and sophistication of its environmental inspectors has also increased, with more than 600 inspectors having been trained by USG authorities. In addition, environmental auditing programs have been established, along with an environmental crimes unit in the Attorney General's office.

This increased enforcement has resulted in a significant decrease in the number of serious violations. For example, Mexico estimates that maquiladora industry compliance with Mexican hazardous waste laws has climbed from 25% to over 90% from 1992 to 1996. EPA data supports Mexico's estimates. The amount of maquiladora-generated hazardous waste entering the U.S. for proper disposal (as opposed to illegal disposal in Mexico or the United States) has risen from an average of 6,000 tons in 1991-1992 to 12,288 tons, reflecting maquiladora compliance with applicable laws.

ADMINISTRATION'S LABOR AND ENVIRONMENT INITIATIVES

What is Administration's record?

[This will come from the Statement of Policy once completed.]

What will Administration propose?

[This will come from the Statement of Policy once completed.]

DOMESTIC SUPPORT PROGRAMS

What does Administration do for people who lost their jobs?

[Spell out general assistance provided and assistance provided for NAFTA dislocation.]

What education initiatives is the Administration advancing?

A cornerstone of this Administration's economic plan has been to prepare our children for the ever increasing challenges of the global economy and equip our workers with the tools to win in

that global economy. As evidenced by the recent budget agreement this Administration will not accept a balanced budget agreement that does not expand educational opportunities for all Americans.

We are opening the doors to college.

Pell Grants: We increased the grant to \$3,000 in FY 1998 -- the largest increase in two decades.

An additional 348,000 students will receive grants -- 130,000 young people from moderate income families and 218,000 low income students over 24.

Tax Deduction for Higher Education: \$10,000 tax deduction is available for anyone taking courses to acquire or improve job skills. \$17.6 billion from 1997-2002 is expected to help 8.1 million middle income students.

Work study: Continue to expand the availability of work-study jobs, including an increasing number of community service positions, working closer to 1 million work-study jobs by 2000. Also of critical importance is preparing our children to take advantage of the opportunities our economic and trade agenda are creating.

Head Start: Working with Congress we have increased funding 43 percent from FY 1993 to FY 97 from \$2.8 billion to \$4 billion. The FY1998 budget will bring 86,000 more children into a program serving 800,000 in 1997.

America Reads Challenge: A \$2.75 billion effort to recruit and train more than a million volunteer tutors to ensure all children can read well by the third grade.

Charter Schools: \$100 million -- about double the 1997 level -- to support planning and start-up costs for 1100 schools.

Goals 2000: FY 1998 budget increases funding 26 percent to \$620 million, supporting standards based reform in 16,000 public schools in all 50 states.

Technology Literacy Challenge: Double funding to help ensure that all children are technologically literate by the dawn of the 21st century. Funds state-wide plans to wire schools, train teachers, and purchase educational software and on-line resources.

CHILE QUESTIONS

Q. What are the benefits to the U.S. of concluding a trade agreement with Chile?

Concluding an agreement with Chile is of both strategic and economic importance to the U.S. Chile is a litmus test of our commitment not only to Chile (two Presidents have committed to an agreement with Chile), but to the FTAA. A failure to proceed will undermine our leadership in the region. More generally, an agreement with Chile is strategically important to ensure that the FTAA ultimately reflects U.S. inspired rules, and will be viewed in some respects as precedent for the FTAA.

Chile is a leader of economic reform in Latin America. Its average economic growth rate has been 6 percent or more for over 10 years and it has a per-capita GDP of \$5,000 and growing (higher than a number of European countries), and it has dramatically reduced the number of people living below the poverty line. It has the highest savings and investment rate as a percent of GDP of any country in Latin America. U.S exports to Chile in 1996 were greater than our

exports to Russia, India and Indonesia. Our exports to Chile 1990 - 96 were up 148 percent to \$4.1 billion, while imports were up 72 percent in the same time frame to \$2.3 billion. **[What about going forward?]**

Q. What is Chile's record on labor laws and the enforcement of those laws?

Chile's labor laws and regime are respectable, and in some ways are more advanced than those in the U.S. (i.e., maternity leave, etc.). It has a significant labor union movement and has signed more ILO conventions than the U.S. Chile recognizes core labor standards. Its workers have the legal right to associate, organize and bargain collectively. It prohibits forced or compulsory labor (and no instances of this practice are known). There is a minimum age for the employment of children (14) and restrictions on the kind of labor in which they can engage. Children ages 15-18 must obtain the permission of their parents (guardian) and may only be employed in certain sectors. Child labor is virtually non-existent in the export sector and the child labor laws are well enforced in commercial agriculture. Chilean law also provides rules regarding acceptable conditions of work, including minimum wages, hours of work, and occupational safety and health standards. The legal work week is a maximum of 48 hours. The maximum work day is 10 hours. As general matter, the stepped up enforcement of Chilean labor law has been a priority since the return to democracy as has labor law reform.

One area where critics see a weakness in the Chilean regime regards temporary workers (typically agriculture, construction, port workers and entertainers). Their right to collective

bargaining remains dependent on employers agreeing to negotiate with unions of temporary workers. The Frei Administration proposed labor reform legislation in 1995 that would, among other things, provide rules for seasonal workers to bargain collectively with employers. The lower House of Congress passed the legislation, but there is still significant opposition in the Senate.

Q. What is Chile's record on environmental law and its enforcement?

Chile is a country that is increasingly focused on the need for protecting the environment and sustainable development. The Frei Administration passed a landmark Basic Framework Law on the Environment in 1994 which provides for central policy planning by the National Environment Commission which reports to the Minister of the Government. The legislation is forming a more comprehensive basis for governmental enforcement of Chile's environmental laws and policies, including the use of mandatory environmental impact assessments, which all industrial and mining projects, both public and private, must undergo. Chile is also taking important steps to address the air pollution problems in Santiago through a variety of regulatory and enforcement actions.

At the same time, Chile's natural resource extraction based economy has proven extremely successful. As is typical of countries in this situation, Chile's approach to environmental protection historically has not been as advanced as it could be. However, the Frei Administration, precisely because of Chile's natural resource based economy, is also extremely

interested in sustainable development. Therefore, it is working closely with the United States and others to ascertain the best technical assistance and policy advice available.

Q: Will Chile agree to do what Mexico agreed to in the NAFTA labor and environment agreements?

A: Chile has indicated that it would assume the responsibilities of the existing NAFTA environment and labor agreements. In fact, in its agreement with Canada, Chile adopted the Canadian approach to the side agreements. [Specify approach]

Q: Chile maintains some significant sanitary and phytosanitary (SPS) barriers to U.S. exports and seems to be moving slowly to address them for fear of losing negotiating leverage in anticipation of negotiating the trade agreement. Are you pressing Chile to address our concerns?

A: Yes. We believe SPS measures should be based solely on science, and not as disguised barriers to trade. The President raised our general concerns with President Frei earlier this year, and we continue to raise them at every opportunity. USDA has forcefully presented our concerns to the Chileans. The Chileans committed to address our concerns on wheat, for example, and we are pressing them to fulfill that commitment. Furthermore, we have made concrete progress on some other products (lemons, kiwi, grapes, oranges and grapefruits). As to the general notion of holding back on solving outstanding concerns in anticipation of upcoming negotiations, we should not be surprised if this occurs. However, such a posture will not preclude the Administration from pressing Chile.

Q: Chile maintains a discriminatory tax regime with respect to imported spirits. Are you pressing them on this issue? We understand the EU may be considering a WTO dispute settlement case to try to resolve the issue with Chile.

A: We have informed Chile of our concerns with its regime, and its proposed revision of the current regime. We will continue to point out our concerns, particularly if we believe the tax system is inconsistent with the WTO.

TRADE GENERALLY

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

A: The fact is that wages for export-related jobs pay 13-16% more than the national average. Thus, creating additional export opportunities is clearly in America's interest. Our workers are able to compete with workers in low wage countries because they are the most productive in the world. They spend far less time to produce most anything than is required of workers in low wage countries. As a result, in many areas the United States has both higher wages and lower unit labor costs than our low wage trade partners.

Even state of the art facilities in developing countries are in fact far from operating as efficiently as in countries like the United States because of low productivity and frequent quality and availability problems in the domestic goods and service supplying sectors upon which the manufacturing facility depends.

The fact is that workers can and 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.

Additional evidence of the ability of the U.S. to compete in the industrial sector is the overall strong growth of U.S. industrial output, up 18% in real terms since 1992 (compared to an 8% rise for Japan and a 1% decline for Germany). The growth in manufacturing employment since 1992 (up roughly one-quarter million), has been due largely to strong U.S. productivity growth in the manufacturing sector (3% to 4% a year).

Of course, competitive pressure from low wage countries may be felt greatest in U.S. industries where labor skills and productivity are lower than average. But most such jobs are not in industries that compete with imports. Indeed, imports from non-oil developing countries account for only 4% of U.S. spending and has grown only 1.5% during past decade.

We should be concerned when any part of our labor force lacks skills necessary for well-paying jobs. It is important, therefore, to maintain our commitment to education and worker retraining so that our workers can enjoy the benefits of America's increasing demand for a higher-skilled workforce.

Q: How do you respond to arguments that the trade deficit has hurt the U.S. economy and cost American jobs?

A: Trade deficits, by themselves, do not necessarily cost U.S. jobs. Trade deficits and employment both tend to rise when the economy is growing rapidly and consumers and businesses increase their spending. For example, the U.S. current account (the broadest measure of trade) was nearly in balance in 1991, during the last major U.S. recession, yet the unemployment rate peaked at well over 7% in that year. Since 1992, the U.S. economy recovered earlier and has grown faster than those of many of our major trade partners. The relative strength of U.S. growth contributed to the current account deficit expanding to \$165.1 billion in 1996; however, by the end of 1996, the unemployment rate was down to 5.4% and over 11 million net jobs had been created in the U.S. economy in just four years. Today unemployment is at its lowest level in a quarter century.

We cannot lose sight of the fact that exports have created new, high-paying jobs. Today, more than 11 million American jobs are supported by exports, including one in five manufacturing jobs. These are good jobs; jobs supported by merchandise exports pay 13-16 percent more than the U.S. national average wage. Over the last four years, more than one-quarter of our economic growth came from exports -- and export growth has resulted in an additional 1.4 million export-supported jobs .

That said, the President and Congress working together over the last four years have reduced the federal budget deficit and strengthened the national saving rate. As a result, although the trade deficit has increased in dollar terms during this recovery, substantial progress has been made in that the trade deficit has been brought down substantially relative to the size of the overall economy (for goods and services, down from 3.3% of GDP at its peak in 1987 to 1.5% in 1996). In light of the budget agreement between the President and Congress, this trend should continue as we reduce the

budget deficit.

SECTORAL AGREEMENTS

Q: What gives you reason to believe that this Administration would be able to conclude additional sectoral agreements if you had fast track authority?

As you know, we recently concluded the Information Technology Agreement (ITA). The ITA now covers 41 countries that account for 93% of trade in the covered products. The agreement reduces tariffs on a broad range of products of significance to U.S. businesses, including producers of semiconductors, computers, telecommunications equipment and software. These industries support 1.5 million manufacturing jobs and 1.8 million related service jobs. This agreement amounts to a global tax cut of \$5 billion.

The ITA could not have been negotiated without the residual tariff proclamation authority the Administration had in the URAA. We believe more could have been accomplished if the Administration had broader authority, the kind of authority we are seeking in our fast track legislation. Specifically, we believe we could have included products beyond those currently covered, as well as addressed certain non-tariff barriers.

Our optimism about additional sectoral opportunities is real, not theoretical. At the recent APEC Ministerial, the APEC countries, which account for more than 50% of world trade, agreed to use the ITA as the model for launching new market-opening sectoral initiatives. In some cases a

commitment among the APEC countries alone to reduce tariffs and non-tariff barriers can provide significant benefits to U.S. companies and workers. Where additional countries are necessary to cover the bulk of trade in a particular sector, the APEC countries agreed to collectively seek inclusion of other countries in such an agreement. This commitment is unprecedented. The APEC countries have agreed to a process for identifying and pursuing new sectoral market opening initiatives. Specifically, the APEC Ministers agreed to have their staffs identify candidates by July 15, discuss those further in August, and present to the Ministers in November those on which negotiations could commence. Among the sectors already being considered are many in which the U.S. is a market leader. [Some of these sectors include environmental technology and services, medical equipment, .

Q: It is my understanding that the Administration already has residual tariff proclamation authority under the URAA for other products. Why isn't that authority sufficient to achieve the Administration's objectives?

The tariff authority that exists under the URAA is limited to certain sectors and products within those sectors. Thus, while that authority is important for addressing important sectors like chemicals, non-ferrous metals, wood and paper products, _____, even within those sectors, it may not allow for the full product coverage that would be desirable and it does not allow us to address non-tariff barriers. For example, the ITA was concluded using that residual authority. Had we had broader authority, we could have covered additional products and addressed non-tariff barriers. [Specifics] ITA-II, which the APEC Ministers agreed to pursue, would pursue those objectives.

More generally, for many other sectors in which the U.S. is a global leader. e.g., environmental technologies, medical equipment, _____, no such authority exists. Only a new grant of fast track authority will allow us to pursue fully these sector initiatives.

Q: I understand that environmental technology and services is among the sectors being considered for a market opening initiative. Can you comment and, if so, why is this in the U.S. interest?

Environmental technology and services is one of the sectors that was mentioned at the APEC Ministerial in Montreal, [and we are currently considering whether it is a sector that we will recommend for such an initiative.] Such an initiative would not only benefit U.S. business and workers, but contribute to exporting to the world the technology and know-how to improve environmental conditions.

The United States is the largest producer of environmental goods and services in the world, accounting for approximately forty percent of the global market. The global market is growing rapidly; today it is estimated at between \$250 to \$420 billion and is expected to reach \$600 billion by the year 2010. [Currently, this industry employs 1.3 million Americans or 1.7% of the U.S. workforce and projected growth over the next few years is expected to be between 3 and 4 percent. [Growth of 3-4% or growth to 3-4%? Does this assume increased export opportunities?] Even though the U.S. is a market leader, the U.S. continues to lag well behind in exports from this sector to other countries. Currently, only six percent of U.S. environmental industry revenues are from international markets, while our major competitors, Germany and Japan, derive 20% of their

revenues from exports.

The U.S. environmental technologies market, although one of the most advanced in the world, is facing a fiercely competitive global market. Numerous countries, including Japan, Germany and France spend billions of dollars to promote and finance their environmental technologies exports. In addition to tariff barriers, an agreement would address environment-related service barriers. [What other barriers exist?]

Q: I have heard the among the sectors that might benefit from renewed fast track authority is the medical equipment sector. How so?

The U.S. holds the strongest position in the global medical goods industry and is responsible for almost one-half of total global production. Due to the increasingly innovative U.S. medical device industry, the U.S.'s closest competitors with regards to total global production are Europe with 30% and Japan with 18%. The United States, along with Japan and Europe, is a market leader in exporting medical equipment to countries attempting to develop their health care infrastructure.

Further trade liberalization in this sector is in the U.S. interest. For example, growth markets in Latin America, Eastern Europe and to some extent Asia are critical to U.S. exporters. In most cases though, the tariff rates in these growth markets are high and unbound. We envision expanding the Uruguay Round zero/zero in medical equipment to include additional countries and any remaining products that are not already contained in the UR agreement. Although most medical equipment in these growing markets is currently procured by governments, which waive duties, their

participation in the existing zero/zero tariff initiative would bind zero tariffs as health care is privatized.

In addition, we would pursue non-tariff barriers and procurement practices, which pose the major obstacles to U.S. export growth. For example, we would seek to obtain commitments from countries that are not currently signatories to the Government Procurement Agreement (GPA) with respect to procurement of medical equipment by government-owned hospitals.

The U.S. is also a market leader in "exporting" services that use the equipment around the world. Hospitals, clinics, and testing and analysis facilities are examples of such services. The U.S. exports these services through investment, by electronic means ("telemedicine"), or by foreigners traveling to the United States for health care. To complement the goods market access commitments, therefore, we would seek commitments to remove barriers to services that use the equipment.

In addition to the economic benefits that such a sectoral agreement would reap, the human dimension is noteworthy. By exporting the equipment and know-how, we help increasing access to high-quality medical care and provide access to millions of people in developing and developed countries.

MULTILATERAL AGREEMENTS

What multilateral agreements is the Administration considering?

Why are these good/important for America?

HOW WOULD FAST TRACK HELP

Farmers

Service industries

Hi-tech industries

Manufacturing industries

Environmental technology

QUESTIONS & ANSWERS FOR FAST TRACK SOURCE BOOK

BASICS OF FAST TRACK

Q: For what does the Administration plan to use this authority?

A: Fast track is about ensuring that America speaks with a united voice as we pursue our trade agenda. Our immediate plan is to use fast track to wrap up negotiations on a comprehensive trade agreement with Chile. But we will need fast track to pursue a range of other bilateral, regional, and world-wide trade initiatives that can expand export opportunities for our companies and workers. Already on the agenda of the World Trade Organization, for example, are negotiations that we can use to bring down barriers that keep our highly competitive agricultural products out of key markets around the world. We will also need fast track to initiate new negotiations to lower trade global barriers in other sectors where we are the world's leading producer -- like we did for computers and other electronic equipment through the recently concluded International Technology Agreement. Fast track tells our trading partners that Congress and the President are working together to carry out America's trade agenda.

Q: What are the risks if the Administration does not get renewed fast track authority?

A: We have worked hard as a nation to regain our competitive position and to ensure that we continue to steer the global trade agenda for the advantage of our companies and workers. That work has paid off. **[Econ stats current as of time of use.]** If we abandon our leadership role, if

we do not have the tools in place to bring down barriers to American products and services around the world, we will leave American companies and workers on the sidelines while our competitors set the world's trade policies and give each other privileged trading rights. This is not a theoretical possibility. Since 1992, our commercial rivals have concluded more than 20 regional trade agreements that leave the United States out. Every day, the world's trading nations are forging strategic and preferential alliances without us.

A recent example demonstrates that the costs of watching from the sidelines are real. In November 1996, Canada reached a free-trade agreement with Chile that eliminates Chile's 11 percent tariff on most Canadian products. Northern Telecom -- a Canadian-owned producer -- recently won a nearly \$200 million telecommunications equipment contract over three U.S. companies in part because Canada's trade deal with Chile gave Northern a \$20 million cost advantage over its U.S. rivals. Recently, Canada has said that it wants to move beyond Chile and form a trade alliance with Latin America's common market countries -- Mercosur -- with or without the United States.

American companies have already begun to source their sales to Latin America from Mexico or other countries that have negotiated preferential trading arrangements with Mercosur. That means lost opportunities for workers and manufacturers in the United States.

RECORD ON NAFTA

Q: What benefits has NAFTA provided?

NAFTA has played a vital role in expanding markets for U.S. products in our first and third largest trade partners, Canada and Mexico. NAFTA also acted as a buffer against reduced access to these markets, particularly, Mexico during Mexico's recession and peso crisis.

U.S. goods exports have risen to historic records in the last 3 years (1993 to 1996): up 33% to Canada, reaching \$134 billion and up 37% to Mexico, reaching \$57 billion.

The strength of U.S. exports to Mexico under NAFTA, even in the face of the peso crisis, is significantly in particular sectors areas. For example, U.S. agricultural exports to Mexico are up by 52% in 3 years, from \$3.5 billion in 1993 to \$5.4 billion in 1996. Exports of cereal, led by corn, are up 174% to \$1.8 billion. Exports of electrical machinery are up by nearly 60% to \$1.1 billion, and exports of paper are by one-third to \$1.5 billion. Even the consumer goods category has shown strong growth, with exports up 34% to \$6.5 billion. Similarly, NAFTA has translated into significant gains for the states' economic performance. **[Stats on state exports.]** While virtually every region in the country has benefited from NAFTA, the Midwest, in particular, has experienced an economic boom, in part, because of the increase in manufactured exports to Mexico.

These increased exports translate into job growth, jobs that pay high wages. Goods exports to Mexico and Canada supported 2.3 million U.S. jobs last year. These jobs have also increased since NAFTA began taking effect, up 122,000 for exports to Mexico (to an estimated 750,000 in

1996) and up 189,000 for exports to Canada. Such U.S. jobs supported by exports pay 13% to 16% more than the U.S. national average.

In addition to the direct benefits provided by NAFTA, NAFTA also shielded the U.S. from the potentially more serious consequences of Mexican recession. In 1995, a year in which Mexico experienced its worst recession in the 20th century (production and employment down 7%), that country continued to lower its trade barriers to U.S. and Canadian products (in line with its NAFTA obligations), while raising them in certain areas against products from the E.U. and Japan. Our share of Mexico's imports actually rose from 71% in 1994 to 76% in 1996.

In Mexico's previous international payments and peso crisis in 1981-82, U.S. exports were cut in half and took 7 years to recover. In contrast, in 1995 U.S. exports fell by 9% and had fully recovered in 18 months, helping to protect more than 700,000 good paying U.S. jobs supported by exports to Mexico. Also, while the recession did cause a deterioration in our trade balance with Mexico, NAFTA helped limit to some extent the size of the bilateral deficit growth. A recent study published by the Federal Reserve Bank of Dallas estimated that U.S. export growth to Mexico has been 7 percent higher than it otherwise would have been due to NAFTA, while U.S. import growth from Mexico was only 2 percent higher per year due to NAFTA.

Q: How has NAFTA helped the agricultural sector?

NAFTA has ensured U.S. agriculture products exporters increasing access to Mexico, their third largest export market; they enjoyed a \$1.3 billion trade surplus with Mexico in FY1996 (up 37% from FY1993).

In 1996, U.S. farm and food exports to Mexico soared by \$1.9 billion to reach another record level of \$5.4 billion. A range of agricultural sectors enjoyed significant export growth and a larger share of Mexico's market. For example, the U.S. market share of Mexico's pork market went from 77% in 1994 to 95% in 1996. Exports of corn, grains, soybeans, wheat, cotton and rice all set new value records in 1996.

Because of Mexico's commitments under NAFTA, U.S. agricultural exports were able to recover fully in 1996 after the Mexican recession in 1995. Despite its recession, Mexico maintained its commitment to reduce tariffs thereby limiting the effect of the recession. Thus, while exports to Mexico declined in FY1995 due to the recession, they increased dramatically by 35% in FY1996 to regain any shortfalls in FY1995 and reach record levels.

Q: Hasn't NAFTA created a trade deficit with Mexico, resulting in the loss of thousands of U.S. jobs?

The trade deficit with Mexico was caused by Mexico's recession and peso crisis, not NAFTA. Mexico experienced its worst economic downturn in modern history in 1995. As a result of the

peso crisis, investment fled and interest rates jumped.. Mexican production fell by nearly 7 percent, making Mexico's recession about three times worse than the last U.S. recession in 1991-1992. Mexico's imports fell and the sharp decline in its domestic spending power made more of its remaining production available for export.

During that same period, the U.S. economy was growing, which contributed to the trade deficit with Mexico. Between 1994 and 1996, U.S. net employment rose by 4.8 million, the unemployment rate fell from 6.1 to 5.4 percent and U.S. industrial production rose by over 6 percent in real terms.

If anything, the trade deficit would have increased further if it were not for NAFTA. During the recession, Mexico continued to lower its trade barriers as required by NAFTA. Compare that behavior to the last economic crisis in 1981-1982, during which Mexico imposed 100% duties on American products and strict licensing requirements. In that crisis, U.S. exports were cut in half and jobs supported by exports fell by more than 50%; it took 7 years to recover to 1981 levels.

In this crisis, Mexico increased tariffs on certain products from our competitors, but not on our products. In this period, U.S. exports fell by 9% and fully recovered in 18 months, protecting the 750,000 jobs that depend on those exports. A Federal Reserve of Dallas study concluded that U.S. export growth was 7% higher than would have been absent NAFTA; import growth from Mexico only 2% higher because of NAFTA.

Issue: How can you argue that U.S. workers have benefited from NAFTA?

NAFTA has increased exports, supporting and creating U.S. jobs. Under NAFTA, U.S. goods exports have increased. Exports to Canada increased 33 percent from 1993 to 1996, reaching \$134 billion. Exports to Mexico rose 37 percent during the same time period, totaling \$57 billion. Increased exports to the NAFTA countries supported the expansion of high wage jobs in the United States. Goods exports to Mexico and Canada supported 2.3 million jobs in the United States last year. These jobs pay 13 to 16 percent more than the national average. NAFTA has created 122,000 new jobs supported by exports to Mexico and 189,000 new jobs supported by exports to Canada.

NAFTA also insured that the jobs that rely on exports, particularly to Mexico, were protected during Mexico's financial problems. Notwithstanding Mexico's worst recession in the 20th century, it continued to lower its trade barriers to U.S. and Canadian products.

Q: How can you argue that trade with Mexico and Canada has not hurt U.S. workers when over 100,000 have been certified for assistance because they lost their jobs due to imports from those countries or plant relocations to those countries?

As we move farther towards a global economy, of which NAFTA is a part, we create new opportunities that require increasingly higher skill and education. Many such opportunities were created as evidenced by the more than 300,000 jobs created as a result of expanded exports to the NAFTA countries. For those workers you experience dislocation during this transition we must and do provide support.

It has to be appreciated, however, that from January 1994 through March 1997, approximately 10 million U.S. workers experienced involuntary job displacement. Of those 10 million, 72,646 were certified as having experienced dislocation as a result of imports from Mexico (or displacement to Mexico). The assistance available to workers so certified goes beyond that given to workers who otherwise experience job dislocation, ie., they receive unemployment compensation for longer than others if they cannot find a job. Of this 72,000, only about 5,000 actually did not find new jobs before normal unemployment benefits expired. They received extended benefits under the legislation passed as part of NAFTA.

More generally, job growth in the United States has been strong during the entire time NAFTA has been in effect. In fact, all job displacement was offset and net employment actually increased by 9.3 million. In effect, for each job that was lost, a new one was created. **[Rebut that it is a less desirable job.]**

That said, we must be concerned anytime one of our workers does not have the skills necessary to take advantage of new opportunities. Therefore, we remain committed to creating expanded education opportunities. **[Budget and expanded education.]**

Q: Effect on peso crisis. What role did NAFTA play in the collapse of the peso in 1995 and the decline of the Mexican economy?

A: The sharp decline in the Mexican economy in 1995 and the peso crash had its roots in

Mexico's exchange rate policy in the 1980s, long before the NAFTA was envisioned. The rise in interest rates, collapse of the Mexican financial markets and the 7% decline in production and employment, undermined the Mexican economy, and these events had little to do with the NAFTA.

The NAFTA did force Mexico to meet market-opening obligations, and in spite of a recession three times worse than the U.S. recession of 1991, our exports to Mexico recovered in just 18 months. By contrast, after the peso crash of 1982, Mexico erected across-the-board trade barriers and U.S. exports took seven years to recover.

From the Mexican perspective, NAFTA can, in part, be credited with helping Mexico recover more quickly from this recession than the recession in the 1980's. It took the Mexican economy 4 years to recover from its early 1980s recession. In contrast, in 1996, just one year after the recession, the Mexican economy grew by better than 5% and recovered two-thirds of its production. Mexican growth is expected to exceed 5% again in 1997. In that event, Mexico will have recovered from a worse recession twice as fast as it did from recession in the 1980s.

Q: Didn't wages in maquiladora plants and in Mexico generally fall as a result of NAFTA?

Q: Aren't maquiladoras responsible for the increase in Mexican exports to the United States?

Maquiladoras actually account for a decreasing share of imports from Mexico. Exports from

maquiladoras have fallen from 43 percent of total Mexican exports in 1994 to 38 percent of total exports in 1996. This trend is likely to continue as cost advantage for maquiladoras will be eliminated in time. Under the NAFTA, not all tariffs on Mexican imports have been eliminated, thus providing some cost incentive for maquiladoras to export to the United States. After all tariffs have been eliminated under NAFTA, maquiladoras will lose their cost advantage. NAFTA also assures that, when fully phased in, Mexico will not be able to import non-NAFTA components duty free for assembly and re-export to the United States. Without NAFTA, such "duty drawback" provision in Mexico could have continued indefinitely.

Q: NAFTA was supposed to bring improvements in labor and the environmental conditions in Mexico. It does not appear to have done either. How do you respond?

With respect to labor and environmental, the NAFTA side agreements are working to improve conditions that existed long before NAFTA. The labor and environmental problems in Mexico are decades in the making; it is unrealistic to expect NAFTA to have remedied them in three years. There are continuing problems and they need to be addressed. The NAFTA agreements provide the vehicle for doing so, and have resulted in important progress on both fronts.

On the environmental front progress is being made to identify and fund new environmental projects and in Mexico's enforcement of its environmental laws.

On the labor front, there is an unprecedented degree of cooperation to address the difficult labor issues and the formal process allowing the submission of complaints about continuing problems

has led to solutions, change, and increased attention to these issues.

With respect to labor and environment issues, progress is continuing. In fact, Presidents Clinton and Zedillo agreed to redouble their efforts in this regard and have asked their labor and environment ministers to identify specific issues requiring more focused attention, particularly along the border.

Q: NAFTA has not really solved the most pressing trade issues between U.S. and Mexico. Why go forward with new agreements if we are not solving existing problems?

While there remain trade issues to resolve with Mexico, no trading relationship is without such ongoing issues. Neither NAFTA nor any other trade agreement is a panacea; it provides increased opportunities and a process to address outstanding and emerging issues. Pursuant to the NAFTA, we are working to solve our trade issues with Mexico and with Canada.

For example, we have made it clear that trucks entering the U.S. must comply with strict safety and environmental standards. With regard to food safety, the NAFTA imposes among the highest phytosanitary requirements of any trade agreement in the world, which must be complied with before food enters our market. With respect to labor and environment issues, progress is continuing. In fact, Presidents Clinton and Zedillo agreed to redouble their efforts in this regard and have asked their labor and environment ministers to identify specific issues requiring more focused attention, particularly along the border.

Again, withholding fast track authority will not improve these problems. Issues like this arise with all trading partners, whether we have special trade relations or not. Fast track is important so that we can create economic opportunity, exercise leadership to impose disciplines that minimize the kinds of problems to which you allude and establish processes to resolve problems when they arise.

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

RECORD ON SIDE AGREEMENTS

Q: What did they do?

[Summary of agreements and a little about dispute resolution]

Q: We hear concerns about the Mexican worker rights situation, and that the NAFTA labor cooperation agreement is of no value. How do you respond?

It is useful to put the status of Mexico's labor situation in context. First, Mexico's labor laws are as good and comparable to labor legislation in the United States and other industrialized

countries. The NAFTA labor cooperation agreement is contributing to the progress Mexico has made in enforcing those labor laws. Second, the enforcement regime in Mexico existed long before NAFTA and reflects the historic realities of this emerging economy. It is unrealistic to expect that after three years of operation, the NAFTA labor cooperation agreement would correct the these historic problems. If the question is has there been progress and is it continuing, the answer is an unequivocal yes. That progress has come notwithstanding the worst economic downturn in Mexico's modern history.

Progress is in the form of increased cooperation to address transnational labor issues and a submission process so that citizens are able to seek enforcement of the worker rights provisions in the agreement. As a result of the side agreement, significant initiatives are underway to educate and upgrade skills and policy implementation across North America, including in Mexico. Such initiatives include trilateral study tours to evaluate practices to improve working conditions; sponsorship of labor law, worker rights, and industrial relations conferences and seminars; hosting conferences, including on "Child and Youth Labor in North America" focused on eliminating inappropriate participation of children in the workplace.

The side agreements also resulted in a submission process so that complaints about labor practices would receive formal attention. The submission process is playing a catalytic role in "spotlighting" important worker rights issues and bringing them to the attention of the public and before decision makers in Mexico (and the U.S. and Canada). It has led to concrete results. For example, it recently resulted in the registration in Mexico of a newly-formed independent union

in a Maxi-Switch production facility. This significant development grew out of the Communications Workers of America (CWA) complaint about Mexico's failure to enforce its obligations allowing the freedom of association and the right to organize and bargain collectively. As a result of the complaint, the registration of the Union was accepted as well as the regularization of the procedure in the request for the reinstatement of the workers. The complaint was withdrawn because the union's objectives had been achieved, which the CWA credited to the operation of the NAFTA procedures.

It has also resulted in a commitment by the Mexican Secretary of Labor and major labor and business organizations to address concerns about union registration and internal union democracy, in legislative and regulatory reform, and an internal review of certain labor laws and practices, commissioned by the Mexican Department of Labor.

Q: Even though the NAFTA has been in effect for three years, the environmental situation -- particularly in the U.S.-Mexico border region -- has not improved, and may even have deteriorated. Why has the NAFTA not been more effective in addressing these problems?

Again, the environmental problems that exist in the U.S.-Mexico border region precede the NAFTA and were decades in the making. To expect that after three years the environmental problems in that region would be resolved is simply unrealistic. The question is whether progress is evident; the answer to that question is yes.

The NAFTA environmental side agreements (the North American Agreement on Environmental

Cooperation and the U.S.-Mexico Border Environment Cooperation Agreement) have led to new environmental initiatives along the border and increased enforcement by Mexico of relatively good environmental laws.

Environmental Initiatives: The three environmental institutions created by NAFTA are already taking concrete steps to address the region's environmental problems. (These institutions include The Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADBank), as well as the Commission for Environmental Cooperation (CEC).) They have certified and arranged financing for numerous infrastructure projects designed to reduce pollution and improve the environment in the U.S.-Mexico border region. Of those certified, the NADBank has approved financing for four water treatment and wastewater projects, with more in the pipeline for approval. The first project to break ground, in Brawley, California, will provide much needed clean drinking water.

Mexico has generally good environmental legislation. The NAFTA side agreement is resulting in improved enforcement of those laws. Pursuant to these agreements enforcement actions have increased from 3,119 in 1991 to between 12,000 and 13,000 annually during 1993-96; 3500 per year alone occur along the border. The number and sophistication of its environmental inspectors has also increased, with more than 600 inspectors having been trained by USG authorities. In addition, environmental auditing programs have been established, along with an environmental crimes unit in the Attorney General's office.

This increased enforcement has resulted in a significant decrease in the number of serious violations. For example, Mexico estimates that maquiladora industry compliance with Mexican hazardous waste laws has climbed from 25% to over 90% from 1992 to 1996. EPA data supports Mexico's estimates. The amount of maquiladora-generated hazardous waste entering the U.S. for proper disposal (as opposed to illegal disposal in Mexico or the United States) has risen from an average of 6,000 tons in 1991-1992 to 12,288 tons, reflecting maquiladora compliance with applicable laws.

ADMINISTRATION'S LABOR AND ENVIRONMENT INITIATIVES

What is Administration's record?

[This will come from the Statement of Policy once completed.]

What will Administration propose?

[This will come from the Statement of Policy once completed.]

DOMESTIC SUPPORT PROGRAMS

What does Administration do for people who lost their jobs?

[Spell out general assistance provided and assistance provided for NAFTA dislocation.]

What education initiatives is the Administration advancing?

A cornerstone of this Administration's economic plan has been to prepare our children for the ever increasing challenges of the global economy and equip our workers with the tools to win in

that global economy. As evidenced by the recent budget agreement this Administration will not accept a balanced budget agreement that does not expand educational opportunities for all Americans.

We are opening the doors to college.

Pell Grants: We increased the grant to \$3,000 in FY 1998 -- the largest increase in two decades.

An additional 348,000 students will receive grants -- 130,000 young people from moderate income families and 218,000 low income students over 24.

Tax Deduction for Higher Education: \$10,000 tax deduction is available for anyone taking courses to acquire or improve job skills. \$17.6 billion from 1997-2002 is expected to help 8.1 million middle income students.

Work study: Continue to expand the availability of work-study jobs, including an increasing number of community service positions, working closer to 1 million work-study jobs by 2000. Also of critical importance is preparing our children to take advantage of the opportunities our economic and trade agenda are creating.

Head Start: Working with Congress we have increased funding 43 percent from FY 1993 to FY 97 from \$2.8 billion to \$4 billion. The FY1998 budget will bring 86,000 more children into a program serving 800,000 in 1997.

America Reads Challenge: A \$2.75 billion effort to recruit and train more than a million volunteer tutors to ensure all children can read well by the third grade.

Charter Schools: \$100 million -- about double the 1997 level -- to support planning and start-up costs for 1100 schools.

Goals 2000: FY 1998 budget increases funding 26 percent to \$620 million, supporting standards based reform in 16,000 public schools in all 50 states.

Technology Literacy Challenge: Double funding to help ensure that all children are technologically literate by the dawn of the 21st century. Funds state-wide plans to wire schools, train teachers, and purchase educational software and on-line resources.

CHILE QUESTIONS

Q. What are the benefits to the U.S. of concluding a trade agreement with Chile?

Concluding an agreement with Chile is of both strategic and economic importance to the U.S. Chile is a litmus test of our commitment not only to Chile (two Presidents have committed to an agreement with Chile), but to the FTAA. A failure to proceed will undermine our leadership in the region. More generally, an agreement with Chile is strategically important to ensure that the FTAA ultimately reflects U.S. inspired rules, and will be viewed in some respects as precedent for the FTAA.

Chile is a leader of economic reform in Latin America. Its average economic growth rate has been 6 percent or more for over 10 years and it has a per-capita GDP of \$5,000 and growing (higher than a number of European countries), and it has dramatically reduced the number of people living below the poverty line. It has the highest savings and investment rate as a percent of GDP of any country in Latin America. U.S exports to Chile in 1996 were greater than our

exports to Russia, India and Indonesia. Our exports to Chile 1990 - 96 were up 148 percent to \$4.1 billion, while imports were up 72 percent in the same time frame to \$2.3 billion. **[What about going forward?]**

Q. What is Chile's record on labor laws and the enforcement of those laws?

Chile's labor laws and regime are respectable, and in some ways are more advanced than those in the U.S. (i.e., maternity leave, etc.). It has a significant labor union movement and has signed more ILO conventions than the U.S. Chile recognizes core labor standards. Its workers have the legal right to associate, organize and bargain collectively. It prohibits forced or compulsory labor (and no instances of this practice are known). There is a minimum age for the employment of children (14) and restrictions on the kind of labor in which they can engage. Children ages 15-18 must obtain the permission of their parents (guardian) and may only be employed in certain sectors. Child labor is virtually non-existent in the export sector and the child labor laws are well enforced in commercial agriculture. Chilean law also provides rules regarding acceptable conditions of work, including minimum wages, hours of work, and occupational safety and health standards. The legal work week is a maximum of 48 hours. The maximum work day is 10 hours. As general matter, the stepped up enforcement of Chilean labor law has been a priority since the return to democracy as has labor law reform.

One area where critics see a weakness in the Chilean regime regards temporary workers (typically agriculture, construction, port workers and entertainers). Their right to collective

bargaining remains dependent on employers agreeing to negotiate with unions of temporary workers. The Frei Administration proposed labor reform legislation in 1995 that would, among other things, provide rules for seasonal workers to bargain collectively with employers. The lower House of Congress passed the legislation, but there is still significant opposition in the Senate.

Q. What is Chile's record on environmental law and its enforcement?

Chile is a country that is increasingly focused on the need for protecting the environment and sustainable development. The Frei Administration passed a landmark Basic Framework Law on the Environment in 1994 which provides for central policy planning by the National Environment Commission which reports to the Minister of the Government. The legislation is forming a more comprehensive basis for governmental enforcement of Chile's environmental laws and policies, including the use of mandatory environmental impact assessments, which all industrial and mining projects, both public and private, must undergo. Chile is also taking important steps to address the air pollution problems in Santiago through a variety of regulatory and enforcement actions.

At the same time, Chile's natural resource extraction based economy has proven extremely successful. As is typical of countries in this situation, Chile's approach to environmental protection historically has not been as advanced as it could be. However, the Frei Administration, precisely because of Chile's natural resource based economy, is also extremely

interested in sustainable development. Therefore, it is working closely with the United States and others to ascertain the best technical assistance and policy advice available.

Q: Will Chile agree to do what Mexico agreed to in the NAFTA labor and environment agreements?

A: Chile has indicated that it would assume the responsibilities of the existing NAFTA environment and labor agreements. In fact, in its agreement with Canada, Chile adopted the Canadian approach to the side agreements. [Specify approach]

Q: Chile maintains some significant sanitary and phytosanitary (SPS) barriers to U.S. exports and seems to be moving slowly to address them for fear of losing negotiating leverage in anticipation of negotiating the trade agreement. Are you pressing Chile to address our concerns?

A: Yes. We believe SPS measures should be based solely on science, and not as disguised barriers to trade. The President raised our general concerns with President Frei earlier this year, and we continue to raise them at every opportunity. USDA has forcefully presented our concerns to the Chileans. The Chileans committed to address our concerns on wheat, for example, and we are pressing them to fulfill that commitment. Furthermore, we have made concrete progress on some other products (lemons, kiwi, grapes, oranges and grapefruits). As to the general notion of holding back on solving outstanding concerns in anticipation of upcoming negotiations, we should not be surprised if this occurs. However, such a posture will not preclude the Administration from pressing Chile.

Q: Chile maintains a discriminatory tax regime with respect to imported spirits. Are you pressing them on this issue? We understand the EU may be considering a WTO dispute settlement case to try to resolve the issue with Chile.

A: We have informed Chile of our concerns with its regime, and its proposed revision of the current regime. We will continue to point out our concerns, particularly if we believe the tax system is inconsistent with the WTO.

TRADE GENERALLY

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

A: The fact is that wages for export-related jobs pay 13-16% more than the national average. Thus, creating additional export opportunities is clearly in America's interest. Our workers are able to compete with workers in low wage countries because they are the most productive in the world. They spend far less time to produce most anything than is required of workers in low wage countries. As a result, in many areas the United States has both higher wages and lower unit labor costs than our low wage trade partners.

Even state of the art facilities in developing countries are in fact far from operating as efficiently as in countries like the United States because of low productivity and frequent quality and availability problems in the domestic goods and service supplying sectors upon which the manufacturing facility depends.

The fact is that workers can and 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.

Additional evidence of the ability of the U.S. to compete in the industrial sector is the overall strong growth of U.S. industrial output, up 18% in real terms since 1992 (compared to an 8% rise for Japan and a 1% decline for Germany). The growth in manufacturing employment since 1992 (up roughly one-quarter million), has been due largely to strong U.S. productivity growth in the manufacturing sector (3% to 4% a year).

Of course, competitive pressure from low wage countries may be felt greatest in U.S. industries where labor skills and productivity are lower than average. But most such jobs are not in industries that compete with imports. Indeed, imports from non-oil developing countries account for only 4% of U.S. spending and has grown only 1.5% during past decade.

We should be concerned when any part of our labor force lacks skills necessary for well-paying jobs. It is important, therefore, to maintain our commitment to education and worker retraining so that our workers can enjoy the benefits of America's increasing demand for a higher-skilled workforce.

Q: How do you respond to arguments that the trade deficit has hurt the U.S. economy and cost American jobs?

A: Trade deficits, by themselves, do not necessarily cost U.S. jobs. Trade deficits and employment both tend to rise when the economy is growing rapidly and consumers and businesses increase their spending. For example, the U.S. current account (the broadest measure of trade) was nearly in balance in 1991, during the last major U.S. recession, yet the unemployment rate peaked at well over 7% in that year. Since 1992, the U.S. economy recovered earlier and has grown faster than those of many of our major trade partners. The relative strength of U.S. growth contributed to the current account deficit expanding to \$165.1 billion in 1996; however, by the end of 1996, the unemployment rate was down to 5.4% and over 11 million net jobs had been created in the U.S. economy in just four years. Today unemployment is at its lowest level in a quarter century.

We cannot lose sight of the fact that exports have created new, high-paying jobs. Today, more than 11 million American jobs are supported by exports, including one in five manufacturing jobs. These are good jobs; jobs supported by merchandise exports pay 13-16 percent more than the U.S. national average wage. Over the last four years, more than one-quarter of our economic growth came from exports -- and export growth has resulted in an additional 1.4 million export-supported jobs .

That said, the President and Congress working together over the last four years have reduced the federal budget deficit and strengthened the national saving rate. As a result, although the trade deficit has increased in dollar terms during this recovery, substantial progress has been made in that the trade deficit has been brought down substantially relative to the size of the overall economy (for goods and services, down from 3.3% of GDP at its peak in 1987 to 1.5% in 1996). In light of the budget agreement between the President and Congress, this trend should continue as we reduce the

budget deficit.

SECTORAL AGREEMENTS

Q: What gives you reason to believe that this Administration would be able to conclude additional sectoral agreements if you had fast track authority?

As you know, we recently concluded the Information Technology Agreement (ITA). The ITA now covers 41 countries that account for 93% of trade in the covered products. The agreement reduces tariffs on a broad range of products of significance to U.S. businesses, including producers of semiconductors, computers, telecommunications equipment and software. These industries support 1.5 million manufacturing jobs and 1.8 million related service jobs. This agreement amounts to a global tax cut of \$5 billion.

The ITA could not have been negotiated without the residual tariff proclamation authority the Administration had in the URAA. We believe more could have been accomplished if the Administration had broader authority, the kind of authority we are seeking in our fast track legislation. Specifically, we believe we could have included products beyond those currently covered, as well as addressed certain non-tariff barriers.

Our optimism about additional sectoral opportunities is real, not theoretical. At the recent APEC Ministerial, the APEC countries, which account for more than 50% of world trade, agreed to use the ITA as the model for launching new market-opening sectoral initiatives. In some cases a

commitment among the APEC countries alone to reduce tariffs and non-tariff barriers can provide significant benefits to U.S. companies and workers. Where additional countries are necessary to cover the bulk of trade in a particular sector, the APEC countries agreed to collectively seek inclusion of other countries in such an agreement. This commitment is unprecedented. The APEC countries have agreed to a process for identifying and pursuing new sectoral market opening initiatives. Specifically, the APEC Ministers agreed to have their staffs identify candidates by July 15, discuss those further in August, and present to the Ministers in November those on which negotiations could commence. Among the sectors already being considered are many in which the U.S. is a market leader. [Some of these sectors include environmental technology and services, medical equipment, .

Q: It is my understanding that the Administration already has residual tariff proclamation authority under the URAA for other products. Why isn't that authority sufficient to achieve the Administration's objectives?

The tariff authority that exists under the URAA is limited to certain sectors and products within those sectors. Thus, while that authority is important for addressing important sectors like chemicals, non-ferrous metals, wood and paper products, _____, even within those sectors, it may not allow for the full product coverage that would be desirable and it does not allow us to address non-tariff barriers. For example, the ITA was concluded using that residual authority. Had we had broader authority, we could have covered additional products and addressed non-tariff barriers. [Specifics] ITA-II, which the APEC Ministers agreed to pursue, would pursue those objectives.

More generally, for many other sectors in which the U.S. is a global leader. e.g., environmental technologies, medical equipment, _____, no such authority exists. Only a new grant of fast track authority will allow us to pursue fully these sector initiatives.

Q: I understand that environmental technology and services is among the sectors being considered for a market opening initiative. Can you comment and, if so, why is this in the U.S. interest?

Environmental technology and services is one of the sectors that was mentioned at the APEC Ministerial in Montreal, [and we are currently considering whether it is a sector that we will recommend for such an initiative.] Such an initiative would not only benefit U.S. business and workers, but contribute to exporting to the world the technology and know-how to improve environmental conditions.

The United States is the largest producer of environmental goods and services in the world, accounting for approximately forty percent of the global market. The global market is growing rapidly; today it is estimated at between \$250 to \$420 billion and is expected to reach \$600 billion by the year 2010. [Currently, this industry employs 1.3 million Americans or 1.7% of the U.S. workforce and projected growth over the next few years is expected to be between 3 and 4 percent. [Growth of 3-4% or growth to 3-4%? Does this assume increased export opportunities?] Even though the U.S. is a market leader, the U.S. continues to lag well behind in exports from this sector to other countries. Currently, only six percent of U.S. environmental industry revenues are from international markets, while our major competitors, Germany and Japan, derive 20% of their

revenues from exports.

The U.S. environmental technologies market, although one of the most advanced in the world, is facing a fiercely competitive global market. Numerous countries, including Japan, Germany and France spend billions of dollars to promote and finance their environmental technologies exports. In addition to tariff barriers, an agreement would address environment-related service barriers. [What other barriers exist?]

Q: I have heard the among the sectors that might benefit from renewed fast track authority is the medical equipment sector. How so?

The U.S. holds the strongest position in the global medical goods industry and is responsible for almost one-half of total global production. Due to the increasingly innovative U.S. medical device industry, the U.S.'s closest competitors with regards to total global production are Europe with 30% and Japan with 18%. The United States, along with Japan and Europe, is a market leader in exporting medical equipment to countries attempting to develop their health care infrastructure.

Further trade liberalization in this sector is in the U.S. interest. For example, growth markets in Latin America, Eastern Europe and to some extent Asia are critical to U.S. exporters. In most cases though, the tariff rates in these growth markets are high and unbound. We envision expanding the Uruguay Round zero/zero in medical equipment to include additional countries and any remaining products that are not already contained in the UR agreement. Although most medical equipment in these growing markets is currently procured by governments, which waive duties, their

participation in the existing zero/zero tariff initiative would bind zero tariffs as health care is privatized.

In addition, we would pursue non-tariff barriers and procurement practices, which pose the major obstacles to U.S. export growth. For example, we would seek to obtain commitments from countries that are not currently signatories to the Government Procurement Agreement (GPA) with respect to procurement of medical equipment by government-owned hospitals.

The U.S. is also a market leader in “exporting” services that use the equipment around the world. Hospitals, clinics, and testing and analysis facilities are examples of such services. The U.S. exports these services through investment, by electronic means (“telemedicine”), or by foreigners traveling to the United States for health care. To complement the goods market access commitments, therefore, we would seek commitments to remove barriers to services that use the equipment.

In addition to the economic benefits that such a sectoral agreement would reap, the human dimension is noteworthy. By exporting the equipment and know-how, we help increasing access to high-quality medical care and provide access to millions of people in developing and developed countries.

MULTILATERAL AGREEMENTS

What multilateral agreements is the Administration considering?

Why are these good/important for America?

HOW WOULD FAST TRACK HELP

Farmers

Service industries

Hi-tech industries

Manufacturing industries

Environmental technology

LATE DELIVERY OF LEGISLATION

Q So, my first question for you Mr. Secretary is, a lot of flag-waving, a lot of speeches and fanfare, but where's the bill?

A: As you know, fast track is a consultative process. The Administration is continuing its consultations with members of the House and Senate, with the objective of delivering a bill that attracts broad bipartisan support. The President and Vice President did a tremendous job this past week in laying the ground on why exports matter -- why trade matters -- why we need fast track. We had hoped to have legislative language finished by last week, and should have it very soon, hopefully later this week. But consultations are key. And inclusiveness is key. We want every Member to feel like he or she has been adequately consulted and his or her views have been adequately expressed as we piece the details of this proposal together.

LATE DELIVERY OF LEGISLATION

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

A: No, definitely not. The President and Vice President this past week made a strong case for why fast track is essential to the strength of 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. We want to err on the side of inclusiveness, not exclusiveness, even if that means the bill is a few days late.

TIMING OF BILL

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

A: Yes, definitely. We have not lost time on the congressional calendar. We have hearings scheduled next week on the legislation, 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, before it is officially introduced.

DELAY IN LEGISLATION

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

A: As I have explained, fast track is a partnership between the Executive Branch and Congress. A lot of different interests and opinions need to be taken into account. We believe it is critically important for every member of Congress to feel part of the process and understand the trade objectives immediately in front of us and how this legislation will provide the President the authority to forge ahead in this rapidly changing economy; a world economy that is not waiting for us.

DELAY IN LEGISLATION/LABOR AND ENVIRONMENT

Q: Are you using this delay to move the bill closer to Democratic concerns on labor and the environment?

A: Our approach is to ensure that the President has the flexibility to address environmental and labor issues effectively. When it comes to labor and environmental issues, the Administration's record is clear: we have made important and unprecedented gains in these areas and we will continue to press ahead wherever possible whether that is in bilateral negotiations, or a wide number of international institutions from the WTO to the UN.