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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. memo	To: Tony Lake, Laura Tyson, Sandy Berger, Bo Cutter; From: Lael Brainard and Bob Kyle; Re: Trade Priorities Meeting (7 pages)	02/22/1996	P1/b(1)
001b. agenda	Agenda - Meeting on Trade Priorites (1 page)	02/23/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Tyson, Laura
OA/Box Number: CF 718

FOLDER TITLE:

1996 Trade Policy

2017-0346-F
sb1631

RESTRICTION CODES

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1996 Trade Policy

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Divider Title: A

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

DEC 12 1995

MEMORANDUM FOR LAURA TYSON AND MEMBERS OF THE NEC

FROM: MICHAEL KANTOR

SUBJECT: USTR Enforcement Functions

As we conclude another year, we can be immensely proud of the Administration's accomplishments, which have contributed to an unprecedented export boom and created hundreds of thousands of high-paying jobs for Americans. The many trade agreements that we have negotiated are already yielding substantial benefits, but we must continue to vigorously enforce those agreements -- and agreements negotiated during prior Administrations -- if we are to make the most of the opportunities they provide. To that end, I intend to begin the new year with a strengthened emphasis on monitoring and enforcement of our trade agreements.

Effective December 18,1995, I am establishing a new Monitoring and Enforcement unit within USTR to take responsibility for continually reviewing all trade agreements to which the United States is a party, to determine compliance by foreign governments and pursue actions necessary to enforce U.S. rights under such agreements. The Monitoring and Enforcement staff will:

- maintain a comprehensive tracking system for monitoring trade agreement compliance, including an archive of all trade agreements with the negotiating history for each;
- prepare the National Trade Estimate Reports and Annual Reports on the President's Trade Agreements Program;
- conduct the annual "Super 301" review to prioritize foreign government practices; and
- coordinate litigation of all disputes to which the United States is a party under bilateral and multilateral trade agreements, including enforcement actions under section 301.

We have assembled a first-rate team to staff this new initiative. I have asked Jane Bradley, a 13-year veteran of USTR, to return from the White House to serve as Assistant USTR for Monitoring and Enforcement. Jane will report to the General Counsel, and will take up her new post on December 18. Working under Jane's direction will be members of the current Trade Policy Coordination staff, focusing on monitoring, and three or more attorneys focusing on enforcement. Attached is a fact sheet on this new unit.

This team will need high-level political support from all the NEC agencies. I would welcome the opportunity to discuss this further with you and the other members of the NEC.

DRAFT ONLY/INTERNAL DOCUMENT

TO: LAURA TYSON/BO CUTTER
FR: CHRIS DORVAL
RE: THE CLINTON ADMINISTRATION TRADE POLICY -- PLAN FOR ACTION

Background

Then Governor Clinton campaigned on a plan to restore the U.S. economy, expand jobs and increase the incomes of middle class Americans.

Since taking office, President Clinton has delivered on a comprehensive economic plan that calls for rigorous deficit reduction and investment here at home and aggressive trade policies to break down barriers, insure fair trade and promote U.S. exports abroad.

It is clear that a hallmark of the President's economic strategy and indeed, legacy of his administration, will be international trade.

During the first three years of his administration, the President undertook the most expansive effort in American history to:

-- expand trade and increase U.S. exports in order to add more high-paying jobs for American workers

-- stop unfair trade practices and break down trade barriers that keep out U.S. products and prevent U.S. jobs from being created

-- level the playing field for U.S. business against foreign governments that too often tilt the playing field to advantage their business and workers at our expense

The results of this international trade strategy have been impressive: 33% increase in exports; 2.5 million export-related jobs created (est.) -- that pay on average 12-15% more than non-export jobs; tariff barriers coming down and new markets being opened up all across the globe.

The Clinton Administration has spent a considerable amount of time and political capital establishing this global trade strategy. Success of our policies has been validated in many elite sectors of our nation -- namely the media and the top business leaders of the nation. While that notoriety is acceptable to these economic elites, the Administration now needs to move aggressively ahead and focus on the the working men and women of this country who still remain skeptical of free trade.

Now that the first phase of our trade policy is in place, the Administration needs to move into the next phase. The American people need to know that we are not only for free trade, but for fair and equitable trade that is in the economic interests of every working man and woman in America. American workers need to know -- and the Administration must demonstrate -- that our trade policies will be enforced.

The Road Ahead

It is time to make sure the American people and American workers understand the vision of this President to expand our domestic economy with an aggressive international trade policy instituted the first three years is starting to work. How our trade expansion, trade agreements and advocacy for American workers and businesses in the global marketplace have been put in place to position the American worker to gain in the global economy that will increasingly affect our lives.

It is also imperative that the critics of the Administration's trade policy are turned back; that the forces of isolationism and retreat do not dominate the debate and ultimately hurt the economic well-being of every American worker that has benefited from better trade conditions.

Lastly, it is vital that the American people know that the the benefits of free trade are apparent and lead to genuine fair trade with our competitors and result in real economic growth here at home.

Strategy

It is essential to communicate our success and not wait to be challenged on any aspect of our trade and economic policy. Our window to stay ahead of the issue is short; it is inevitable that we will be confronted with real questions about our policy and the positive impact it is having on American workers. That debate is already raging in the Republican primaries and among more populist third party candidates.

It is clear that we have a record, and must move to proceed to tell our story. More difficult, is to reach consensus on how to proceed in the next phase of our trade policy and how we expect to position the Adminstration as we move ahead and make choices about certain policy options that could have a real impact on public debate.

In order to proceed with dispatch, I would strongly recommend a small, senior level decision making group reach agreement on our approach in the next phase and, once decided, have each major stakeholder come forward and commit to a real public campaign to

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001b. agenda	Agenda - Meeting on Trade Priorites (1 page)	02/23/1996	P1/b(1)

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Divider Title: **B**

Clinton Administration Trade Accomplishments At-A-Glance

Stood Up for American Workers and Companies against Unfair Competition

- o *The Clinton Administration stood up to the Japanese and opened 15 market sectors in Japan, ranging from medical equipment to autos to rice. Since 1993, U.S. exports to those sectors have grown an average of 80 percent.*

- o *As a result of the 1995 U.S.-Japan Auto Agreement, Big Three exports of vehicles to Japan increased significantly in 1995 -- almost 50 percent. And the trend is continuing: in January 1996, Big Three sales to Japan rose 36 percent over January 1995.*

- o *Since June 1995, Chrysler, Ford, and General Motors have signed up 25 new dealer outlets in Japan, and are expected to add 200 new outlets by the end of 1996, increasing to 1000 by the end of the decade.*

- o *NAFTA opens markets, cuts tariffs, increases U.S. exports, and create high-wage jobs for American workers. Exports to Mexico and Canada grew by 17 percent in NAFTA's first year alone; U.S. market share in Mexico is up to 73 percent; and 310,000 U.S. jobs have been created as a direct result of NAFTA.*

Created 1.6 Million High-Wage Jobs through an Unprecedented Export-Boom

- o *Exports have grown 34 percent since President Clinton took office. In 1995 alone, exports were up 15 percent.*

- o *Exports accounted for one-third of overall U.S. economic growth.*

- o *1.6 million high-quality, high-wage jobs have been created as a direct result of increased exports. One out of every ten American workers depends on exports for their jobs.*

- o *Export-related jobs pay an average of 15 percent better than other jobs.*

- o *Agricultural exports reached an all-time high of $58 billion in 1995, up almost 30 percent over 1994. One out of every three acres that is farmed in the U.S. is exported.*

Put America First by Restoring U.S. Competitiveness

- o *The United States has been ranked Number One on competitiveness for two years in a row -- up from Number Five in 1992.*

- o *The United States has regained its position as the world's largest exporter -- surpassing Germany.*

- o *The United States is the world's Number One producer of automobiles for the first time since the 1970's -- overtaking Japan.*

- o *The United States has regained dominance of the semiconductor market: U.S. market share has risen to 43 percent in 1994 -- surpassing Japan.*

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A Fair Trade Policy That Works

PRESIDENT CLINTON'S TRADE POLICY HAS FOUR KEY GOALS:

* *TO RESTORE U.S. COMPETITIVENESS;*
* *TO STAND UP FOR AMERICAN WORKERS AND COMPANIES AGAINST UNFAIR COMPETITION;*
* *TO CREATE NEW, HIGH-WAGE JOBS BY SELLING U.S. GOODS AND SERVICES TO NEW MARKETS; AND*
* *TO BUILD A STRONGER ECONOMY AT HOME.*

OVERVIEW

Today, the United States is the world's only economic superpower. This was not the case just a few years ago. Just a few years ago, the United States was in a deep recession. Unemployment hovered around seven percent, reaching 7.4 percent in 1992. Inflation reached 5.4 percent in 1990 -- the highest since 1982. Median family income was stagnant between 1990 and 1992. And three million manufacturing jobs had been lost in just over a decade. Our industries were less productive and competitive, and we were losing to the Japanese in autos.[1]

Since President Clinton entered office, the American economy has become stronger than ever. Unemployment is down. Inflation is down. Interest rates are down. And productivity and competitiveness are up. In addition, over the past three years, more foreign markets have been opened for U.S. goods and services than in any similar period in history.

Over the past three years, President Clinton has worked to provide a sound macroeconomic environment to ensure sustained economic growth and economic opportunity for all Americans He has worked to keep interest rates, unemployment, and inflation low, while stimulating economic growth through increased exports.

As a result, since January 1993, the United States has enjoyed a low-inflation, broad-based, investment-led economic expansion. Nearly 7.8 million new jobs have been created; home ownership is at a 15 year high; almost two million new businesses have been started -- an all-time high; and the combined rate of inflation and unemployment is the lowest in 27 years. Unemployment has been below six percent for 15 straight months.

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[1] Statistical Abstract of the United States, Bureau of the Census, U.S. Department of Commerce, 1995

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President Clinton recognizes that, as we enter the 21st century, America's economic well-being and prosperity will depend in large part on how competitive we are in the global economy. That is why he has developed the most dynamic, aggressive, and coherent international economic policy in recent history. The result: the United States has been ranked the most competitive nation in the world for two years in a row by the World Economic Forum.

President Clinton's trade policy has four key goals: to restore U.S. competitiveness; to stand up for American workers and companies against unfair competition; to create new, high-wage jobs by selling U.S. goods and services to new markets; and to build a stronger economy at home. This paper reviews highlights of the Clinton Administration's trade policy over the past three years.

RESTORING U.S. COMPETITIVENESS

The U.S. economy is ~~more dependent on~~ international trade than ever. In 1970, trade accounted for only 13 percent of U.S. GDP. In 1995, the value of trade exceeded $2 trillion, more than 30 percent of GDP. American exports have grown by 33 percent in three years, and we are once again the world's largest exporter, surpassing Germany.

The United States is also the most competitive nation in the world. A major international study by the World Economic Forum has placed the United States as the most economically competitive nation in the world for two years in a row. From semiconductors to autos to agriculture to services, the U.S. is in the lead, and on the move.

The United States has regained its position as the world's largest exporter -- surpassing Germany. Over the past three years, exports have grown 34 percent.

The U.S. automobile industry has overtaken Japan and has been ranked Number One for two years in a row -- for the first time since the 1970's.

U.S. aircraft industry dominates the world market -- supplying 65 percent of sales to Asia alone.

U.S. farmers and related industry created a trade surplus of approximately $20 billion in 1995 -- the largest surplus since 1982.

The United States has regained dominance of the semiconductor market: U.S. market share has risen from 37 percent in 1989 to 43 percent in 1994 -- surpassing Japan.

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STANDING UP FOR AMERICAN WORKERS AND COMPANIES AGAINST UNFAIR COMPETITION

American workers are the most skilled and productive in the world and American products are of the highest quality. Yet too frequently our businesses face unfair competition, and are therefore at a disadvantage that can cost them important international contracts and, as a result, American jobs. That is why President Clinton has worked to ensure that American workers and companies are treated fairly in the global marketplace.

Japan

President Clinton has worked aggressively to open markets, and has stood up to countries like Japan on behalf of American workers and businesses.

Traditionally, the U.S.-Japan trading relationship has been one of imbalance. Over the past 25 years, four million vehicles have been shipped from Japan to the United States, while only 400,000 U.S. vehicles have been sold to Japan. Today, U.S. automobile industry has greater access to the Japanese market -- for the first time.

Big Three exports of vehicles to Japan increased significantly in 1995 -- almost 50 percent. And the positive trend is continuing: in January 1996 alone, Chrysler, Ford and GM sales in Japan rose 36 percent over January 1995.

Since the June 1995 agreement on Autos and Auto Parts, the Japanese government has begun to deregulate the $60 billion auto replacement parts market. For more than 25 years, Tenneco was unable to gain access to the Japanese distribution system. Recently, however, Tenneco announced that Japan Energy Corporation, a major oil distributor, will distribute shock absorbers and other U.S. auto parts in over 1000 gas stations in Japan.

Only three years ago, U.S. apples were banned from Japan. Exports of Washington state apples to Japan were worth approximately $15 million in 1995.

U.S. sales of medical equipment to Japan have increased about 20 percent since a medical technology agreement was signed in 1994.

NAFTA & GATT

NAFTA eliminates tariffs among the United States, Canada, and Mexico; in its first year alone, trade among the NAFTA partners grew by 17 percent, an increase of more than $50 billion. Tariffs reduced as a result of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) have similarly helped level the playing field. For example, agricultural subsidies have been slashed under GATT, allowing U.S. farmers access to the traditionally closed international agriculture market.

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U.S. service exports to Canada were valued at more than $15 billion in 1995, up from nearly $10 billion in 1993 -- a 33 percent increase over two years.

In 1994, agricultural exports to Canada and Mexico reached an all-time high of $4.5 billion, up 25 percent from the previous year.

U.S. agricultural exports overall reached a record $58 billion in 1995, up almost 30% from the previous year. Today, one out of every three acres that is farmed is exported.

In 1992, 12 U.S. corporations formed a business consortium -- AGC Affiliated -- to promote the development and international sales of mobile cogeneration units (MCUs), an innovative energy device that is used by industries ranging from textiles to automobiles. NAFTA cut Mexican tariffs on MCUs by 50 percent, leading to a twofold increase in sales for AGC to Mexico and a tenfold increase in employment in Tulsa, Oklahoma.

Export Promotion

For years, foreign companies have had the active support of their governments when competing for international contracts. President Clinton believes that U.S. firms are the best and most competitive in the world, yet they often face unfair competition from foreign firms. That is why President Clinton developed a National Export Strategy that aggressively supports U.S. companies doing business abroad. From providing high-level advocacy to appropriate financing and risk insurance, the Clinton Administration is committed to supporting U.S. firms abroad.

Since 1993, the Clinton Administration has helped U.S. companies win over $57 billion in foreign deals. These deals represent a U.S. export content of approximately $26 billion, which in turn has directly supported over 370,000 jobs.

The Export-Import Bank of the United States has agreed to match more than 30 instances where other countries have promised low-cost financing to obtain contracts -- just in the past two years.

The Clinton Administration has set up a national network of U.S. Export Assistant Centers (USEACs) that serve as one-stop-shops for small and medium size companies. Results have been impressive: in 1995, the Chicago USEAC helped at least 56 percent more companies enter new markets than in previous years, while the Baltimore USEAC assisted at least 60 percent more companies increase their exports.

CREATING HIGH-WAGE JOBS THROUGH AN UNPRECEDENTED EXPORT BOOM

The President's leadership on trade has contributed to an unprecedented export boom and, as a result, hundreds of thousands of high-quality, high-wage jobs have been created in the United States. Over the past three years, 1.6 million jobs were created as a direct result of increased exports. Today, at least 12 million American jobs depend on export trade.

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In 1994, almost a million Californians held jobs that depended on the export of manufactured goods. In Michigan, over 500,000 workers depended on manufacturing exports for their employment.

Exports to Canada and Mexico -- our NAFTA partners -- have created 310,000 American jobs -- all despite Mexico's financial crisis. Merchandise exports to Canada and Mexico currently support an estimated 2.5 million jobs.

The majority of export-related jobs have been created not by big corporations, but because of the explosive expansion of smaller firms doing business abroad. In fact, small companies produced an estimated 62 percent of the 3.3 million new jobs created in 1994 alone.

Small companies -- the heart and soul of the American economy -- employ more than half of the U.S. workforce, are responsible for about half of all U.S. GDP, and generate more than half of all sales in the U.S. Small and medium sized enterprises are exporting more and are a growing source of U.S. exports. These businesses were responsible for more than one-third of total merchandise exports in 1994 -- $150 billion -- which was a 150 percent increase over 1987.

Aquatics Unlimited, a small environmental technology company in Martinez, California, recently signed an agreement with the Indonesian government to provide dredging equipment. This deal is expected to be worth $10 million over the next five years, and has enabled Aquatics Unlimited to more than double its staff from 20 to 50 people.

Goulston Technologies, a small, North Carolina-based company employing approximately 150 people, manufactures lubricants for the fiber producer and textile industries. After the passage of NAFTA, tariffs on most of Goulston's products dropped from 15 percent to zero, giving Goulston a distinct advantage over non-NAFTA competitors. Not only have tariff reductions opened up new business opportunities for Goulston in Mexico, but have also created new employment opportunities in North Carolina. Since the passage of NAFTA, Goulston has hired 15 new employees.

President Clinton recognizes that small and medium sized companies are "the engine that will drive us into the 21st century."[2] That is why he designed a National Export Strategy that places special emphasis on small and medium-sized firms. The Clinton Administration has worked hard to provide much-needed information and capital to small firms seeking to expand abroad.

In 1995, the U.S. Small Business Administration and the Export Import Bank of the U.S. jointly guaranteed well over 300 export working capital guarantees to U.S. exporters, worth approximately $279 million -- a 33 percent increase over 1994.

[2]President Bill Clinton, "National Export Strategy Report," 10/95

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The Overseas Private Investment Corporation created a *<u>$20 million small business fund</u>* *that provides growth capital to international projects.*

Eighty percent of business for Interworld Engineering, Inc., a five-employee industrial engineering firm in Greenville, Michigan, comes as a result of exporting. Interworld designed, produced and exported an automotive manufacturing line to be used in the largest-truck plant in China, backed by a *<u>$1.9 million Ex-Im Bank guaranteed working capital loan</u>*.

C.S. Johnson Company, a designer and manufacturer of concrete mixing equipment in Illinois, *<u>received an SBA loan</u>* *that helped the company complete a large dam project in China. The company now expects sales overseas to increase over the next few years as they compete to supply other projects in Asia.*

CONCLUSION: BUILDING A STRONGER ECONOMY AT HOME

President Clinton has a clear vision of America's economic future: one of economic growth and opportunity for all Americans. Since the outset of his Administration, President Clinton has viewed global change not as a threat, but as an enormous opportunity for American workers and businesses to take advantage of the new opportunities that the global economy offers.

95 percent of the world's consumers live outside the United States. China's population, already the largest in the world, grows by the size of one Canada every year. Emerging markets -- such as China, the nations of ASEAN, Mexico, Brazil, Poland -- are the fastest-growing and most dynamic markets in the world, accounting for 40 percent of total world economic growth. Regions of emerging markets -- particularly in southeast Asia and Latin America -- are becoming increasingly integrated economically.

U.S. leadership in trade is replacing old alliances based on fear with new ones based on mutual prosperity. With the fall of communism and the rise of free market capitalism, President Clinton has led the world in establishing important new multilateral structures for the post-Cold War era. From NAFTA to GATT to APEC to the Free Trade Area of the Americas, the President has developed an international economic infrastructure that serves to deepen democratic reforms, increase stability, and solidify a rules-based system under which American interests can flourish. In short, he has built an economic architecture for the future.

By strengthening our ties with our traditional trading partners and promoting new regional economic structures around the world, President Clinton has led the call for more cooperation and fairness in the global economy. He has established an international economic infrastructure that will help ensure economic and political stability throughout the world and into the 21st century; that serves the interests of U.S. workers and companies; and that has made the United States Number One once again.

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NAFTA: ASSESSING THE RECORD

January 30, 1996

NAFTA expands access for U.S. products in the markets of two of our top three trading partners, creates jobs, and raises standards of living. Mexico's current economic problems make NAFTA more important than ever in safeguarding U.S. jobs and income. Without NAFTA, the current trade situation with Mexico would be far worse for both the United States and Mexico.

NAFTA has been a success.

Since NAFTA began, U.S. exports to Mexico have risen, U.S. wages have increased, and exports to our NAFTA partners have created nearly 310,000 jobs, despite Mexico's financial crisis. In NAFTA's first year alone, trade among the NAFTA partners grew by 17 percent -- an increase in trade of more than $50 billion.

U.S. merchandise exports to Mexico and Canada grew by 16 percent in NAFTA's first year -- over twice as fast as U.S. exports to the rest of the world. And over the first ten months of 1995, our NAFTA exports grew nearly 24 percent over the same period for 1993. U.S. exports of autos, semiconductors, machine tools, and even apples surged as Mexican trade barriers came down.

NAFTA gives U.S. farmers preferred access to an enormous and rapidly growing market. In 1994, agricultural exports to Canada and Mexico reached a record $4.5 billion, up 25 percent from the previous year.

NAFTA means better jobs for American workers. Merchandise exports to Canada and Mexico currently support an estimated 2.5 million jobs. These export-related jobs pay 13 to 17 percent more than the average wage.

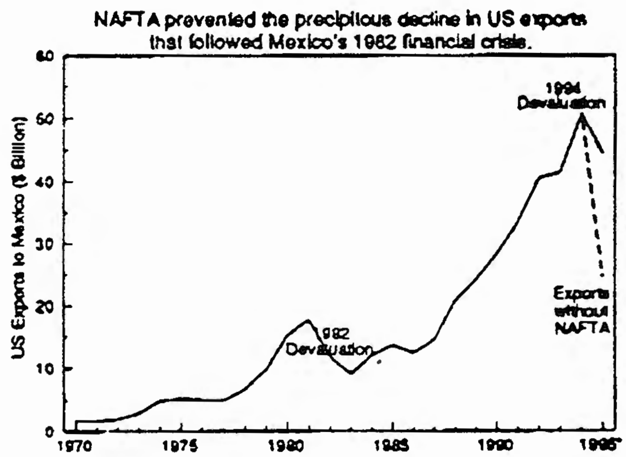
NAFTA's tariff cuts have expanded opportunities for U.S. exporters in Mexico. In 1992, 12 U.S. corporations formed a business consortium -- *AGC Affiliated* -- to promote the development and international sales of mobile cogeneration units (MCUs), an innovative energy device that is used by industries ranging from textiles to automobiles. NAFTA has cut Mexican tariffs on MCUs by 50 percent, leading to a twofold increase in sales for AGC to Mexico and a tenfold increase in employment in Tulsa, Oklahoma.

NAFTA's services provisions have also helped to fuel increased U.S. exports. U.S. services exports to Canada have grown by one third since before NAFTA was signed, to more than $15 billion.

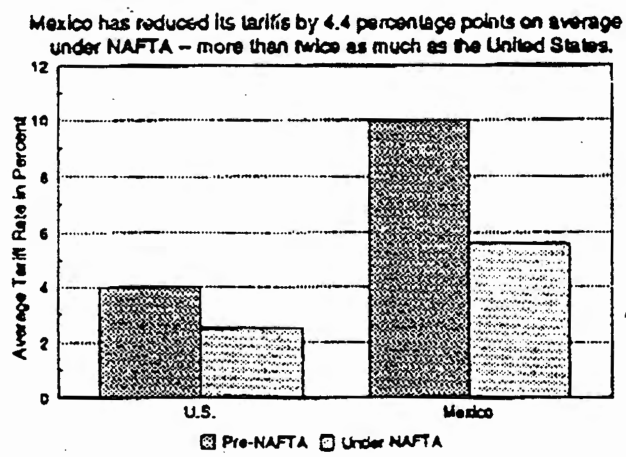
Without NAFTA, the impact of Mexico's financial crisis on U.S. jobs and income would be much worse.

NAFTA has helped to protect the over 700,000 American jobs that are supported by exports to Mexico.

The best test of an agreement is how it works in bad times. Because of NAFTA, U.S. exports have fared much better this year than after the last Mexican financial crisis in 1982. In 1982, the Mexicans imposed 100 percent duties on American products, a move that cut our exports to Mexico in half. It took 6 years to recover. If the same thing had happened this year, U.S. exporters would have lost $25 billion in sales and not recovered until the year 2000.

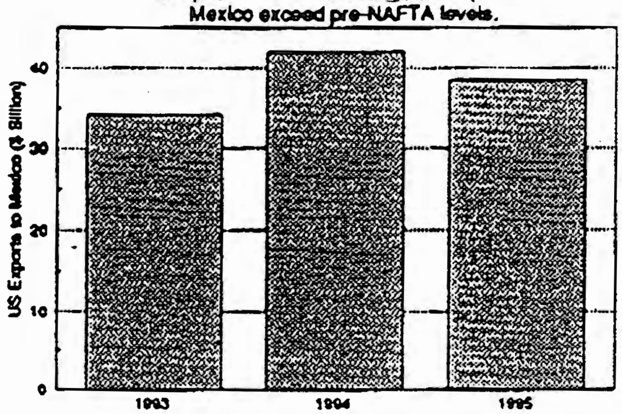


Instead of retreating into protectionism, Mexico is honoring its NAFTA commitments: it actually cut its tariffs on U.S. products in January 1995 in accordance with NAFTA provisions, and maintained existing NAFTA tariff cuts. In contrast, Mexico raised tariffs on some goods from non-NAFTA partners by 15 percentage points.



That is why U.S. exports have grown as a share of the Mexican market -- from 70 percent in 1994 to 73 percent in 1995, according to Mexican government statistics -- while the export share of other countries has fallen. That is also why, despite the recession in Mexico, U.S. merchandise exports to Mexico in the first ten months of this year were 13 percent greater than in the first ten months of 1993, before NAFTA was adopted.

Despite Mexico's recession, US exports to Mexico exceed pre-NAFTA levels.



Data are for January through October.

Take the example of *Goulston Technologies* in North Carolina. Under NAFTA, tariffs on Goulston's lubricant products have fallen from 15 percent to zero. Far from losing sales during Mexico's recession, Goulston has gained *more* business because it now enjoys lower tariffs on its exports to Mexico relative to its foreign competitors. Increased business has led to an 8 percent increase in employment in this North Carolina-based company of 215 since NAFTA took effect.

The California-based *Panamax* company has seen its exports of surge protectors to Mexico increase *tenfold* over the last three years. The company's president, Henry Moody, reports that he expects NAFTA-generated sales alone to require an extra shift of production workers -- or 15 to 18 new U.S. jobs.

Despite the crisis, Mexico is going beyond its NAFTA obligations by liberalizing financial services and embarking on a round of further privatization in the transportation, telecommunications, and petrochemicals markets. This will create new opportunities for U.S. businesses and workers.

Independent forecasters predict a resumption of growth in Mexico as early as next year, which should restore strong export growth.

Because of Mexico's market reforms and the measures it has adopted under NAFTA, Mexico's improved economic fundamentals promise a faster recovery than in 1982. Private analysts forecast GDP growth of 2 to 3 percent next year. Since the U.S. supplies over two-thirds of Mexico's imports, the resumption of Mexican growth will translate into additional higher-paying export jobs for Americans.

Through NAFTA, U.S. interests in protecting workers' rights and cleaning up the environment in North America are addressed in an open and constructive manner. Without NAFTA, there would be no mechanism for addressing these issues.

NAFTA is the first comprehensive trade agreement to include provisions on labor and environmental issues related to trade. These provisions ensure that expanded trade fully supports the improvement of labor and environmental conditions and the enforcement of national labor and environmental laws.

As a result of the NAFTA labor agreement, the Ministers of Labor of the three NAFTA countries have had two council meetings in which they discussed a broad range of issues, including union registration, health and safety, and wage and compensation issues. In addition, 5 submissions related to the enforcement of labor law in Mexico and the United States have been reviewed. This review process provides an important mechanism for Mexican and American workers to raise concerns about labor law enforcement.

In the past two years, the United States and Mexico have made enormous progress in protecting our environment and our public health -- thanks to efforts set in motion by NAFTA's environmental agreement. Our nations are cooperating to build a stronger infrastructure to protect public health and the environment. The institutions established by NAFTA are working with affected state and local governments and the public to develop solutions to environmental problems such as unsafe drinking water and inadequate municipal waste disposal and sewage treatment affecting border communities in Texas, New Mexico, California, and Arizona.

NAFTA makes both economic and environmental sense. For example, Mexico's much-strengthened pollution controls have resulted in an increased need for U.S. technology and expertise. Last May, Mexican officials joined with executives from the California company, *U.S. Filter*, to inaugurate a 13.8 million-gallons-per-day wastewater treatment plant for the Mexican city of Cuernevaca. Construction of the plant was spurred by a combination of stepped-up enforcement of Mexican water pollution control regulations and liberalized foreign investment rules under NAFTA. This project supports 50 jobs back home in the United States.

NAFTA makes an essential investment in our future by promoting vital U.S. interests in Mexico and throughout the hemisphere.

America has a vital stake in a sound democratic government and an open and prosperous economic system in Mexico. The shared 2000-mile border dictates that we will inevitably be affected by developments in our large, populous neighbor to the south. Our challenge is to help shape change in Mexico in ways that benefit both Mexicans and Americans. By raising growth and living standards south of the border, NAFTA will help to reduce immigration pressures and improve cooperation on a wide range of other issues, such as counternarcotics.

The United States and Mexico have a historic relationship. We cooperate on issues ranging from law enforcement to the environment and from trade to education. The United States and Mexico have a common interest in ensuring stability and economic prosperity throughout the hemisphere.

The continued success of our commercial and political relationship with Mexico is pivotal for the success of our relationships with countries further south. NAFTA helps to assure that the forces of economic liberalization and market opening prevail into the next century throughout the hemisphere. The emergence of rapidly growing, market-oriented economies in Mexico and further south will make an important contribution in ensuring a fully employed, high-wage, and prosperous economy at home. The rapidly growing middle class population of Latin America generates demand for the types of goods and services the United States makes best.

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KEEPING AMERICA FIRST

President Clinton believes in the strength of the American economy and the character and productivity of the American worker.

President Clinton will not give into the pessimists who say that America can't win against foreign competition. He believes that America is the greatest nation in the world and should compete, not retreat. President Clinton will not give away our future to those who want to return to the past.

America is back. The United States has never been better prepared for a new century as it is today. Our military might is matched by no one; our democratic institutions an inspiration to billions; our economy the envy of the industrialized world.

Not only have we regained our role as the most competitive nation in the world, but are consistently beating the Japanese and Germans in overall exports, especially in sectors critical to increasing high-wage jobs here at home, like automobiles, semiconductors, and medical equipment.

- *The United States has been ranked Number One on competitiveness for two years in a row -- up from Number Five in 1992;*
- *The U.S. has regained its position as the world's largest exporter -- surpassing Germany;*
- *The U.S. is the world's Number One producer of automobiles for the first time since the 1970's -- overtaking Japan;*
- *And we have regained our dominance of the semiconductor industry: U.S. market share has risen from 37 percent in 1989 to 43 percent in 1994 -- surpassing Japan.*

President Clinton's vision of a strong U.S. economy and expanded opportunity for all Americans is paying off for American workers, American businesses, American farmers, and the American economy. By enhancing U.S. competitiveness through increased exports, the President has kept America Number One -- and U.S. workers have benefitted.

- *More than 1.6 million new high-quality jobs have been created through exports;*
- *One out of every ten American workers depend on exports for their jobs;*
- *Export-related jobs pay an average of 15 percent better than other jobs;*
- *Exports accounted for one-third of overall U.S. economic growth;*

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- *Agricultural exports are projected to reach an all-time high of $50 billion. One out of every three acres that is farmed in the U.S. is exported.*

Ninety-five percent of the world's consumers live outside of the United States. If we cede those markets to the Germans and Japanese, U.S. jobs will be lost, U.S. wages will drop, American workers will suffer and the United States will no longer be Number One. The Clinton Administration will not sell America short by running scared, by retreating and throwing up barriers to opportunity and a better life.

That is why this administration has stood up for American workers against unfair competition.

- *The Clinton Administration stood up to the Japanese and opened 15 market sectors in Japan, ranging from telecommunications to autos to rice. U.S. exports to those sectors have grown by more than 80 percent.*

- *More foreign markets have opened, with hundreds of millions of new consumers, to U.S. goods and services in the past three years that in any previous administration. NAFTA and GATT, in particular, reduce tariffs and level the playing field against unfair competition;*

- *The Clinton Administration stood up for American safety by postponing an provision of NAFTA that would allow U.S. and Mexican trucks to move freely across the border after determining that Mexican trucks were not up to safety standards.*

We are ready to compete, not retreat, in the new economic and political world order that we have worked so hard as a nation to establish.

The Clinton Administration has worked from day one to institute economic policies that will benefit all Americans for decades to come. President Clinton's vision has been built on an America that is fully engaged in the world and Americans that are fully prepared to take advantage of the economic opportunities that are part of the new economy.

To that end, the President has focused on making sure that our workers get the best training and education they need to compete and win; that U.S. businesses have a fair advantage in the global marketplace; and that we have a national export strategy that creates new, high-paying jobs for American workers as we boost our sales to new markets with hundreds of millions of new consumers.

The Clinton Administration will continue to fight for America's interests overseas in order to expand job opportunities and increase the quality of life for every American worker here at home. A policy that requires anything less of America and its citizens -- a policy of isolation and retreat -- will diminish our standard of living, threaten our economic security, and stifle economic opportunity for generations to come.

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Keeping America First:
A Response to Protectionism

The Assertion: Protectionists want to put "America First."

The Truth: President Clinton wants to keep America First. The United States is the most competitive nation in the world, and the world's only economic superpower. We are already Number One; President Clinton wants to keep it that way.

> *The United States has been ranked Number One in competitiveness for two years in a row -- up from Number Five in 1992.*
>
> *The United States leads the world in almost every technology critical to economic prosperity and job creation. For example, the U.S. has regained dominance of the semiconductor market: U.S. market share has risen from 37 percent in 1989 to 43 percent in 1994 -- surpassing Japan.*
>
> *The United States is the world's Number One producer of automobiles for the first time in almost two decades -- overtaking Japan.*

The Assertion: Foreigners -- at home and abroad -- are taking American jobs. Some people say that we are giving away American jobs to foreign workers: increased immigration results in fewer jobs for Americans here at home and heightened international trade exports American jobs to third world nations where labor is appallingly cheap. To support this assertion, some cite the fact that Fortune 500 firms used to employ 22 percent of American workers, and now they employ approximately 10 percent.

The Truth #1: Exports create jobs. Ninety-five percent of the world's consumers live outside the United States. If we close our doors to foreign trade, we limit our businesses and farmers to a domestic market of 260 million consumers, only five percent of the world's population. In contrast, if we engage in fair trade, our firms and farmers will have access to 95 percent of the world's consumers, will expand their businesses, and will create jobs.

> *1.6 million high-quality, high-wage jobs have been created over the past three years as a direct result of increased exports.*
>
> *Today, one out of ten American jobs depend on export trade.*
>
> *Export-related jobs pay an average wage of 15 percent better than other jobs.*

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The Truth #2: ***Small and medium-sized businesses are expanding rapidly.*** While Fortune 500 companies may have downsized in recent years, small and medium sized companies are expanding rapidly. Furthermore, small and medium sized enterprises depend a great deal on trade; they are exporting more and are a growing source of U.S. exports.

Small firms are responsible for about half of all U.S. GDP, and generate more than half of all sales in the U.S.

More than half of the U.S. workforce is employed by smaller companies.

Small businesses produced an estimated 62 percent of the 3.3 million new jobs created in 1994.

Small and medium sized businesses were responsible for more than one-third of total merchandise exports in 1994 -- $150 billion -- which was a 150 percent increase over 1987.

The Truth #3: ***President Clinton has made change benefit the American people.*** President Clinton saw how the world was changing, and in 1993 he set out to harness that change for the benefit of the American worker. It is true that some sectors of the economy fare better than others in the new global economy. That is why President Clinton has made education and training a centerpiece of his overall economic agenda: to help American workers and companies equip themselves with the skills and technology for the 21st century.

In the early 1900's, thousands of buggy-whip workers lost their jobs because of the introduction of the automobile. Yet far more high-wage jobs were created by the auto industry than were lost in the buggy-whip industry.

The Assertion: ***Cheap labor abroad means jobs are exported and U.S. wages fall.***

The Truth: ***Cheap labor is not a substitute for technology and productivity.*** U.S. wages have grown steadily over the past three years, and export-related jobs in the U.S. pay approximately 15 percent better than the average wage.

Furthermore, wages are a small part of the cost of doing business. Other factors -- such as quality infrastructure (especially telecommunications, energy, and transportation), technology, business services, skilled and productive workforce, and environmental quality -- are significantly more important when deciding where to open an office or build a factory.

The United States is the world's technological leader; American workers are the most skilled and productive in the world; and American products and services are of the highest quality. American companies therefore have a competitive advantage when they locate their factories in the U.S.

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When NAFTA talks were underway, BMW decided to open a plant in South Carolina rather than Mexico, citing a highly skilled workforce, better infrastructure, and a hospitable business climate as more important than low wages.

The Assertion: ***Farmers suffer due to international trade agreements.***

The Truth: ***Foreign agricultural subsidies have been slashed, and agricultural exports are booming.*** The Clinton Administration has opened foreign markets for U.S. farmers. For example, NAFTA gives U.S. farmers preferred access to an enormous, and rapidly growing, market. And, under the GATT, farm subsidies that have traditionally given our competitors an unfair advantage, were slashed.

- *Agricultural exports are projected to reach an all-time high of $50 billion.*

- *Today, one out of every three acres that is farmed in the U.S. is exported.*

- *U.S. farmers and related industry created a trade surplus of approximately $20 billion in 1995 -- the largest surplus since 1982.*

The Assertion: ***NAFTA is a sham -- and the Mexican financial crisis proved that.***

The Truth: U.S. exports to Mexico in the year since the peso crisis remain at higher levels than before the implementation of NAFTA. Exports are up; U.S. jobs are being created; U.S. wages are up; and U.S. market share is almost 75 percent.

What is more, NAFTA has protected exports and jobs. During Mexico's last crisis in 1982, U.S. exports dropped by half due to the imposition of new barriers to trade by Mexico's government -- 100 percent tariffs. Following that crisis, exports to Mexico took six years to recover.

- *Since NAFTA went into effect, U.S. exports to Mexico have risen, U.S. wages have increased, and exports to our NAFTA partners have created approximately 310,000 high-wage jobs in the U.S.*

- *In just two years, NAFTA has proven that in good times, as in 1994, it enables significant export growth and in bad times, as in 1995, it protects the over 700,000 American workers who depend on our exports to Mexico for their jobs.*

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The Assertion**: Foreign markets are closed to U.S. goods.**

The Truth**: The Clinton Administration has done more to stand up against unfair foreign competition than any other administration in history.** President Clinton has worked aggressively to open markets, and has stood up to countries like Japan on behalf of American workers and businesses.

Since 1993, the Clinton Administration has helped U.S. companies win over $57 billion in foreign deals. These deals represent a U.S. export content of approximately $26 billion, which in turn has directly supported over 370,000 jobs.

Big Three exports of vehicles to Japan increased significantly between January to November 1995 -- 49 percent over 1994. In January 1995 alone, Big Three sales were up 36 percent over January 1995.

Only three years ago, U.S. apples were banned from Japan. Exports of Washington state apples to Japan were worth approximately $15 million in 1995.

In its first year alone, trade among the NAFTA partners grew by 17 percent, an increase of more than $50 billion. U.S. service exports to Canada alone were valued at more than
$15 billion in 1995, up from nearly $10 billion in 1993 -- a 33 percent increase over two years.

The Clinton Administration has established an enforcement office that will monitor trade agreements and ensure that our trading partners are playing by the rules.

The Assertion**: Trade deals help Wall Street and hurt average Americans.** Protectionists assert that free trade policies are designed to help big business and Wall Street.

The Truth: **The Clinton Administration's economic agenda helps average Americans.** President Clinton's overall economic strategy seeks to increase U.S. jobs and wages, and create economic opportunity, prosperity, and growth. International economic policy, including trade, is one component of this strategy.

Under the President's economic leadership, nearly 7.8 million jobs have been created, one and a half million of them due to increased exports; home ownership is at a 15 year high; almost 2 million new businesses have been created -- an all-time high; and the combined rate of inflation and unemployment is the lowest in 27 years. Real wages have grown, and unemployment has been below 6 percent for 15 straight months.

It was during a period of high tariffs and protectionist trade policies in which Wall Street moguls benefitted the most. During the late 1800's, most of the United States'

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economic growth was concentrated in the hands of a few wealthy men -- the "Robber Barons" -- who held monopolies on the railroads and banks, and, with the help of government subsidies and graft, frauded the U.S. government out of millions of dollars. Prices during this period were artificially high, wages abominably low, and competition was all but prohibited. The rich got richer -- at the expense of the American workers.

The Assertion: ***Countries that have practiced protectionist trade policies have enjoyed sustained economic growth.***

The Truth: ***Protectionism stifles economic growth.*** In recent years, the United States -- the most open economy in the world -- has reclaimed its role as the most competitive nation, surpassing Japan -- one of the most closed and protectionist economies in the world. Other nations, such as Chile and Brazil, also suffered under protectionist policies.

The U.S. has surpassed Japan as the world's Number One producer of automobiles.

The U.S. dominates the world's semiconductor industry: U.S. market share has risen from 37 percent in 1989 to 43 percent in 1994 -- overtaking Japan.

Japanese services industries are trailing due to high regulation; U.S. services are booming.

The Assertion: ***Trade agreements like NAFTA and GATT cede U.S. sovereignty.*** Economic nationalists try to depict multilateral trade agreements as ceding American sovereignty to a world government. GATT, in particular, allows a powerful, multinational bureaucracy to control U.S. trade law.

The Truth: ***WTO rules and regulations do not supersede U.S. laws.*** In signing onto the WTO, the U.S. did not cede its sovereignty, and in fact reserved the right to use its trade laws. The World Trade Organization is not an international governing unit. It is simply an agreement among nations to lower tariffs and trade barriers.

Despite the WTO, the U.S. government has stood up to the Japanese against unfair trade practices: in June 1995, USTR threatened to use Section 301 sanctions against Japan if it did not open its automobile market to American industry. The U.S. and Japan signed an auto agreement late that month that has opened the Japanese auto market to American products.

The fact of the matter is that the United States has the most open economy in the world. Therefore, the WTO dispute settlement system should benefit us the majority of the time. It is those countries with closed markets and protectionist policies who will have to answer to the WTO and open their doors to foreign goods and services.

The Assertion: The WTO is toothless. If WTO participants can ignore WTO rules and regulations, isn't the WTO powerless to enforce its trade laws?

The Truth: The WTO serves U.S. interests well. The WTO was established to institutionalize agreements reached in the Uruguay Round of the GATT, and to ensure that these agreements were followed.

> *According to OECD estimates, lower tariffs in the new GATT rules will add $1 trillion to the U.S. economy and create two million new jobs in the next decade.*

> *Without an international trade group that monitors the fairness of the trading system, trade blocs would emerge and trade wars would be likely.*

The Assertion: Export-Import Bank loans have helped factories leave the United States.

The Truth: The Export-Import Bank of the United States is prohibited by law to lend money to any project that will result in a loss of American jobs. By law, the Export-Import Bank is prohibited from loaning money to projects that result in loss of American jobs. As a result, the Export-Import bank finances only capital goods and equipment -- not factories.

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DRAFT INTERNATIONAL ECONOMICS AND TRADE CALENDAR

JANUARY

?	**Gore-Chernomyrdin Commission (DC)** Note: Gore-Chernomyrdin will also meet mid-year in Moscow (date tbd)
30	**Report on decisions in WTO taken by vote** Note: Statutory deadline

FEBRUARY

1	**Subsidies/CVD Report (Joint USTR/Commerce)** Note: Statutory deadline. Proposed extension to March 1.
6	**Foreign Competitive Practices Roundtable (Commerce)**
17-26	**Brown Presidential Business Development Mission to Africa (Cote d'Ivoire, Ghana, Kenya, Uganda, Botswana)**
TBD	**- China IPR Review** **- Eizenstat Confirmation Hearings (tent)**

MARCH

1	**Report to Congress on the WTO (USTR)** Note: Statutory deadline. Proposed extension to March 15.
1	**USTR Annual Report/Trade Policy Agenda** Note: Statutory deadline. Proposed extension to March 15.
3-5	**Muenster Conference (West-East Trade and Investment) (Baltimore) (DoC)**
early	**Export Administration Act Mark-Up Begins (tent)**
9-14	**Brown Mission to Middle East (tent)**
19-20	**Hemispheric Trade and Commerce Ministerial & Forum (Cartegena, Colombia)**

21-27	**Brown Mission to Latin America (Argentina, Brazil, Nicaragua, Panama)**
31	**National Trade Estimate Report (USTR)**
31	**Section 1377 Report (Telecom) (USTR)**

APRIL

1-2	**G-7 Jobs Conference (Lille, France)**
16-18	**POTUS State Visit to Japan**
19-20	**Brown Mission to the Carribean (tent)**
24	**Best Practices Awards Conference and Dinner (DoC/tent)**
30	**Special 301 Report (Inteelectual Property) (USTR)**
30	**Title VII Report (Government Procurement) (USTR)**
TBD	**- Trade Barriers Report** **- Small Business Financing Roundtable (DoC)**

MAY

general	**China MFN Review**
9-11	**Brown Mission to South Africa**
11-15	**G-7 Telecommunications Conference (South Africa)**
20-22	**OECD Meeting (Paris)**
TBD	**US-China Partnership Conference (LA) (DoC/tent)**

JUNE

3	**China MFN Deadline**
19-30	**Brown Mission to India, Pakistan, Turkey**

30	**OECD Shipbuilding Agreement Expires** NOTE: Legislation needs to be enacted before this date. Possibility of short supply legislation being attached to the shipbuilding legislation in the House, which would make passage in the Senate difficult.
TBD	**- EU Summit (US)** **- Mexico Border Conference (San Antonio) (DoC)** **- Release of 2nd Annual Big Emerging Markets Book (DoC/tent)** **- Conference on International Trade & Export (DoC/tent)**

JULY

TBD	**- Japan Semiconductor** **- Japan Kodak** **Japan Autos Review**

AUGUST

SEPTEMBER

TBD	**Super 301** **Release of National Export Strategy Report (TPCC)**

OCTOBER

TBD	**- Cairo Summit**

NOVEMBER

27-28	**APEC Ministerial Meeting (Manila)**
30	**APEC Leaders Meeting (Manila)**
TBD	**- TransAtlantic Business Dialogue (US)** **- Brown Mission to ASEAN**

DECEMBER

TBD	**- EU Summit (Ireland?)** **- WTO**

- Gore-Mbeki Meeting

UNDETERMINED

Legislative Events
- Dole WTO Commission Bill
- Fast Track Legislation
- CBI/NAFTA Parity
- GSP Renewal
- Cuba Sanctions
- Iran Sanctions
- Cambodia and Bulgaria MFN
- Super 301
- Waiver of Anti-Dumping Laws for Uranium
- Miscellaneous NAFTA Bills
- US-Japan Semiconductor Agreement
- Reorganization of Executive Trade Functions

Presidential Events
- State Visits

Trade & Finance Actions
- NAFTA Trucking
- Argentine IPR
- Bingaman Commission

Trade and Fianance Reports

Ministerials

Cabinet Activity

Major Trade Events

III. The Message

The President's trade agenda has:

CREATED OVER 1.5 MILLION NEW HIGH-PAYING JOBS THROUGH AN ENORMOUS INCREASE IN U.S. EXPORTS TO FOREIGN MARKETS

* Overall exports are up 33% since the President took office. Since that time, the growth in merchandise exports has been stunning. In 1993, exports grew 4%; in '95, 10.2%; and this year, exports are up more than 16%. Overall, on average exports have grown more than double GDP.

* In 1995, the value of trade will exceed $2 trillion, more than 30% of U.S. GDP. In 1970, it was less than 13%.

* Exports have accounted for over one-third of our economic growth the last three years.

* In the first three years of this administration, 1.6 million jobs will have been created by exports. On average, these jobs pay 13-17% more than non-trade jobs. And ten million jobs across America depend on exports.

* Agriculture exports this year are projected to set an all time record of over $50. One out of every three U.S. farm acres is exported.

* Export market diversification...Morgan stanley study.

* In part because of trade, the U.S. economy is far healthier than the economies of our major competitors. Export growth has accounted for XXX % of our economic growth since xxxx. Of course, were the economies of our trading partners growing faster, U.S., exports would be growing at an even faster rate.

RESTORED U.S. COMPETITIVENESS AND PUT AMERICA FIRST AGAIN AS THE MAJOR ECONOMIC POWER IN THE WORLD

* For two years in a row, a major international study has placed the United States as the most economically competitive nation in the world.

* When markets have opened, American products have surged: in those sectors covered by recent trade agreements with Japan, for instance, exports have grown by more than 80%

* U.S. auto manufacturers regained their historic role as the world's largest and most successful manufacturers

* The United States has surpassed Germany as the world's largest exporter. Exports now account for 12% or our economy and are growing

STOOD UP TO COUNTRIES LIKE JAPAN SO THAT AMERICAN WORKERS AND BUSINESSES HAVE A FAIR CHANCE TO COMPETE

* The U.S. market is the most open in the world; foreign markets should be open to ours. U.S. workers and businesses can compete with any nation on earth -- as long as the rules are fair.

* Unfair tariffs -- a tax on U.S. consumers -- are tumbling down. Nafta slashed Mexican and Canadian tariffs to allow in more U.S. goods to be exported. The Uruguay round allowed no free riders for the first time ever; the FTAA and APEC will lead to great liberalization in the two fastest growing regions of the world.

* New markets are being forged open. The U.S.-Japan auto and auto parts agreement gave U.S. manufacturers real access -- for the first time ever -- to the second largest auto market in the world.

ENHANCED U.S. GLOBAL LEADERSHIP AND STATURE AS THE WORLD'S ONLY REMAINING ECONOMIC AND MILITARY SUPERPOWER

* The United States has the world to greater trade liberalization than in any other period in history (GATT, Nafta, APEC, FTAA and over 170 other trade agreements). Be leading, we ensured that these agreements were shaped on our terms to benefit our people.

* The President has stood up for American interests -- with Japan, the European Union, Canada and other countries. He has not listened to so-called "experts" who want to blame America first whenever the issue is trade.

* U. S. leadership in trade is replacing old alliances based on fear with new alliances based on mutual economic prosperity. With the fall of communism and the rise of free market capitalism, President Clinton has expanded rade to deepen democratic reforms, increase stability and solidify a rules-based system under which American interests can flourish.

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A Trade Policy That Works

PRESIDENT CLINTON'S TRADE POLICY HAS FOUR KEY GOALS:

* ***TO RESTORE U.S. COMPETITIVENESS;***
* ***TO LEVEL THE PLAYING FIELD FOR AMERICAN WORKERS AND COMPANIES AGAINST UNFAIR COMPETITION;***
* ***TO CREATE HIGH-QUALITY, HIGH-PAYING JOBS THROUGH INCREASED EXPORTS;***
* ***TO ENHANCE U.S. LEADERSHIP.***

OVERVIEW

As we enter the 21st century, America's economic well-being and prosperity will depend in large part on how competitive we are in the global economy. That is why President Clinton has developed the most dynamic, aggressive, and coherent international economic policy in recent history.

As we approach the end of the decade and the start of a new century, the United States faces a period of unparalleled change, change rooted in new technologies and shifts in global power and competition. These changes provide great opportunities for all Americans, yet they also present important challenges -- the challenge of providing high-quality education and training for our students and our workers, the challenge of providing adequate access to quality health care and pension security for all our citizens, the challenge of preserving our environment, the challenge of maintaining our leadership for peace around the world, and the challenge of improving the efficiency and effectiveness of our governmental institutions.

President Clinton has been addressing these challenges in a way that reinforces the core values of our nation: providing opportunities for all Americans to share in the prosperity of the new economy, rewarding work, preserving families, and investing in our nation's future. To this end, the President has sought -- with great success -- to restore the American economy, both home and abroad, and thereby restore America's competitiveness in the world.

<u>Restoring U.S. Competitiveness</u>

The United States has the most vibrant and flexible economy and is the most dynamic, open market in the world, one that is built on entrepreneurship and hard work. The private sector -- comprised of millions of Americans -- is the engine behind our economic wealth and prosperity, and our economic future will depend primarily on the ability of our firms and our farmers to do

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business in international markets. That said, the U.S. government has an important partnership role to play to create an economic environment conducive to economic growth.

Over the past three years, President Clinton has worked to provide a sound macroeconomic environment to ensure sustained economic growth. Since January 1993, the United States has enjoyed a low-inflation, broad-based investment-led economic expansion. Nearly 7.8 million jobs have been created; home ownership is at a 15 year high; almost 2 million new businesses have been create -- an all-time high; and the combined rate of inflation and unemployment is the lowest in 27 years. Unemployment has been below 6 percent for 15 straight months. The United States, under President Clinton's leadership, is getting its fiscal house in order and is stimulating impressive economic growth.

The United States has regained its traditional status as the most competitive nation in the world. American exports have grown by 33 percent in three years, and we are once again the world's largest exporter, surpassing Germany. The U.S. auto industry has regained its historic role as the world's largest and most successful manufacturer. And the U.S. leads the world in almost every technology critical to economic prosperity and national security. In fact, the extraordinary increase in exports accounts for almost one-third of real economic growth since the outset of the Clinton Administration.

Leveling the Playing Field For American Workers and Companies Against Unfair Competition

The United States is the most open economy in the world, and it is only fair that foreign markets should likewise open themselves up to American goods and services. 95 percent of the world's consumers live outside of the United States, and American companies deserve to have access and be allowed to sell their goods and services to those consumers.

That is why President Clinton has aggressively worked towards reciprocity in the global marketplace, to give our workers and products a fair chance to compete -- and win. His trade policy is designed to tear down barriers, open markets, and create fairness in the international trading system for the first time.

In order to achieve fairness in the trading system, our companies must have access to key markets: tariff and non-tariff barriers must be eliminated, laws must be enforced, and questionable competitive tactics must be prohibited. It is in this capacity that government must play an active -- and even aggressive -- role in securing fair conditions for international business. In other words, we must ensure that we are all playing by the same rules.

Creating Jobs Through Increased Exports

American exports have created over 1.5 million new jobs over the past three years -- approximately one-fifth of the total number of jobs created during this period. Today, at least 12 million American jobs are supported by exports. In addition, export-related jobs generally pay an average of 15 percent better than other jobs.

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Of the 1.6 million new trade-related jobs that have been created over the past three years, the vast majority of them are a result of increased exports to emerging markets. For example, over two million American jobs already depend on exports to Asia, a market of over x billion people. X number of those jobs were created in the past three years as a result of increased exports. Latin American trade (excluding NAFTA) is up x%, and is responsible for creating x number of jobs. Trade to Canada and Mexico account for 340,000 new jobs. Exports to our traditional trading partners in the EU and Japan have risen x percent since 1993, and account for x number of jobs.

<u>Enhancing U.S. Leadership</u>

In his effort to restore U.S. competitiveness, to level the playing field for American workers and companies, and to create jobs for American, President Clinton has shown -- once again -- that the United States is world's economic leader. Where once alliances were based on fear, new alliances are being built on mutual prosperity, and the United States is leading the way.

President Clinton has enhanced U.S. leadership throughout the world. He has expanded trade in order to deepen democratic reforms, increase international stability, and solidify a rules-based system under which American interests can flourish. Under his leadership, more foreign markets have been opened for U.S. goods and services than in any similar period in history. Under his watch, the United States has been the world leader in an unprecedented period of trade liberalization and growth.

This paper reviews the highlights of the Clinton Administration's trade policy over the past three years.

RESTORING U.S. COMPETITIVENESS

After years of stagnant economic growth during which numerous international contracts were lost to our competitors, the United States has regained its dominance in the world economy. A major international study has placed the United States as the most economically competitive nation in the world for two years in a row. We are once again the world's largest exporter, surpassing Germany. The U.S. auto industry has regained its historic role as the world's largest and most successful manufacturer. And the U.S. leads the world in almost every technology critical to economic prosperity and national security.

The U.S. economy is more dependent on exports than ever. In 1970, exports accounted for only 13 percent of U.S. GDP. In 1995, the value of trade exceeded $2 trillion, more than 30 percent of GDP. Since the beginning of the Clinton Administration, overall exports are up 33 percent -- and growing. Merchandise exports have grown at a stunning pace since the beginning of the Clinton Administration. In 1993, merchandise exports grew at a rate of 4 percent; in 1994, 10 percent. In 1995, they were up by more than 16 percent. Exports of goods and services are predicted to reach $850 billion in 1996, an increase of approximately $80 billion over 1995.

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The United States is more competitive than ever, even in some of the most restrictive markets in the world. For example, in Japan, one of the world's most closed markets, imports from the U.S. grew 20.3 percent between 1994 and 1995, up from $62.7 billion to $75.3 billion.

Since June 1995, the U.S.-Japan trade imbalance has been dropping swiftly, in some months by more than 40 percent compared with the corresponding months of 1994, according to the Japanese Government. Most experts predict that the trade deficit will continue to decline, as Japan continues to buy more American goods and services.

The United States is the dominant economy in the Western Hemisphere and plays the significant leadership role in promoting trade. U.S. merchandise exports to Mexico and Canada grew by 16 percent in NAFTA's first year -- more than twice as fast as U.S. exports to the rest of the world.

The U.S.-Canada trading relationship is the largest in the world, and Canada is our largest export market, with U.S. exports totaling over $114 billion in 1994. Between 1993 and 1995, U.S. exports to Canada over the past two years have grown 30 percent. U.S. exports of autos, semiconductors, machine tools and even apples surged as Mexican trade barriers came down. U.S. exports to Brazil, the largest economy in Latin America, the tenth largest economy in the world, and one of the Western Hemisphere's most influential commercial players, rose 60 percent between 1990 and 1994. U.S. exports to Argentina have more than tripled since 1990.

In the first seven months of 1995, U.S. exports to Canada and Mexico grew nearly 22 percent more than over the same period in 1993.

U.S. exports to Canada -- the U.S.' largest trading partner -- account for nearly three-fourths of all of Canada's exports. Between 1988 and 1994, exports in 46 of 98 product categories grew 100 percent or more.

The United States has also enhanced its competitive edge in Asia, home to the biggest and fastest growing markets in the world. More American goods and services flow across the Pacific than to any other region in the world. U.S. merchandise exports to member nations of the Asian-Pacific Economic Cooperation (APEC) totaled $320.5 billion during 1994, representing 63 percent of total U.S. merchandise exports. Exports to Asia have grown more than 44 percent since the outset of the Clinton Administration. In 1994, U.S. trade with Asia was 60 percent greater than U.S. trade with Europe.

Sustainable Development

Agriculture
U.S. farmers and related industry created a trade surplus of approximately $20 billion in 1995 -- the largest surplus since 1982.

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LEVELING THE PLAYING FIELD FOR AMERICAN WORKERS AND COMPANIES AGAINST UNFAIR COMPETITION

The United States is the most competitive nation in the world. American workers are the most skilled and productive in the world and American products are of the highest quality. Yet too frequently our businesses are facing unfair competition, and are therefore at a disadvantage that can cost them important international contracts and, as a result, American jobs. That is why President Clinton has worked to ensure that American workers and companies are treated fairly in the global marketplace.

The United States is the most open economy in the world, and it is only fair that foreign markets should likewise open themselves up to American goods and services. The United States accounts for approximately five percent of the world's population, and it is only fair that U.S. firms and farmers have access to those markets that are home to the other 95 percent of the world's consumers. [MORE ON SIZE OF WORLD MARKET]

When markets have been opened, when tariffs have been reduced, when the rules have been made more fair, American exports have surged, American companies have prospered, and American workers have benefitted. For example:

NAFTA's lower tariffs have allowed businesses to flourish in Mexico. In 1992, 12 U.S. corporations came together to create a business consortium -- AGC Affiliated -- that would promote the development and international sales of the mobile cogeneration unit (MCU), an innovative energy device that produces both electricity and steam which is used by such diverse industries as textiles facilities, food processing plants, automotive plants, hospitals and paper mills. Since 1992, AGC has grown from a core staff of less than 20 to more than 200 Tulsa-area employees -- all because of NAFTA. NAFTA decreased tariffs on MCUs by 50 percent and has led to a twofold increase in sales for AGC to Mexico.

<u>Reducing Tariffs to Increase Exports</u>

Reduced tariffs allow companies to explore new markets or to expand their operations in markets where they are already doing business. NAFTA, for example, eliminates tariffs among the United States, Mexico and Canada, protects intellectual property and investment, and levels the playing field between the three nations. In its first year alone, trade among the NAFTA partners grew by 17 percent, an increase of more than $50 billion.

U.S. service exports to Canada, which are considered vastly undercounted, are valued at least more than $15 billion, up from nearly $10 billion in 1993 -- a 33 percent increase over two years. Services were covered under NAFTA.

Canada is the foremost market for the companies in a number of key U.S. exporting industries. Canada's telecommunications equipment and services market is growing rapidly. Tariff reductions have fueled growth of 126 percent in U.S. telecom equipment *exports from $522 million in 1989 to about $9 billion in 1994.*

The Clinton Administration has opened foreign markets for U.S. farmers. NAFTA gives U.S. farmers preferred access to an enormous, and rapidly growing, market. In 1994, agricultural exports reached a record $4.5 billion, up 25% from the previous year.

Tariffs cut as a result of the General Agreement on Tariffs and Trade (GATT) are also producing significant results. GATT cuts foreign tariffs on manufactured products by over one-third overall, eliminates tariffs in ten large economic sectors, slashes agricultural subsidies, protects intellectual property, and creates a dispute settlement system. Through the Uruguay Round, for example, President Clinton has helped level the playing field for U.S. farmers by attacking the subsidies that have given our competition an unfair advantage. Overall, the results have been impressive: U.S. exports of agricultural goods reached a record level of [$58] billion in 1995, an increase of almost [$15] billion over last year.

Under the GATT, farm subsidies that have traditionally given our competitors an unfair advantage, were slashed. Today, one out of every three acres that is farmed is exported, up from xx in 1992.

In those sectors where tariffs will be totally eliminated, U.S. exports have increased by x percent in 1995. In pharmaceuticals, for example, where tariffs were completely eliminated in the first year, U.S. exports have increased by x percent. Computer exports, where tariffs dropped by x percent, are up x percent.

More GATT anecdotes coming...

Opening Markets

Japan represents a special case. Gaining greater access to the Japanese market -- one of the most restrictive markets in the world -- has been a critical component of the Administration's efforts to create a fair trading system. That is why President Clinton developed a new approach to trade policy with Japan -- one that is anchored in the concept of fairness.

Traditionally, the U.S.-Japan trading relationship has been one of imbalance. Over the past 25 years, for example, four million vehicles have been shipped from Japan to the United States while only 400,000 U.S. vehicles have been sold to Japan. One of the Clinton Administration's top priorities has been to address and eradicate this imbalance, with visible results. Under the U.S.-Japan Framework, which has had the strong support and leadership of President Clinton, 12 significant agreements between the U.S. and Japan have been reached.

In June 1995, for example, an historic agreement to open Japan's automotive market to foreign autos and auto parts was concluded, giving U.S. manufacturers real access to the second largest auto market in the world -- one of 20 agreements that we have reached with Japan since the outset of the Clinton Administration.

U.S. exports to Japan are growing even faster than overall U.S. exports and twice as fast as U.S. exports to Europe. U.S. exports to Japan were up 19 (check) percent in 1995, and 46 percent over the past three years. In those sectors covered by recent trade agreements with Japan, exports have grown by more than 80 percent -- nearly 2.5 percent faster than other U.S. exports to Japan.

Big Three exports of vehicles to Japan increased significantly between January to November 1995 -- 49 percent over 1994.

Since the June 1995 agreement on Autos and Auto Parts, the Japanese government has begun to deregulate the $60 billion auto replacement parts market. For more than 25 years, Tennaco was unable to gain access to the Japanese distribution system. Recently, however, Tennaco announced that Japan Energy Corporation, a major oil distributor, will distribute shock absorbers and other U.S. auto parts in over 1000 gas stations in Japan.

Only three years ago, U.S. apples were banned from Japan. Today, exports of Washington state apples to Japan were worth approximately $15 million in 1995.

U.S. sales of medical equipment to Japan have increased about 20 percent since a medical technology agreement was signed in 1994.

Cabletron Systems of Rochester, NH, manufactures internetworking equipment that enables computer systems to communicate. This 12-year old company, which employs 4300 U.S. workers, entered the Japanese market only five years ago. In 1994, sales in Japan exceeded $10 million. Cabletron hopes to tap into Japan's growing market for intelligent hubs, a market that should exceed $365 million by 1998.

There are times, of course, when engaging in negotiations is futile and when the President must stand tough in support of U.S. workers and businesses. In addition to negotiating trade agreements and initiating trade arrangements, President Clinton has used retaliatory tools -- from Section 301 to Title VII -- to pressure resistant foreign governments to open their markets. For example, the Clinton Administration has used U.S. trade laws to reach the largest government procurement agreement in history with Europe, to stop illegal textile transshipments and to protect intellectual property rights throughout the world. In addition, the Clinton Administration's tough stance on intellectual property rights in China has greatly boosted the U.S. entertainment industry's sales there.

Anecdotes from USTR coming...

<u>Providing Adequate Support</u>
[Financing -- ExIm, OPIC, TDA; National Export Strategy, etc]

Creating a Fair Trading System (Unclassified, but sensitive)

The competitive threat posed to U.S. businesses by foreign firms is significant, and we are just beginning to measure its impact in terms of U.S. jobs and exports. Of 200 international projects tracked in the past eight years, we have identified 45 percent that U.S. companies apparently lost due to the intervention -- sometimes appropriate, sometimes questionable -- of other governments. These projects totaled $25 billion and would have supported as many as 500,000 U.S. jobs. Of 100 cases of bribery that have been identified since 1994 -- deals worth $45 billion -- bribers won 80 percent of the time. This is just the tip of the iceberg, as most are not tracked. It is evident, therefore, that these practices mean that the playing field is not level, that some companies and countries are getting preferential treatment for potentially illegitimate, perhaps even illegal, reasons.

The United States plays by the rules, and expects its trading partners to do the same. For example, under the Foreign Corrupt Practices Act, the United States bars illegal activity, such as bribery, to win contracts and deals. More on this -- anti-bribery efforts within OECD; advocacy efforts and other legitimate activities on part of USG to promote US businesses abroad. Good anecdotes.

CREATING HIGH-QUALITY, HIGH-PAYING JOBS THROUGH INCREASED U.S. EXPORTS

The President's leadership on trade has contributed to an unprecedented export boom and, as a result, hundreds of thousands of high-quality, high-wage jobs have been created in the United States. Over the past three years, 1.6 million jobs were created as a direct result of increased exports. Today, at least 12 million American jobs depend on export trade. In addition, these export-related jobs generally pay better than other jobs -- an average of 15 percent better.

Of the 1.6 million new trade-related jobs, the vast majority of them were created as a result of increased exports to emerging markets. For example, over two million American jobs already depend on exports to Asia, a market of well over a trillion people. X number of those jobs were created in the past three years as a result of increased exports.

More U.S. goods and services flow across the Pacific than to any other region in the world. Exports to Asia have grown more than 44 percent since President Clinton took office, and U.S. trade with Asia was 60 percent greater than U.S. trade with Europe in 1994. U.S. merchandise exports to member nations of APEC totaled $320.5 billion during 1994, representing 63 percent of total U.S. merchandise exports. U.S. exports to China grew to over $10 billion and U.S. exports to the nations of ASEAN are likely to equal or exceed exports to China or Japan in a little over a decade.

Over two million American jobs already depend on goods exported to the Asian members of APEC. Expanded trade with APEC could create up to 300,000 additional American jobs.

In the past five years, Asian carriers have ordered more than $57 billion worth of Boeing aircraft -- and nearly one out of every two Boeing 747s. These sales translate into x number of jobs.

China will spend three quarters of a trillion dollars on infrastructure projects and is expected to add 150 new power plants over the next decade. This explosive growth represents enormous opportunities for American exporters -- and for American workers.

Small businesses -- the heart and soul of the American economy -- are expanding in markets that seemed remote only a few years ago. Aquatics Unlimited, a small environmental technology company, recently signed an agreement signed an agreement with the Indonesian government to provide dredging equipment. This deal is expected to be worth $10 million over the next five years, and has enabled Aquatics Unlimited to more than double its staff from 20 to 50 people.

In addition, hundreds of thousand jobs have also been created over the past two years as a direct result of increased exports to Canada and Mexico. Since NAFTA came into effect in January 1994, U.S. exports have risen to both Canada (by 30 percent) and Mexico (by 11 percent), U.S. wages have increased, and hundreds of thousands of American jobs have been created. In NAFTA's first year alone, trade among the United States, Canada, and Mexico grew by 17 percent -- an increase in trade of more than $50 billion.

Exports to our NAFTA partners have created nearly 340,000 American jobs -- all despite Mexico's financial crisis.

And NAFTA means better jobs for American workers. Merchandise exports to Canada and Mexico currently support an estimated 2.5 million jobs. These export-related jobs pay 13 to 17 percent more than the average wage.

Small businesses, in particular, have benefitted from NAFTA. Small companies employ more than half of the U.S. workforce, are responsible for about half of all U.S. GDP, and generate more than half of all sales in the U.S. They produced an estimated 62 percent of the 3.3 million new jobs created in 1994.

Small and medium sized enterprises are exporting more and are a growing source of U.S. exports. These businesses were responsible for more than one-third of total merchandise exports in 1994 -- $150 billion -- which was a 150 percent increase over 1987. Thus, more exports for smaller businesses through NAFTA means more jobs for American workers.

Goulston Technologies, a small, North Carolina-based company employing approximately 150 people, manufactures lubricants for the fiber producer and textile industries. After the passage of NAFTA, tariffs on most of Goulston's products dropped from 15 percent to zero, giving Goulston a distinct advantage over non-NAFTA *competitors. Not only have tariff reductions opened up new business opportunities for Goulston in Mexico, but have also created new employment opportunities in North Carolina. Since the passage of NAFTA, Goulston has hired 15 new employees.*

ENHANCING U.S. LEADERSHIP

U.S. leadership in trade is replacing old alliances based on fear with new ones based on mutual prosperity. With the fall of communism and the rise of free market capitalism, President Clinton has expanded trade in order to deepen democratic reforms, increase stability, and solidify a rules-based system under which American interests can flourish.

Since President Clinton entered office, more foreign markets have been opened for U.S. goods and services than in any similar period in history. Under his watch, the United States has been the world leader in this unprecedented period of trade liberalization and growth. He has overseen the conclusion of more than 170 trade agreements -- multilateral, regional, and bilateral -- that have been completed since January 1993. By leading, President Clinton has ensured that these agreements were shaped on our terms in such a way that benefits our citizens. This has meant a surge in U.S. exports which, in turn, has meant more -- and better -- jobs for American workers.

In particular, President Clinton demonstrated exceptional leadership in getting NAFTA passed. America has a vital stake in a sound democratic government and an open and prosperous economic system in Mexico. The shared 2000-mile border dictates that we will inevitably be affected by developments in our large, populous neighbor to the south. NAFTA makes an essential investment in the future of the United States by promoting vital U.S. interests in Mexico and throughout Latin America.

If it had not been for U.S. leadership and NAFTA, Mexico would have responded very differently to its recent economic crisis -- and the ramifications for the United States economy, as well as the entire hemisphere, would be dire. As a result of U.S. leadership, instead of retreating into protectionism after the peso crisis, Mexico has honored its NAFTA commitments, cutting tariffs on U.S. products in accordance with NAFTA provisions and maintaining existing NAFTA tariff cuts.

Despite recent economic difficulties in Mexico, trade with our NAFTA partners continues to expand. Exports for the first seven months of 1995 have increased by nearly 22 percent over the same period for 1993. More significantly -- and perhaps more telling for the future -- has been Mexico's response to its economic crises. Instead to responding to the crisis by closing its doors to foreign trade, Mexico responded with more openness and more economic reform. In contrast, when Mexico underwent a similar crisis in 1982, it responded by imposing a 100 percent duties on American goods, a move that cut our exports in half. If Mexico had reacted as it did in 1982, U.S. exporters would have lost $25 billion in sales.

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This time around, however, NAFTA ensured that similar tariff increases were prohibited. In fact, Mexico has gone beyond its NAFTA obligations by liberalizing financial services and embarking on a round of further privatization in the transportation, telecommunications, and petrochemicals industries.

Not only did Mexico not raise tariffs on American goods, but it did, in contrast, raise tariffs on some goods from non-NAFTA partners by 15 percent -- giving the U.S. a distinct advantage. As a result, U.S. exports have grown as a share of the Mexican market -- from 70 percent in 1994 to 73 percent in 1995, according to Mexican government statistics -- while the export share of other counties has fallen. That is also why, despite the recession in Mexico, U.S. merchandise exports to Mexico in the first seven months of 1995 were 7.1. percent greater than in the first seven months of 1993, before NAFTA was adopted. In addition, independent forecasters predict a resumption of growth in Mexico in 1996 -- in part because Mexico's economic fundamentals are more sound as a result of NAFTA -- which should restore export growth.

By locking in economic reforms and tariff cuts in Mexico, NAFTA has helped protect more than 700,000 American jobs that are supported by exports to Mexico.

If it had not been for U.S. leadership, tariffs on goods to GATT members would not be going down, and there would be no fair international mechanism for settling trade disputes. If it were not for the leadership of President Clinton, Japan's doors would still be all but closed to American cars and rice; and American energy, telecommunications, and transportation companies would lose out on countless infrastructure contracts in emerging markets.

President Clinton has taken a significant leadership role in APEC, hosting the first meeting of APEC leaders since its inception in 1989. At that meeting in November 1993, the leaders embraced President Clinton's vision of a pacific community based on shared strength, shared peace, and shared prosperity. President Clinton has also led the initiative to establish a Free Trade Area of the Americas by the year 2005. Not only did he host the first Summit of the Americas, but the U.S. also hosted the first trade ministerial and business conference focusing on hemispheric economic integration.

Most importantly, President Clinton consistently stands up for American interests -- with Japan, the EU, Canada and any other country in which U.S. business is not getting a fair deal. He has tremendous faith in the American private sector, and has refused to listen to the so-called "experts" who want to blame America first whenever the issue is trade.

CONCLUSION

Dave Sayer

~~[illegible]~~

~~[illegible]~~

Sweeney meeting

~~[illegible]~~

agenda

MATERIALS

-- Accomplishments document in draft form (McGiffert)
-- Nafta/Mexico document being revised (Brainard/Kyle)
-- Economic nationalism rebut (open)
-- Message points drafted, need approval (Dorval)
-- Calendar of trade events, milestones drafted (McGiffert)
-- Administration talking points (Dorval, All)
-- Administration binder (NEC)

COMPONENTS OF ROLLOUT

-- What are we trying to accomplish? Message? (Dorval, All)
-- Validators and validator briefing (Dorval, All)
-- Press and press briefing (Dorval)
-- Business Outreach (Dorval, Kate Carr)
-- Congressional briefing (Brophy?)
-- Events/speeches (Dorval, All)
    -- Current suggestions to Tyson
-- Selection of Administration spokespersons

PROCESS

-- Principals meeting to discuss message, policy, recommendation on level of activity
-- Twice a month meetings of communications corp group
-- Decision on participating agencies
-- Meeting with Baer, Sosnick, Ickes/Panetta
-- Major issues, topics to address
-- Timeline considerations

OTHER ISSUES

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

CC: TARULLO
O'DONNELL

March 5, 1996

MEMORANDUM FOR: **Anthony Lake**
Laura Tyson

FROM: **Mickey Kantor**

SUBJECT: **Notice of Public Announcements**

This is to inform you that I am scheduled to participate in a number of events this week where I will either make a public address or issue an announcement or clarification of Administration trade policy.

Emergency Committee for American Trade (ECAT):

On Wednesday, March 5, I will deliver a speech hosted by ECAT regarding the importance of establishing internationally recognized disciplines in the WTO and OECD pertaining to bribery and corruption. This event is a follow-up to recent correspondence with WTO Director General Ruggiero and OECD Director General Paye (attached) on the importance of eliminating foreign corrupt practices which serve as barriers to U.S. trade and investment, and each year result in the loss of U.S. business opportunities and jobs.

Executive Session with the Ways & Means Trade Subcommittee:

On March 6, I will meet in Executive Session with the Ways & Means Trade Subcommittee (chaired by Phil Crane; ranking member Charlie Rangel). The discussion will focus on the need for the Committee, acting in a bipartisan fashion, to enact a small, but important set of trade provisions in 1996. These include: OECD shipbuilding agreement, proclamation authority for the West Bank-Gaza region; authorization of the NAFTA Coordinating Secretariat; NAFTA Parity for the CBI; and Bulgaria Jackson-Vanik graduation. None of these issues is particularly controversial, and this discussion is intended to allow both sides the opportunity to exchange views on this year's legislative calendar.

Joint Hearing on China Issues:

On March 7, I will testify before a joint Senate-House hearing focussing on current trade issues with China, with specific interest in China's efforts to comply with the 1995 bilateral IPR. The hearing has been called by the Senate Foreign Relations Subcommittee on East Asia and the Pacific (chaired by Sen. Thomas; ranking member Sen. Robb) and the House International Relations Committee's two subcommittees: Asia and the Pacific (chaired by Bereuter; ranking member Howard Berman) and International Economic Policy and Trade (chaired by Toby Roth; ranking member Sam Gejdenson).

cc: Kitty Higgins

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

FEB 16 1996

The Honorable Renato Ruggiero
Director General
World Trade Organization
Geneva, Switzerland

Dear Renato:

As we look towards the Singapore Ministerial Conference and preparations that will take place in Geneva, I want to emphasize a concern that you and I have discussed generally in the past. We are now in the second year of WTO implementation. As a result, trade barriers are falling substantially, workers are benefitting and international trade continues to experience explosive growth. I am concerned, however, that other, less "traditional" trade barriers are undermining the market access we negotiated in the Uruguay Round. In particular, continuing problems with bribery and corruption in the markets of WTO members may compromise the progressive elimination of trade barriers we worked so hard to achieve.

To ensure that the WTO remains on the cutting edge of trade issues as they develop, we should explore how to address this problem in the WTO and other international trade fora. Bribery and corruption are so insidious that they can negate market access gained through lowering tariffs and establishing rules on preshipment inspection, intellectual property protection, government procurement and so on. Increasingly, the most consistent concern I hear from U.S. companies is that it is hard to pursue and secure big ticket foreign contracts because something "extra" is often involved in the competition. Unfortunately, the best product or service and the best price are not always the only considerations in many international transactions.

The OECD has already started to address head-on the issues of bribery and corruption in international transactions and is building a momentum that must be sustained. I commend the work of the OECD in tackling the issue of tax deductibility of bribes paid to foreign officials and beginning to explore the issue of criminalization. I hope that the OECD Ministerial in May will give added impetus to this work. But the OECD, by virtue of its membership, is focused primarily on disciplines on the paying of bribes. Its capabilities are more limited on the other side of the transaction -- anti-corruption measures against the recipients of the bribes, since these include officials in countries that are not OECD members.

It is here that we must find a role for the WTO. I believe an important first step would be through increasing transparency, openness and due process in government procurement systems in all WTO member countries. By negotiating and agreeing to such rules, we would begin to create a more competitive environment in which it would be difficult for bribery and corruption to take root.

We want to work with you and key delegations to develop proposals well in advance of the Singapore Ministerial. As always, I would welcome any views you may have on this issue and look forward to working with you in developing a common approach.

Sincerely,

Michael Kantor

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

FEB 16 1996

The Honorable Jean Claude Paye
Secretary General
Organization for Economic Cooperation and Development
19 rue de Franqueville, 75016, Paris

Dear Jean Claude:

As you are aware, the United States believes that we must eliminate bribery and corruption as factors in international trade transactions if we are to continue to advance the cause of trade liberalization. We want to use every avenue available to hit home the message to our trading partners in both the developed and developing worlds -- we need assurances that our exporters will get a fair shake in competing for important projects in foreign markets.

The OECD has been out in front in trying to address problems with bribery and corruption head on. Its recent work to outlaw tax deductions for bribes paid to foreign officials is a very important step. However, since the OECD Ministers called in 1994 for member states to take concrete and meaningful steps against the bribery of foreign public officials in connection with international business transactions, we have learned of almost 100 cases of foreign forms using bribery to undercut U.S. firms' efforts to win international contracts worth about $45 billion.

It is clear that we must do more. Acquiescence by those from developed countries to bribery of foreign officials is a form of complicity in the practice. It is clear that, while all OECD countries outlaw domestic bribery, only a few have legislation like that of the United States that specifically prohibits bribery by its companies doing business in other countries. Until such conduct is rendered criminal everywhere, the tremendous potential benefits we have recently realized in concluding the Uruguay Round could be severely undermined.

We urge you to encourage member countries to use the OECD Ministerial in May to press for criminalization of bribes paid to foreign officials. It is time for members to take the actions to which they have committed, and to take this important, concrete and meaningful step. I am determined, along with Secretary of State Christopher, to make sure that we have done everything possible to ensure progress on this issue.

We cannot underestimate the value of multilateral agreement on the national measures necessary to combat bribery and corruption. I look forward to hearing your views on how to move this work forward to develop a consensus for addressing it as an immediate priority.

Sincerely,

Michael Kantor