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IMPLEMENTATION OF FAST TRACK TRADE AUTHORITY

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

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FIRST SESSION

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IMPLEMENTATION OF FAST TRACK TRADE AUTHORITY

TUESDAY, SEPTEMBER 30, 1997

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:03 a.m., in room 1100, Longworth House Office Building, Hon. Philip M. Crane (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE CONTACT: (202) 225–6649
September 25, 1997
No. TR–17

Crane Announces Hearing on Implementation of Fast Track Trade Authority

Congressman Philip M. Crane (R–IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on the extension of fast track negotiating authority to the Administration for use in negotiating trade agreements, and on the report required under section 108 of the North American Free Trade Agreement (NAFTA) (P.L. 103–182). The hearing will take place on Tuesday, September 30, 1997, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.

Oral testimony at this hearing will be from invited witnesses only. These witnesses will include United States Trade Representative Charlene Barshefsky. Any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

Certain trade agreements cannot enter into force as a matter of U.S. law unless implementing legislation approving the agreement and any changes to U.S. law is enacted into law. In order to implement a number of trade agreements, including most recently the Uruguay Round Agreements and NAFTA, Congress enacted certain "fast track" procedures.

The purpose of the fast track approval process is to preserve the constitutional role and fulfill the legislative responsibility of Congress with respect to trade agreements. The process assures that Congressional views and recommendations with respect to provisions of the proposed agreement and possible changes to U.S. law are fully taken into account. At the same time, the process is designed to ensure certain and expeditious action on the results of the negotiations and on the implementing bill.

Now expired with respect to any new trade agreements, the fast track provisions required the President, before entering into any trade agreement, to consult with Congress as to the nature of the agreement, how and to what extent the agreement will achieve applicable purposes, policies, and objectives, and all matters relating to agreement implementation. In addition, the President was required to give Congress at least 90 calendar days advance notice of his intent to enter into a trade agreement. After entering into the agreement, the President was required to submit to Congress the draft agreement, implementing legislation, and a statement of administrative action. Subsequently, the House committees of jurisdiction had 45 days to report the bill to the House, which was required to vote on the bill within 15 legislative days after being reported from the committees. Fifteen days were provided for Senate consideration (assuming the implementing bill was a revenue bill), and the Senate floor action was required within 15 additional days. Accordingly, the maximum period for Congressional consideration of an implementing bill from the date of introduction was 90 days. Amendments to the legislation were not permitted once the bill was formally introduced; the committee and floor actions consisted only of

"up or down" votes on the bill as introduced. However, before formal introduction, the committees of jurisdiction would hold informal hearings and mark-ups in order to develop a draft implementing bill, together with the Administration before formal introduction.

Because the fast track authority used for the Uruguay Round Agreements and the NAFTA has expired, the Committee is now considering the extension of additional fast track authority for future trade initiatives, including the Free Trade Agreement of the Americas, multilateral agreements under the auspices of the World Trade Organization, and possible further sectoral initiatives. Negotiations with Chile began on June 7, 1995, and have been suspended pending passage of fast track legislation. The President transmitted a proposal to the Congress on September 16, 1997, to renew fast track trade agreement authority.

This hearing is the fourth in a series which began on March 18, 1997, to consider major U.S. trade initiatives. In addition, during the 104th Congress, the Subcommittee held two hearings on fast track negotiating authority: the first on May 11, 1995, and the other on May 17, 1995. Also during the 104th Congress, the Committee on Ways and Means approved H.R. 2371, the Trade Agreements Authority Act of 1995. However, the Administration announced that it did not support H.R. 2371, and it was not considered on the House Floor.

In announcing the hearing, Chairman Crane stated: "Because future trade agreements will offer essential opportunities to expand and ensure the success of U.S. businesses and workers in the international economy, I believe it is critical for Congress to move ahead with fast track legislation in the next few weeks. However, in order to achieve broad support in the House, fast track must be well defined so that its use is limited to those matters that are directly related to trade."

FOCUS OF THE HEARING:

The focus of the hearing is to discuss the extension of fast track authority to negotiate and implement trade agreements, including the elements that should be included within fast track rules, the scope of the negotiating objectives for trade agreements, and the nature and extent of the consultation requirements between the Administration and Congress. In addition, the hearing will focus on the President's report under section 108 of P.L. 103–182, which requires the President to identify those countries with which the United States should seek to negotiate free trade agreements.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) single-space legal-size copies of their statement, along with an IBM compatible 3.5-inch diskette in ASCII DOS Text or WordPerfect 5.1 format only, with their name, address, and hearing date noted on a label, by close of business, Tuesday, October 7, 1997, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Trade office, room 1104 Longworth House Office Building, at least one hour before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments. At the same time written statements are submitted to the Committee, witnesses are now requested to submit their statements on an IBM compatible 3.5-inch diskette in ASCII DOS Text or WordPerfect

5.1 format. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at 'HTTP://WWW.HOUSE.GOV/WAYS__MEANS/'.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman CRANE. The Subcommittee will come to order.

Good morning. This is a meeting of the Ways and Means Subcommittee on Trade to consider the extension of fast track trade negotiating authority for the President. Because future trade agreements will offer essential opportunities to expand and ensure the success of U.S. businesses and workers in the marketplace of the 21st century, we must do all we can to reach a prompt agreement on the specifics of fast track legislation. I hope this hearing will spell out clearly the direct connection that exists between increasing international trade and creating jobs and economic activity at home.

First, it should be noted that one-third of the economic growth that has occurred in the United States since 1994 is directly attributable to expanding imports and exports. Second, I believe many of the witnesses will agree with me that this should be a good time for Congress to vote on expanding trade. The economy is strong and unemployment is at its lowest level in many years, and mercifully, we are not yet into another election cycle.

The administration recently transmitted its fast track legislative proposal to Congress. I want to acknowledge this effort as a good start which has allowed us to move forward in crafting a bipartisan bill.

Since fast track is an exception to normal legislative procedures, the legislation to grant fast track authority to the President must be limited and well defined in order to attract broad support in the House. Specifically, we should define the use of fast track to assure only those matters that are directly related to trade may be in-

cluded in an implementing bill qualifying for fast track procedures. That is not to say the President cannot use his executive authority to negotiate other agreements. However, the President should use the regular legislative procedures to implement those agreements.

I sincerely believe the administration shares this view. Accordingly, I am hopeful we can reach a bipartisan consensus quickly on a fast track bill which mirrors the understanding we have with respect to what matters are appropriate for consideration under fast track.

We must look at the four corners of the bill to make sure there are no loopholes that would permit implementation of extraneous provisions under fast track procedures. A fast track implementing bill should not be a vehicle to pass special interest legislation, matters that are not directly related to trade or other matters, even trade matters, that are not part of the agreement being implemented. In addition, we must assure the fast track procedures provide adequate opportunity for meaningful consultations with Congress throughout the negotiation process.

Because expanding exports is key to creating new, high-paying jobs, our future will not be secure if the President does not have the tools he needs to open foreign markets and to shape trade agreements in our favor. Put simply, this legislation is about strengthening our position in the world. Success must not be measured in partisan terms.

I look forward to today's hearing, which will give Members the opportunity to raise their concerns, and for the administration and the private sector to discuss their views on the essential elements of fast track legislation.

Today, also, we will discuss the administration's report submitted to Congress under section 108 of the NAFTA, North American Free Trade Agreement, implementing bill concerning recommendations for future free trade area negotiations. I note that this report was due on July 1, but it was not submitted to us until September 25. I am disappointed there was such a delay, particularly at such a key time in the debate on fast track. It is important for us to have a strong understanding with the administration on the importance of communication and consultation with Congress concerning these trade policies if we are to build the trust that is necessary for the fast track process to work.

As I read the report, the President's list of countries with whom we should negotiate free trade agreements is limited to Chile at the present time. I hope we can expand our sights by seeking talks with additional countries that are well qualified, including those in Africa and Asia, as well as Australia, New Zealand, and Latin America.

I would now like to recognize the Ranking Member, Mr. Matsui, for any statement he would like to make.

Mr. MATSUI. Thank you very much, Mr. Chairman, for holding these hearings. I have a written statement which I will submit for the record. I would only like to point out a few things.

One, I think the fast track proposal, as many of the Members who have been working on this know, is in deep trouble at this particular time. I think the business community doesn't understand the significance of fast track, because it is a procedural issue. Un-

like NAFTA or unlike MFN, most-favored-nation, trade for China, in which immediate, tangible results occur once the legislation becomes law, fast track is procedural; it gives the President authority to act, and as a result of that, in some ways, before you actually get some results out of it—I think as a result of that—you are not seeing the kind of effort that the private sector should put into this matter.

I spoke with a chief executive officer at one of the Business Roundtable companies, and I mentioned to them that fast track may not become law before the end of this year. He was astonished; in fact he said, I can't even imagine the United States not having fast track authority. Unfortunately, only if in fact we don't get fast track, I think, will the private sector come to realize what the dangers of not having it are.

Second, I would like to just make this observation. There is a lot of discussion now over labor and the environment as it relates to trade or as it relates directly to trade language that we have been debating over the last 4 years or so. In my opinion, a lot of this discussion is irrelevant, it is ideological, it has very little meaning at all. As the Chairman says, the only major bilateral agreement we might enter into under fast track would be with Chile, 13 million people. It would have absolutely no impact on the U.S. economy, no matter what we did with the Chileans in terms of trade issues.

The real issue of the global trade agreements that this administration and USTR, U.S. Trade Representative, need to enter into, their agreements under the WTO, World Trade Organization, they deal with government procurement contracts, they deal with intellectual property, they deal with financial services, and they deal with the agriculture. You don't need labor and environmental discussions on those bases, and so this discussion is academic. It is great for scholars, but the reality is that the President needs this authority; and it is my hope that we can get moving on this after today's hearing and mark up a piece of legislation and somehow get it to the President so it becomes law.

Thank you, Mr. Chairman.

[The opening statement follows:]

Opening Statement of Hon. Robert T. Matsui, a Representative in Congress from the State of California

Thank you, Mr. Chairman, for holding today's hearing on the extension of fast track trade negotiating authority. Such authority is essential for any President, whether Democrat or Republican, to be able to negotiate and implement trade agreements successfully. Indeed, since 1974 Presidents from both Parties have used previous grants of fast track authority to implement five major trade agreements on a bipartisan basis.

Several unsuccessful efforts have been made since the latest grant of fast track authority expired in 1994 to renew such authority. These efforts have faltered in part because of a disagreement over how future fast track authority should be structured. There are some who argue that such authority should be more constrained than previous grants of authority. Others believe that such authority should be sufficiently flexible to enable the President and the Congress to continue to address legitimate issues that may arise during the course of future trade negotiations. Still others argue that the President should be given no new authority and that trade agreements should be considered by the Congress under normal legislative procedures.

In a good faith effort to reconcile these conflicting views, the President, after many months of consultation by the Administration with the Congress and the pri-

vate sector, transmitted a proposal to the Congress on September 16. This proposal has been criticized from all sides. Some believe it gives the President too much flexibility and others believe it gives him too little flexibility. The nature of the response to the proposal suggests to me that the President and the Administration have done a good job in crafting a balanced and well-reasoned proposal that takes into account the various concerns that have been raised.

One thing is certain—until such time as we resolve our disagreements and pass new authority, it will be virtually impossible for the President to conduct a constructive trade policy agenda with the rest of the world. That would not only be unfortunate, it would be contrary to the economic and foreign policy interests of this country.

The country and the world will be carefully watching how the Congressional debate on fast track proceeds in the coming weeks. It is my hope that Members and the Administration will approach this subject with flexible attitudes and creative minds. It is also my hope that a proposal is developed than can gain bipartisan support. It will take no less if we are going to be able to craft legislation for new fast track authority that can be enacted into law.

I welcome today's witnesses and look forward to their contribution to this debate.

Thank you, Mr. Chairman.

Chairman CRANE. Thank you very much, and I would now like to proceed——

Mr. RANGEL. Mr. Chairman.

Chairman CRANE. Oh, yes, Mr. Rangel.

Mr. RANGEL. I don't think that this thing is so academic. I think that we, as a Congress, owe it to the American people to share with them exactly what we are doing and what authority we are giving the President. Almost every district is unaware as to really what fast track means. The American people really don't know what we are talking about. And I think we agree that America should maintain its leadership, the Congress should support the President, we should expand our ability to trade with other nations. I don't think it is enough to say that we expect to get high tech, high-paying jobs, just avoiding the fact that we are going to have to pay for that; and the American people should know that we are going to lose some jobs in order to do it, and I assume that is what progress is all about.

But we can't just avoid this and say it is academic, we can't avoid it and say it is not related, we can't avoid it and say it has nothing to do with the trade agreement. For some of us, trade means just one thing, jobs and a better quality of life. And if there is going to be an adverse effect on jobs for some people merely because they don't have the skills, well, we should be strong enough to do something about it; and if we are going to concentrate on high tech, as a country, we should make certain that all of our citizens are prepared to make this transition together, but it is not going to be just an engine as to which companies can find a better way of life for their firms and their profit and loss sheets in a foreign country.

So I have all the trust in the world in the President. If these things aren't relevant, we can get language in there, and the President will have no problem in implementing it. But no matter what comes out, I don't want us just to pass over the fact that high-paying jobs, high-tech jobs, and increased jobs for America—you are not talking about all Americans; you know it and I know it. And so we might as well see what the wins and losses are, because

ultimately we are not going to stop progress, but we have to find out what pain is going to be caused, so that we can ease it. And I hope that the President, when he talks about the great rewards that we are going to receive, at least acknowledges that not everybody is going to participate in these great rewards of expanded trade.

Mr. MATSUI. Will the Chairman yield to me?

Chairman CRANE. Certainly.

Mr. MATSUI. In view of the fact the Ranking Member referred to my observations, I think it is only appropriate I have an opportunity to respond.

First of all, I would not make a reference to academic and scholarly words with reference to what the gentleman has just mentioned. I think there is no question that when it comes to the issue of displacement, we of the government—local, State, and Federal Government—have a responsibility, and whether that is a job training program, a consolidation of the various programs we have in America today, it remains to be seen, but I do agree with that.

I would also point out to say that most of the job displacement is because of technology, not because of trade. The reason you don't have telephone operators anymore isn't because we are trading with China or Mexico; it is because technology has changed telecommunications, so you don't have telephone operators anymore. So most of these changes are the result of technology, but we do need to do something about that.

What I was referring to is the fact that we are talking about labor standards, labor rights, and environmental issues, and the only country that you might want to discuss that with is Chile because that is the only country we are going to have a trade agreement with over the next 3 years; the rest are going to be global, sectorial trade agreements which really do not need language in terms of environment, in terms of labor standards, in terms of labor rights. So the gentleman and I are not disagreeing, but the academic aspect of this is only with respect to these global issues.

Mr. RANGEL. Thank you.

[The opening statement of Hon. Jim Ramstad follows:]

Opening Statement of Hon. Jim Ramstad, a Representative in Congress from the State of Minnesota

Mr. Chairman, thank you for calling today's hearing to discuss the importance of Fast Track Negotiating Authority.

We need this hearing today to counter the misinformation being spread about this issue. Not only do we need to explain to Americans what exactly this authority allows the administration to do, but also why the American people are better served when the administration has this authority.

As early as 1890, Congress understood the international marketplace and our role in it and extended the Administration tariff bargaining authority. In order to remain the world leader on exports and innovation, we must remain in front of the pack and land the best agreements possible for our producers and exporters. It is not by accident that the U.S. is enjoying one of its longest periods of sustained growth in a generation. Inflation is low and unemployment is under 5%. Exports are one of the main reasons for our economic strength -- one third of US economic growth over the past ten years comes from export growth.

We all understand basic economics and the opportunities that lie outside our border. We know the U.S. is only 4% of the world population and if we want our economy to continue to expand, we must sell to the 96% of the consumers living throughout the world. We especially want to sell to those living in the rapidly growing and developing markets in Latin America and Asia.

We all understand basic marketing principles and the idea of having brand name recognition and loyalty. We all know we need to hit the market before our foreign competitors do and continuously build on that advantage.

So why would Congress do things to weaken our ability to enter a market first and establish our products as the best to buy? Knowing that the WTO negotiations on agriculture and services are around the corner, why would Congress withhold the Administration's greatest strength for ensuring the agreements aggressively open markets, and open them wide, for American goods and services?

I am not making light of specific trade disputes and how important it is to resolve them. Yet I do not understand how withholding an important market-opening tool like fast track will help solve these problems. Rather, we should be more proactive, assure the Administration has the strength to negotiate aggressive agreements for our exporters, and prevent these occurrences in the future. Also, it is through dispute settlement procedures under these trade agreements that we finally have some method of recourse to resolve these disputes, which clearly violate the spirit and letter of the agreements made, quickly and judiciously.

Of course, there are the same arguments I make every hearing that still hold true: the U.S. has the most open market in the world and thus has the most to gain from market-opening trade agreements. Increased trade means increased productivity and incomes. It means more and better jobs since every $1 billion dollars of exports supports 20,000 American jobs -- jobs which pay an average of 13-16% higher than non-export related jobs.

I am hopeful that Congress will move much more quickly on passing legislation than it took this Administration to draft a proposal for our review. We must soon end our days of sitting on the sidelines, watching other nations negotiate advantageous trade agreements without U.S. involvement. Since it expired in 1994, some 20 agreements have gone forward without the U.S. We are missing out on export market expansion opportunities and for the sake of American workers, I hope another 20 are not made before my colleagues realize that nothing can make up for these lost opportunities.

Thank you again, Mr. Chairman, for calling this hearing. I look forward to hearing from today's witnesses about the importance of renewing fast track authority.

Chairman CRANE. Well, thank you very much, gentlemen. And I would now like to proceed with our colleagues, and before we get underway here, if you have any written statements that are rather lengthy, they will be made a part of the permanent record. So you can fire at will, but we would like to proceed with our colleagues, beginning with Mr. Gephardt from Missouri. He will be followed by Mr. Kolbe from Arizona, Mr. Visclosky from Indiana, Mr. Dooley from California, Mr. Blumenauer from Oregon, and Mr. Moran.

And we will now proceed with House Minority Leader Gephardt.

STATEMENT OF HON. RICHARD A. GEPHARDT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI; AND MINORITY LEADER, U.S. HOUSE OF REPRESENTATIVES

Mr. GEPHARDT. Thank you, Mr. Chairman. It is always good to be back at the Ways and Means Committee. I appreciate this opportunity, and I would ask that my prepared testimony be made a part of the record.

Chairman CRANE. Without objection.

Mr. GEPHARDT. I would first say, I would hope we would deal with this complex issue with a procedure that allows full and free

discussion and debate of all of its ramifications. I don't think we should fast track fast track, I think we should put it on a deliberate course so that we can understand what we are doing.

First, let me say that I believe in giving the President fast track authority; I think it is important that he have that authority, but in giving that broad authority up, I think the Congress should be very clear in the legislation about what we expect and want there to be in the agreements that come from it.

And I would say that the President's recent request for fast track is a step backward, in my view, from what we had in 1991 with President Bush. As the CRS, Congressional Research Service, stated, the language in the bill contrasts with the previous fast track authorization which provided for fast track consideration and provisions that are necessary and appropriate in the President's discretion to negotiate trade agreements that include areas that are not specified in the fast track authorization. The purpose of the proposed changes was to limit the President's discretion to negotiate trade agreements that include areas that are not specified in the fast track authorization.

In this case, President Clinton's request does not include an objective requiring that labor and environmental provisions be included in the core of future trade agreements with the ability to enforce these provisions like any other trade issue. So I would hope that we could add that and some other language that Charles Rangel, and I, and others are working on as a floor amendment, that would improve dramatically on what this fast track authorization would take into account.

Again, let me remind Members that in 1991, I and a lot of other Members negotiated with the Bush administration. I voted for fast track in 1991, based on putting labor and environmental provisions into the fast track authorization.

The question is no longer whether we should have free trade agreements; it is a question of, on what terms and who benefits from those agreements. A recent United Nations report said, as trade and foreign investment have expanded, the developing world has seen a widening gap between winners and losers. The greatest benefits of globalization have been garnered by a fortunate few.

It is worth noting that our friends in the Republican Party and in the business community legitimately and rightly ask that intellectual property and capital be protected, specifically in free trade agreements like NAFTA, with trade sanctions in order to enforce the laws of Canada, Mexico and the United States in this area. What we are really asking for is equal and similar treatment for workers' rights, environment, drugs, food safety, transition, and financial flows. These are all as relevant to the trading relationship as is intellectual property protection and capital protection.

In my view, our trade policy is rooted in the past. Many of us here on both the Republican and the Democratic side, in the eighties brought the issue of access into trade negotiations. We had the 301 and super 301, which are now well accepted by thinkers on both sides of the aisle. And what we are really saying now is that we want labor, environment, worker rights, food safety, these other issues to be integrated into trade negotiations so that we can get the enforcement of national laws.

A lot in the press have said that we want to have international standards imposed, that we want American standards imposed on other countries for labor and environment. Not so. We are simply asking, as we have in the case of intellectual property, that national laws be enforced and we have trade sanctions in order to push for progress in that area.

Finally, let me say, if you go to the border today and review the progress with NAFTA, with side agreements that did not have the force of trade sanctions, you can see that we are not making proper progress. People are being paid lower wages than they were in 1993. The environment has not been cleaned up; in fact, it has been much further degraded as the number of workers at the border has increased, which in one sense is good, but in the sense of having adequate infrastructure to support this activity is really wrong.

It is time for America to improve its trade policy; it is time for us to insert in these negotiations the proper topics.

And finally, I would say, if we are going to give this power to the President—and I am very much for doing that—it must be done with a clear exposition of what we expect to be accomplished in these trade negotiations.

I thank the Subcommittee for allowing me to be here. I will submit, of course, my testimony in full, and I look forward to this debate as we go forward.

[The prepared statement follows:]

Statement of Hon. Richard A. Gephardt, a Representative in Congress from the State of Missouri; and Minority Leader, U.S. House of Representatives

Mr. Chairman, Members of the Committee, I appreciate your willingness to allow me to testify to you today on the important matter of fast track trade negotiating authority. It's always good to return to the Committee on which I served for 12 years.

The issue before this Subcommittee and, indeed, before this Congress is much more than a question of some esoteric Congressional procedure. It is a question about national policy. It is a question of what our nation's trade policy is and how it will be conducted in the future.

Let us never forget that Article I, Section 8 of our Constitution vests authority over international commerce in the legislative branch of our government. As such, we have a tremendous responsibility: Before delegating that authority to the Administration, we must carefully articulate what Congress' goals and objectives are. We must not abdicate our responsibility to our constituents.

The President doesn't deserve fast track authority—he's got to earn it.

I have supported fast track authority in the past. I worked closely with President Bush and his Administration in 1991 to grant him this authority. I was prepared to support President Clinton's request as well.

The only compromise forged by the Administration's proposal is a compromise of our future. It's a policy that is rooted in the past, that will simply continue the status quo. The question is can we build a bridge to the 21st Century rather than another tunnel to the past.

President Clinton's proposal is unacceptable. Rather than improving our nation's trade policy and posture, it would severely limit what can be accomplished. That's not a question of trust—it's a matter of law. The language in the President's proposal limits his ability to deal with the full breadth of trade issues that are necessary to achieving the progress we want for our citizens and those in other countries. The issues I am talking about, which are at the center of today's debate, are the questions of workers rights and the environment.

These issues *are* trade issues. As such, they must not be relegated to second-class status, they must be integral components of any trade agreement and they must be enforced just like any other trade issue.

In some ways, I have to say that I and others who have argued the centrality of these issues have accomplished a great deal in moving these issues to center

stage. The traditional issues—tariffs, investments and the like—all are assumed to be vital to the success of any trade agreement.

Today's national trade debate is about larger questions: how do we deal with the acceleration of the globalization? How do we ensure that trade is truly a force for progress for all concerned, rather than simply a validation of the status quo? How do we continue to lead the world rather than simply become another player on the stage?

In 1985 I joined with then Senator Bentsen and former Chairman Rostenkowski in offering legislation to focus attention on the critical issue of market access—later known as the "Gephardt Amendment." This legislation was designed to pry open foreign markets, to eliminate foreign unfair trade barriers that restricted exports of competitive U.S. goods and services.

This legislation was roundly criticized by my Republican colleagues, the Reagan Administration and much of the press. These people saw my approach as an affront to the theory of free trade. They believed that we should respond to foreign protectionist policies simply with the quality of our arguments and rely on the beneficence of our trading partners.

They completely misunderstood what I was trying achieve. The bottom line is that in trade policy, when we stand up, our trading partners open up. By leveraging access to our market—exactly what our trading partners were doing to *our* farmers, workers, and businesses—we could get other countries to reduce their barriers. For, as we all know, without pressure, there is simply no reason for these countries to respond.

My amendment became the basis for Super 301 which was included in the 1988 Trade Act. Today, support for leveraging market access is broadly accepted by Democrats and Republicans and by many of those in the business community who opposed our efforts at the time. Think about this: when China refused to respect our intellectual property, our Administration—at the urging of our business community—threatened to raise our tariffs. Our industry was urging the threat of retaliation as a way of getting action.

I supported their efforts. Not to impose tariffs, but to get results. That's what we're all after.

Today's debate is about a larger issue. Its about the terms of trade and who benefits.

And, let me emphasize, the debate involves many questions. Some argue that the trade debate is being weighed down by all of these issues. They argue that, over time, these issues can be resolved.

The time to address these issues is now. The ability to achieve progress, the ability to widen and deepen the benefits of trade, is dependent on our ability to leverage our trade policy and trade benefits. No one in the business community would argue that we should leave progress on intellectual property to some later time and rely on the tender sensibilities of our trading partners.

What we've been doing, our current trade policy, isn't good enough.

So far, the benefits of more open trade have not trickled down to middle class citizens and workers struggling to get into the middle class. The profits of trade will not simply "trickle-down" to everyone. The experience with NAFTA bears this out. The income gap in Mexico is increasing, not decreasing. A United Nations report describes the same phenomenon on a wider stage: "As trade and foreign investment have expanded, the developing world has seen a widening gap between winners and losers...The greatest benefits of globalization have been garnered by a fortunate few."

In part the fast track debate is a referendum on NAFTA. Fast track advocates say that this is unfair—indeed, one senior Administration official said that "you're never going to hear the word NAFTA" during the debate. That's like a used car salesman saying that its unfair to ask to look under the hood or to test drive a car.

Well, unfortunately, no matter how much they object, it is fair to talk about NAFTA. We've taken it for a test drive. And, it's a lemon.

Recently I visited Juarez, Mexico to see—firsthand—whether NAFTA has helped to make a difference in people's lives.

It has. For the worse. I visited families living in the packing boxes of the very products they produce. Ramshackle houses of cardboard, scrap wood, bottle caps—whatever they could find—standing against a backdrop of sparkling factories built by some of America's finest corporations.

I met workers forced into the workforce as little more than children to help their families subsist. When I asked one young woman her name, she asked me which name I wanted: her real name or the one that she uses on falsified work papers that allowed her to work at age 14. Robbed of her childhood, she hopes for an education and a future.

I visited a kindergarten where bright-faced young children hid in their mothers skirts. They often come to school hungry or with stomach maladies—from the water that even the local population is scared to drink.

I saw a river of human and industrial waste that was overpowering in its magnitude and stench. Juarez, a city of 1.2 million has no wastewater treatment. Each day, the environment dies another death.

NAFTA was promoted as helping to right these wrongs. To promote change. Just the contrary has happened. NAFTA validated the status quo.

Maquiladoras—the plants set up in Mexico with the primary purpose of exporting their products to the U.S.—were supposed to cease to exist once NAFTA passed. The proponents of NAFTA argued this as did former President Salinas in a direct conversation with me.

Yet today there are more Maquiladoras—and almost double the number of workers in these plants than when NAFTA began. And these workers are making 25% less than they did at the time. The average workers I met take home about $30 a week. This is not a living wage virtually anywhere in the world.

Last year we saw our trade deficit with our NAFTA partners—Canada and Mexico—reach more than $35 billion. Half of that was with Mexico. Let's remember that we had a trade surplus when NAFTA started.

Again, we're told that this analysis is unfair. But for the peso crisis, everything would be fine. Here, they're wrong. These trends were in place prior to NAFTA. And, as I and others argued, the peso crisis was looming on the horizon during the negotiations. Financial issues should have been dealt with just like drugs and other issues that were either inadequately addressed or swept under the rug.

But the question today is how do we learn from our mistakes? How do we reach new agreements that improve upon NAFTA not just expand it?

The President's request only continues the status quo.

We can, and must, do better. We've figured out the supply side of trade. And, just like Reaganomics, a trickle-down trade policy won't work. We've got to figure out the demand side of trade as well.

Henry Ford knew that unless he paid his workers a decent wage, they couldn't afford the products they were producing. We need to take this lesson and apply it to our trade policy.

During my trip last week to Juarez, workers laughed at the question of whether their unions would help them. Unions, if they exist, are sham organizations—like the company unions that once existed in this country. Our companies who set up shop there are given a sham union contract at the same time—a union contract that they can show the workers who complain about unsafe working conditions or inadequate pay.

A central component of our trade policy must be the enforcement of workers rights. In most cases I'm talking about the enforcement of the laws that a country has on its books. In Mexico, for instance, the law is quite good—it's just rarely enforced. And the failure to enforce workers rights should be treated just like the violation of our intellectual property rights. Workers rights is a trade issue as well.

And I'm talking about the entire body of a country's laws and commitments: Constitutional, statutory, regulatory, treaties. We should know that the rule of law will be followed and that a country will live by its word.

It's the right thing to do. It's also in our deep self interest. If worker pay rises they can afford to buy their products and ours. And, as a study done for the Department of Labor documented earlier this year, low pay in Mexico is being used as a tool to dampen our wages and income. More and more of our companies are using the threat of going to Mexico or elsewhere to keep wage demands down.

The enforcement of environmental laws—and the fight for environmental protection—must be a central component of our trade policy as well. Environmental degradation must not be the comparative advantage of the 1990s. We've got to protect the world's environment and the health and safety of people all around the globe. And, to put it in terms for those who only look to the bottom line, lax environmental laws and enforcement are an enticement to those firms looking to cut their costs. We must not allow our companies—or those from any other country—to engage in a shopping expedition to locate their facilities in places with the lowest pay and environmental quality. We must be a force for progress or we will import the lowest standards that exist elsewhere.

We also need a trade debate that's honest with the American people. Food safety is an issue of health, not protectionism. Our people deserve to know that their food supply is safe. We must not risk another incident like the tainted strawberries that reached schoolchildren in Michigan last year.

The Administration this week is rushing out a proposal to address this issue. Why is it that we have to wait for a political problem to arise with fast track for a problem affecting the American people to be addressed?

We also need to recognize that, as we open our borders, the threat of increased drug trade must be addressed. Now, more than 70% of the drugs coming into the U.S. come through Mexico. As we've opened our borders, we've failed to provide the resources to examine the products coming in. As a Customs Inspector at the border told me, "we weren't prepared for NAFTA."

I've argued for some time that as we reach new trade agreements with drug producing and transit countries that we need to put drug interdiction on the agenda as well.

And, we learned last week, the Customs Service is going to apply more resources to border inspections. But, they're going to examine *exports*, not imports. Our government is worried about whether our export statistics are correct. With limited resources, we should be putting money into examining imports—imports of drugs, unsafe food, pirated products.

We risk exporting our standard of living and importing the standard of living of other countries.

There are a host of other issues that must be addressed—not to weigh the agenda down, but to lift our people up.

We must address financial flows in trade negotiations as well. Prior to the completion of negotiations on NAFTA, I and other members raised concerns about Mexico's currency policies. It was clear to us that a major peso devaluation was just around the corner.

Our pleas fell on deaf ears. And we all know that currency instability has increased as the world's financial markets have integrated. Japan and other countries had to rescue the Thai baht earlier this year. Latin American currencies and markets were put at risk, as were those of many other countries. Rudy Dornbusch, earlier this year, argued that the potential for another Mexican peso devaluation existed.

We must not expose the American taxpayer to another possible bailout.

As we further integrate the U.S. economy into the world trading system, we also must address the transitional costs. Many Americans see themselves as victims of our trade policy, rather than its beneficiaries. We've got to make everyone a winner.

It's the right thing to do. And it will build support for an internationalist, activist approach to the world economy.

When the European Union integrated Spain, Portugal, and Greece into the EU, it understood that it had to deal with the structural adjustment problems with integration. They developed a holistic view to trade. Our current policy, on the other hand, is simply piecemeal.

And, we've seen what the impact of the failure to adequately address this important issue is: public support for fast track has declined. That's because they wonder whether they'll be the next victims.

And we've seen a number of important groups disproportionately affected by the current policies. Low-wage workers, minorities, minority women. A Latino report card was issued earlier this Summer on the impact of NAFTA and gave it a D−. In my book, that's a failing grade.

Again, transition assistance can and must be dealt with. Not as an afterthought or as the political grease to gain a couple of extra votes. It must be integral to our efforts.

Trade Adjustment Assistance is part of the answer. But it needs to be made more effective. It needs dramatically higher funding levels. We also need to look to the European model that provides structural adjustment for communities, for regions. We must to provide assistance to companies that need to engage in new lines of business because of the pressures of international competition.

Rather than protect against change, we need to prepare for it.

We also need to expand the model offered by Congressman Torres and others, embodied in the North American Development Bank and the Border Environmental Cooperation Commission. Congressman Torres provided the vision for addressing many of the problems plaguing our border with Mexico—problems that he and I reviewed on our recent trip to Juarez.

Although Congressman Torres and I voted differently on the NAFTA, I respected his decision. I knew that he was committed to trying to improve the conditions of the people along the border and, indeed, all our peoples. His vision was clear, the implementation has been myopic, shortsighted. Only a handful of projects have actually been funded by the NADBank. Sure, we'll probably see a flood of projects funded in the next couple of weeks as the vote approaches. But, the people expect more than politics. They want someone to care.

It's important to point out that many of these issues aren't new. They've been raised before. And, commitments were given by this and previous Administrations as to how these problems would be dealt with. The NADBank hasn't been implemented properly. The Wine Equity Act has basically been gathering dust on the shelf. Transition assistance hasn't seriously been addressed. Worker rights and environmental issues have been swept under the rug. Chile continues to ban U.S. wheat from entering its market.

The list goes on and on. Before Members and the public accept new commitments, the old ones must be fulfilled.

And, we need to carefully outline our goals and objectives for each trade agreement. What is in industry's best interests? How will agriculture be impacted—citrus, tomatoes, wheat, other products. What will be the impact on our labor markets?

Last year, I asked the International Trade Commission to conduct a study—just a study—of what the issues are involved in the potential for Chinese accession to the World Trade Organization. The ITC rejected my request.

I then requested that Ambassador Barshefsky use her legal authority to request just such a study. I believe that if we're going to negotiate trade deals, we should have an idea of what the impact could be.

To date—almost a year later, I'm still waiting on a response. I've been told, never directly, that my questions were too broad, that the issues were too sensitive.

Well, at the end of next month, Chinese President Zemin will be here to meet with President Clinton. On the agenda will be the issue of China's accession to the WTO. Many want the two Presidents to announce a deadline for action.

Where's the deadline for studying what our national interest is? Is success the number of agreements we reach, or the quality of those agreements?

These issues, these questions are complex ones. They won't be fully addressed at today's hearing and they won't be addressed if we try to fast track fast track.

The American people know that we're in a world economy. They want us to reach new trade agreements. But, they want them to be the right kind of trade agreements.

They know that the issues are complex and they trust their elected public representatives to carefully examine what the issues are, what our opportunities are, and deal with them honestly and as best we can.

I don't share the fear that many have that the world will pass us by. I'm concerned about damage that will be done if we do this the wrong way. The U.S. is the most open economy in the world—and it's the best performing. Every other country wants to sell its products here. We don't have to rush to meet some arbitrary deadline.

We need to fully examine how the authority is to be used—that's Congress' role under the Constitution. The President's fast track approach would short circuit Congress' review of negotiations with Chile as if it was too small a country to be concerned with. The Multilateral Agreement on Investment would receive fast track under the President's bill—has Congress really taken a look at it?

And, let's understand that as the Administration has touted the more than 200 separate trade agreements that have been signed, only 2 were reached with the benefit of fast track authority. The Uruguay Round began without fast track authority.

Many have convinced themselves and our trading partners that fast track is the key. I want the President to have fast track authority. But, more important, I want the American people to have a trade policy that works for them—all of them.

Mr. Chairman, Members of the Subcommittee, you have an important task ahead of you—outlining the future of U.S. trade policy. That's Congress' role under the Constitution. I urge you to carefully examine this important issue and to do what is right.

Thank you.

Chairman CRANE. Next, Mr. Kolbe from Arizona.

STATEMENT OF HON. JIM KOLBE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. KOLBE. Thank you very much, Mr. Chairman. I was pleased to hear my colleague and distinguished Minority Leader say that he favored fast track. Maybe we could vote and get this over with real fast here. But I do appreciate what he had to say here.

And I want to commend you, Mr. Chairman, and the Ranking Member, Mr. Matsui, for the leadership both of you have shown on this very important piece of legislation.

Earlier this month, President Clinton asked Congress to renew his international trade negotiating authority, so-called fast track, which expired 4 years ago in 1993. As we know, fast track is not new authority for the President, nor are many of the myths about international trade, which are being perpetuated by opponents of fast track to defeat it. While I am not going to address all those myths, I would like to try to raise just a few of the issues today.

First, on the trade deficit itself. Mr. Chairman, we hear a lot of talk about the trade deficit. In fact, many of the opponents of economic liberalization continue to use the U.S. trade deficit as the ultimate measure of the success or failure of our trade policy. To them, a trade surplus signifies success while a trade deficit equals failure.

That is both deceptive and it is wrong, I think. First, the country's trade balance is determined by macroeconomic factors, including savings and consumption rates, currency values, and growth rates. It is natural for the U.S. economy to be running a trade deficit when our economy is as strong as it is right now; employment is high, consumers and businesses have more money to spend on domestic and imported goods.

Second, trade deficits don't reflect lost jobs. Look at Mexico and NAFTA as an example. In 1995, our bilateral trade balance with Mexico shifted from a $1.4-billion surplus to a $15.4-billion deficit. That has narrowed very substantially, since then. By the way, that deficit equaled at that point two-tenths of 1 percent of our GDP, gross domestic product.

If trade deficits caused job loss, we would have expected to see a drop in U.S. employment during this time and a rise in Mexican employment; instead, exactly the opposite happened. Our employment has increased 1.7 million jobs since 1995; Mexico's employment dropped by 1.6 million.

How do you explain this apparent inconsistency? Well, trade deficits don't reflect lost jobs; again, trade balances are caused by macroeconomic factors. The Mexican economy slid into a recession in 1995, while the U.S. economy continued to boom. Because of the devaluation-driven recession, Mexicans had less money to spend on consumer goods, both imported and domestic, while Americans had more. So Americans were purchasing more Mexican goods and Mexicans were purchasing fewer U.S. goods.

Finally, let's put the trade deficit into perspective. Our total trade deficit is equal to about 1.7 percent of our GDP; that is down from a high of about 3 percent in 1987. In the big economic picture, it is really a very small blip on the screen.

Let me turn to the issue of labor and environment, which Mr. Gephardt talked about some. Opponents have said that we should

require other countries to harmonize their environmental and their labor laws with our own, make that a precondition to trade. It is argued if we don't, we are going to lose job after job to low-wage countries that have lax environmental laws or lax labor laws. But if this theory were valid, we would expect to see the vast majority of new United States investment in the low-wage regions of the world, like Africa. But these countries account for very little of new investment; in fact, the United States is by far the largest recipient of new investment in the world.

Protection of labor rights and the environment are certainly worthy goals, they are principles which I support, but they ought not to be pursued in the context of trade agreements. The temptation to use them as protection barriers is just too strong and the dangers of doing so too high. Nontrade tariff barriers erected under the guise of worker rights and environmental protection, are going to lead to similar retaliatory action against American exports; and as in any other war, both sides lose in a trade war. One need only look at the Smoot-Hawley Act of 1930 to know that these acts are a sure path to economic stagnation, unemployment, and lost opportunity.

I think this Subcommittee, better than I, knows what fast track is. Congress does not cede its constitutional prerogatives under fast track; instead, it agrees to work with the President to liberalize foreign markets and to tear down protectionist trade barriers. Any agreement that is reached with our foreign trading partners using the fast track process is going to be reviewed by Congress within a set amount of time, will be voted on by Congress without amendment, and our trading partners know that congressional views have to be taken into account with this.

So make no mistake, decisions made about the rules of international trade in the next few years are going to be critical to our continued economic progress, to growth, prosperity, and the international influence we have. The debate over renewal of the fast track authority comes down to a simple question: Do we want to use our economic and political influence to help shape the rules of trade that will dominate the 21st century, or do we want to sit on the sidelines and watch as other nations define the trading rules of tomorrow?

In conclusion, Mr. Chairman, let me just say, after 50 years of peace, prosperity, and economic growth, we should not turn to the protectionist policies which have crippled such countries in the past, as Argentina, India, and Japan. Our commitment to liberalize trade helped to make America what it is today, a land of innovation, of opportunity, of prosperity; and only if we move forward with fast track authority to negotiate more trade arrangements are we going to ensure a similar future for Americans tomorrow.

Thank you.

[The prepared statement follows:]

Statement of Hon. Jim Kolbe, a Representative in Congress from the State of Arizona

INTRODUCTION

Thank you very much for the opportunity to testify today. I would like to commend Chairman Crane for his leadership on this very important piece of legislation.

Last month, President Clinton asked Congress to renew his international trade negotiating authority—so called "fast track"—which expired in 1993. Such power to negotiate trade agreements is not new. Nor are many of the myths about international trade which are being perpetuated by the opponents of fast track to defeat it. While I cannot address every issue that has been raised here today, I would like to take the opportunity to help set the record straight on a few issues.

THE TRADE DEFICIT

Mr. Chairman, we have heard a lot of talk today about the trade deficit. In fact, many opponents of economic liberalization continue to use the U.S. trade deficit as the ultimate measure of the success or failure of our trade policy. To them, a trade deficit signifies success while a trade deficit equals failure. I think such an analysis is both deceptive and wrong.

First, a country's trade balance is determined by macroeconomic factors, including savings and consumption rates, currency values, and growth rates. It is natural for the U.S. economy to be running a trade deficit when our economy is growing, employment is high, and consumers and businesses have more money to spend on domestic and imported goods.

Second, trade deficits do not reflect lost jobs. Take our economic relationship with Mexico as an example. In 1995 our bilateral trade balance with Mexico shifted from a $1.4 billion surplus to a $15.4 billion deficit—which by the way equaled about two-tenths of one percent of our GDP in 1995. If trade deficits caused job loss we would expect to see during this period a drop in U.S. employment and a rise in Mexican employment. Instead, the exact opposite happened. Since 1995 employment in the U.S. increased by 1.7 million jobs while employment in Mexico, with its so-called favorable surplus, fell by 1.6 million jobs.

How do you explain this seeming inconsistency? Simply, trade deficits do not reflect lost jobs. Again, trade balances are caused by macro-economic factors. While the Mexican economy slid into recession in 1995 the U.S. economy continued to boom. Because of the devaluation-driven recession, Mexicans had less to spend on consumer goods—both imported and domestic—while Americans had more. Thus Americans purchased more Mexican goods while Mexicans purchased fewer U.S. products.

Finally, let's put the total trade deficit in perspective. Our trade deficit is equal to about 1.7% of our GDP, *down* from a high of approximately 3% in 1987. In the big economic picture, it is nothing more than a blip on the screen.

LABOR AND THE ENVIRONMENT

Opponents of fast track insist that we should require other countries to harmonize their environmental and labor laws with our own as a pre-condition to trade. It is argued that if we do not, the U.S. will lose job after job to low wage countries with lax environmental laws. If this theory were valid, we would expect to see the vast majority of new U.S. investment in the lowest wage regions of the world like Africa. But these countries account for very little new investment. In fact, the United States is by far the largest recipient of new investment.

Protection of labor rights and the environment are certainly worthy goals and they are principles which I support. But they should not be pursued in the context of trade agreements. The temptation to use them as protectionist barriers is just too strong and the dangers of doing so too high. Non-tariff trade barriers erected under the guise of worker rights and environmental protection will lead to similar retaliatory action against American exports. And, as in any other war, both sides lose in a trade war. One need only to look back to the Smoot-Hawley Act of 1930 to know that such acts are a sure path to economic stagnation, unemployment, and lost opportunity.

WHAT FAST TRACK IS

Opponents of renewed international trade authority insist that fast track is an unconstitutional delegation of authority from Congress to the President. Let me see if I can make this clear—in granting President Clinton fast track authority, Con-

gress cedes *none* of its constitutional prerogatives. Instead, it agrees to work with the President to liberalize foreign markets and tear down protectionist trade barriers. Any agreement reached with our foreign trading partners using the fast track process will be reviewed by Congress within a set amount of time and will be voted on by Congress without amendment. This cooperative procedure gives the President an important edge in international negotiations because other countries know that any trade agreement reached will not be taken apart by protectionist special-interest lobbying and amendments. At the same time, our trading partners know they must take Congressional views into account since Congress retains the exclusive authority to accept or reject the agreement and the ultimate power to repeal fast track authority at any time. Fast track authority embodies the spirit of cooperation and bi-partisanship needed to put America's future economic prosperity ahead of political posturing.

Make no mistake. Decisions made about the rules of international trade in the next few years will be critical to America's continued economic growth, prosperity and international influence. The debate over renewal of fast track authority really comes down to a simple question: Do we want to use our economic and political influence to help shape the rules of trade that will dominate the 21st century? Or, do we want to sit on the sidelines and watch as other nations define the trading rules of tomorrow?

Economic Opportunities of Tomorrow

In the next few years America will be called upon to provide the political leadership needed to ensure the opening of markets to American products and services throughout the world. Our future economic growth will depend upon our ability to sell goods and services to other countries. The rules which will govern this trade will soon be written—with or without our participation. Next year, negotiations in the World Trade Organization on intellectual property will begin. Rules governing worldwide trade in agriculture, a very important sector for the United States, will begin in 1999. Multilateral negotiations in the services sector will begin in the year 2000, with or without the United States.

Opportunities will be lost regionally as well. Economic liberalization in the Asia Pacific Economic Cooperation (APEC) forum is scheduled to be completed by the year 2010. Negotiations for the Free Trade Area of the Americas will be completed by 2005. But America will not be able to cut our best trade deals in either forum if we can't negotiate with the full range of options afforded by fast track. And industry sectors where America is most competitive—like computer software, information technology, medical equipment, and environmental technology—remain closed to many American exports because we bring very little to the table without fast track negotiating authority. It is simple common sense—you don't put your best offer on the table unless you know the person you're talking to has the power to accept that offer.

The ironic part of our inability to fully participate in these negotiations is that we have by far the most to gain from them. The U.S. market is already the world's most open. In contrast, many emerging markets in Asia, Latin America, and Africa still retain high tariff and non-tariff barriers to our exports. Because of this reality we gain substantially more from our negotiating partners than we give up. Perhaps just as important, we gain firm commitments from other nations to keep their markets open to U.S. products, ensuring that U.S. industry will enjoy secure and growing markets for years to come.

Conclusion

After 50 years of peace, prosperity and economic growth due in large part to our pursuit of open markets and free trade, we should not now turn to the protectionist policies which crippled such countries in the past as Argentina, India and Japan. Our commitment to liberalized trade helped to make America what it is today—a land of innovation, opportunity and prosperity. Only if we move forward with fast track today, can we ensure a similar future for Americans tomorrow.

Thank you.

Chairman CRANE. Thank you, Mr. Kolbe.

Mr. Visclosky.

STATEMENT OF HON. PETER J. VISCLOSKY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. VISCLOSKY. Mr. Chairman, thank you very much. I want to thank you, Mr. Matsui and the Members of the Subcommittee for allowing me to testify today. I am here because I have a profound belief that economic growth in this country should include real growth in the wage rate of all of the people that we represent.

I do not come before the Subcommittee today as a trade ideologue. In 1988, I voted for the Omnibus Trade and Competitiveness Act. I also voted in 1991 to give President Bush additional fast track negotiating authority. I supported the Uruguay round of the General Agreement on Tariffs and Trade. I am here today, however, given my belief that since 1981, what we have seen consistently in the United States of America is pressure on the average wage rate for the people that we represent. And I am very concerned that the fast track bill before us today will only exacerbate that trend.

There were 38,000 jobs that were lost in my district from 1977 to 1987; we have more than made those jobs up. The unemployment rate in my congressional district is under 3.5 percent, but the average wage rate that people are taking home in those new jobs is less than it was in 1981.

As far as the experience we have had with NAFTA, in 1993, we had a trade surplus in steel of about 100,000 tons. Last year, the most recent figures available, we had almost a 2-million ton deficit with the country of Mexico after NAFTA. That is not an academic experience; and a study by Public Citizen group has indicated that of the people who have gone on to new jobs after losing their decrease of NAFTA, 65 percent are making less than they made in their original job.

And I must tell you, in all good faith—and job training was mentioned once here already—I am tired, I am sick and tired of voting for new job training programs for people because they have lost their job because of something we have done in the U.S. Congress.

I am here because I am very concerned about sections 3(b)(2) and 3(b)(3)(A) of the administration's fast track proposal that essentially fences off our ability to have serious bilateral negotiations with countries over their enforcement of the labor laws on their books. I am not looking for an arbitrary increase of labor standards, I am not looking for an arbitrary increase of wage rates overseas, but I am looking for these countries' and our country's ability to enforce the laws that they have on the books.

Mr. Kolbe talks about the theory of corporations going to the country with the lowest wage rate, and if that were true, they would be in Africa. My understanding is that the wage rate today in Mexico is about $3.30 a day. I think that is low enough. I think many of the companies that have invested in Mexico since the advent of NAFTA don't need to go any further. And from my personal experience, when I have talked to employers in my district, people who have businesses, and who are considering overseas investment, I have pleaded with them to join in a serious discussion of how to negotiate international labor standards. However, the light went on in my head about 6 months ago that I have wasted my time because investment dollars and money are fungible and they

can move to the lowest common denominator. The 551,000 people I represent in my district cannot do that. If they are not going to make workers rights a priority, if they are going to work to protect only their intellectual property and other rights, which I fully support them on, then we have an obligation to step up and protect the people who work for those companies.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Statement of Hon. Peter J. Visclosky, a Representative in Congress from the State of Indiana

Thank you, Mr. Chairman, Mr. Matsui, and the other subcommittee members, for giving me this opportunity to testify today regarding the President's proposal for fast-track negotiating authority. I voted for the 1988 Omnibus Trade and Competitiveness Act, which contained fast-track negotiating authority, and, in 1991, I voted to give President Bush additional fast-track negotiating authority. Further, as a supporter of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), which was negotiated and implemented under fast-track procedures, I have demonstrated my willingness to support market-opening trade agreements that are designed to give American workers and companies a chance to compete and win in the global economy. However, I am forced to oppose President Clinton's recent request for fast-track negotiating authority because it does not adequately protect worker rights and internationally-recognized labor standards or permit the enforcement of these fundamental rights through trade sanctions.

Over the past several years, I have clearly seen how U.S. efforts to promote worker rights, first through the GATT and then in the World Trade Organization (WTO), have been fiercely resisted by many of our trading partners. What this experience has shown me is that we need to take a more hard-nosed approach, and show our trading partners that we are serious about promoting worker rights. Simply put, if our trading partners want to take advantage of the benefits of open markets, they need to respect basic worker rights. This approach would not only eliminate some of the most egregious abuses, such as child and slave labor, but it would protect American workers and their jobs in the process. With trade sanctions as an incentive to respect worker rights, we could put the brakes on a race to the bottom in search of maximum profits.

I appeared before the subcommittee in March to focus on the importance of linking respect for internationally-recognized worker rights to the conduct of international trade. The specific rights I discussed included the freedom of association, the right to organize and bargain collectively, and the prohibition of forced or compulsory labor. These should not be controversial issues. In fact, many of the countries who have ardently resisted linking worker rights to trade, including Mexico, have established worker rights laws on the books—they just aren't being enforced. It is important to reiterate that I was not talking about the imposition of uniform labor standards, such as wages and hours.

While worker rights are mentioned as a negotiating objective in the President's fast-track proposal, they are limited to policies and practices "directly related to trade" and can be promoted only through the WTO and the International Labor Organization (ILO). While this might sound like a step in the right direction, during the WTO's Ministerial Conference in Singapore last year, the U.S. was unable to convince our trading partners to establish a working party on worker rights and labor standards. Although I strongly supported such a working party, the reluctance to even talk about worker rights in the WTO leaves me very pessimistic that the circumstances would be any different with respect to the negotiating objectives in the President's fast-track proposal. I truly believe that the time has come to require that worker rights be included as a core objective of future trade agreements, where they could be enforced through meaningful trade sanctions.

Although the President's fast-track request would cover a wide range of trade negotiations and implementing agreements, I am very concerned about the Administration's stated intention to expand the North American Free Trade Agreement (NAFTA) to Central and South American countries, including Chile. NAFTA has hurt American workers, and, frankly, it should be repealed—not expanded.

Fast-track negotiating authority was used to negotiate and implement NAFTA. I voted against NAFTA when it first came before the Congress because I felt that it would end up costing tens of thousands of Americans their jobs, and because it did not contain adequate protections for worker rights. More than three years later, these grim predictions have been borne out by the facts. Since NAFTA was ratified,

our $1.7 billion trade surplus with Mexico has turned into a $16.2 billion trade deficit. This growing trade deficit has taken with it many good, high-paying American jobs. One U.S. Department of Labor program has certified more than 124,000 workers as having lost their jobs directly as a result of NAFTA. Public Citizen, a nonpartisan, public-interest group, estimates that number to be closer to 500,000. The Public Citizen study goes on to say, that of the workers who lost their jobs because of NAFTA, 65 percent are now in lower-paid positions.

These trends are reflected in steel trade, which is vitally important to the economy of Northwest Indiana. In 1993, the U.S. had a steel trade surplus with Mexico of about 100,000 tons. After the passage of NAFTA that surplus quickly turned into a deficit, which last year reached almost 2 million tons.

Just as troubling are reports that NAFTA is being used as a weapon against labor unions. Indeed, some American corporations are telling their workers that they will move their jobs to Mexico if they attempt to unionize. According to a study by Cornell University, in those shops that are already unionized, companies are threatening to move their plants to Mexico in order to gain the upper hand in contract negotiations. Clearly, even those U.S. workers who have managed to keep their jobs are seeing lower pay and fewer benefits as a result of NAFTA.

While worker rights and labor standards were addressed as part of a NAFTA side agreement, this side agreement is weak and unenforceable. Forcing Mexico to adhere to minimum standards on worker rights would have helped to drive up wages and raise the standard of living for the average Mexican worker. This, in turn, would have put Mexican and American workers on a more equal economic footing, making employers think twice about moving to Mexico. Unfortunately, just the opposite has happened, resulting in a minimum wage in Mexico of about $3.30 per day—less than one-third in real terms what it was in 1980.

The situation in Chile, which is the next country slated to enter NAFTA, is not much better. In Chile, workers have no right to organize unions or enter into collective bargaining agreements, and they currently make an average of only $5.50 per day. Furthermore, the military is still run by a former dictator of that country. This is not the type of country to which we should be giving expanded trade privileges or for which we should be sacrificing good-paying American jobs.

Given NAFTA's track record over the past three and a half years, I believe that extending this agreement without making fundamental changes would be a huge mistake. We cannot stand idly by while American workers are asked to forfeit their jobs in the name of global prosperity. Passage of the President's fast-track proposal would simply hasten the expansion of NAFTA and other trade agreements that have little regard for American workers or their foreign counterparts. Therefore, until more can be done to protect against job losses in the U.S., and promote international worker rights, I will continue to oppose the expansion of NAFTA and renewal of fast-track negotiating authority.

Chairman CRANE. Thank you.

Our next witness is Mr. Dooley from California.

STATEMENT OF HON. CALVIN M. DOOLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. DOOLEY. Thank you, Mr. Chairman and Members of the Subcommittee, for giving me this opportunity to appear before you today.

As a farmer and a Congressman, I strongly believe that this vote will be the most important of the 105th Congress. A failure to provide this authority to the President will result in a giant step backward for the U.S. economy and the American people. President Clinton requested that Congress renew fast track negotiating authority for trade agreements. The President is requesting the same authority that every Democrat and Republican President since 1974 has had, and the arguments for granting this authority are as compelling today as they have ever been. Trade negotiations are crucial to the continued economic vitality of our Nation.

The United States is, without question, the leading economic power in the world today and, clearly, expanded trade has been a major component in the growth of our economy. And it has been our President's use of fast track authority that has contributed to the increased trade.

The facts are irrefutable. In 1970, exports were about 13 percent of our gross domestic product. Today, exports account for nearly 30 percent of the gross domestic product of this country. Since 1978, almost 70 percent of the growth of the U.S. economy has been derived from exported goods and services, and exports support 12 million American jobs, and over the last 4 years have created 1.4 million new jobs, which, on average, are paying higher than, 16 percent, than most jobs in this country.

Today, the United States is the world's largest total exporter, but without an aggressive, proactive trade policy, the United States stands to lose ground in the international marketplace. Even now, our competitors and trading partners are developing trade agreements that don't include the United States.

In January of this year, I had the opportunity to travel with the Agriculture Committee to Argentina and Chile, and one cannot help but to be impressed by the democratic and the economic reforms that are spreading across Latin and South America. But one must also be concerned by the formation of MERCOSUR, which is the trading union of Argentina, Brazil, Paraguay, and Uruguay. The efforts of MERCOSUR are basically to bring together a common group of nations there that will reduce the tariff barriers between them, but maintain common external tariffs. What is concerning us is that MERCOSUR is now adding Chile as an associate member and they are currently planning free trade talks with Peru, Colombia, Ecuador, and Venezuela. Even more concerning is MERCOSUR has recently had discussions with Canada about joining and is pursuing further agreements with Asian and European nations.

The threat to the United States is very clear, and our economic interests are what is at stake. As the countries of MERCOSUR reduce and eliminate tariffs between themselves, they maintain that common external tariff that U.S. products face, placing our workers, our farmers, and our companies at a competitive disadvantage.

All this progress between other nations will continue with or without action on fast track. The United States must be an active participant in international trade agreements to ensure our continued progress in reducing trade barriers and opening new markets. Fast track authority is our ticket to the negotiating table.

The most compelling arguments supporting fast track are the simplest. Ninety-six percent of the world's consumers live outside the United States. The global economy will grow three times the rate of the U.S. economy. We need to be a player in this expanding world market, and denying this President fast track authority will only hurt American workers and American families.

This vote, more than any other taken by Congress this year, will pave the way for a bright and prosperous future for the United States. Passage of fast track will assure greater economic opportunities for U.S. businesses to generate more and higher paying jobs for the U.S. workers.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Statement of Hon. Calvin M. Dooley, a Representative in Congress from the State of California

Mr. Chairman and members of the Subcommittee, thank you for giving me the opportunity to appear before you today. As a farmer and a Congressman, I strongly believe that this vote will be the most important of the 105th Congress. A failure to provide this authority to the President will result in a giant step backwards for the U.S. economy and the American people.

President Clinton has requested that this Congress renew fast-track negotiating authority for trade agreements. The President is requesting the same authority that every Democratic and Republican President since 1974 has had. And the arguments for granting him this authority are just as compelling today. Trade negotiations are crucial to the continued economic vitality of our nation. The United States is without question the leading economic power in the world today and clearly expanded trade has been a major component in the growth of our economy. And it has been our President's use of the fast track authority that has contributed to that increased trade. The facts are irrefutable. In 1970, exports were about 13 percent of the Gross Domestic Product. Now, exports account for nearly 30 percent of GDP. Since 1978, almost 70 percent of the growth of the U.S. economy has been derived from exported goods and services. Exports support 12 million American jobs, and over the last four years have created 1.4 million new jobs.

Today the United States is the world's largest total exporter, but without an aggressive, proactive trade policy the United States stands to lose ground in the international market place. Even now, our competitors and trading partners are developing trade agreements that don't include the United States. In January of this year I traveled with the Agriculture Committee to Argentina and Chile. One cannot help but be impressed by the democratic and economic reforms that are spreading across Latin and South America. But one must also be concerned by the formation of Mercosur (a union of Argentina, Brazil, Paraguay, and Uruguay) that will virtually eliminate tariffs between these countries, but maintain tariffs against the U.S. The countries of MERCOSUR have added Chile as an associate member and are planning free trade talks with Peru, Columbia, Ecuador and Venezuela. Mercosur has recently had discussions with Canada about joining and they are pursuing further agreements with Asian and European nations. The threat to United States economic interests should be clear. As the countries of Mercosur reduce and eliminate tariffs between themselves they maintain a common external tariff that U.S. products face, placing our workers, our farmers and our companies at a competitive disadvantage. All of this progress between other nations will continue with or without action on fast-track. The United States must be an active participant in international trade agreements to ensure our continued progress in reducing trade barriers and opening new markets. Fast track authority is our ticket to the negotiating table.

Fast track will allow the President to pursue sectorial agreements in areas such as agriculture, medical equipment, telecommunications, and environmental technology. These are areas where the U.S. is already a leader. Agriculture has been one of the greatest success stories of expanded trade, increasing by almost 50% since 1990 to $60 billion in exports in 1996.

In my home state of California, the importance of international trade can be seen first-hand. Eighty percent of the cotton produced in California is exported, 70 percent of all the almonds produced are exported and 50 percent of California citrus is exported. We need to pass fast track in order to continue our leading position in the world.

Opponents of fast-track authority use the example of NAFTA as a reason for opposing further trade negotiations. While they point to isolated incidents, NAFTA has actually been very successful in expanding exports for the United States. Despite the peso crisis in late 1994, NAFTA has increased U.S. exports by over 34 percent in just three years. In addition to breaking down tariffs between the three member nations, NAFTA has ensured that our trading partners adhere to a consistent and equal set of trading standards. Without NAFTA and other trade agreements, the U.S. would have no impact on the trade and economic policies of our trading partners. Through engagement and negotiation we will be able to level an unfair playing field for the advantage of all Americans.

The most compelling arguments supporting fast track are the simplest. Ninety-six percent of the world's consumers live outside the United States. The global economy will grow at three times the rate of the U.S. economy. We need to be a player

in this expanding world market. Denying this President fast track authority will only hurt American workers and American families.

This vote, more than any other taken by Congress this year, will pave the way for a bright and prosperous future for the United States. Passage of fast-track will ensure greater economic opportunities for U.S. business to generate more and higher paying jobs for U.S. workers.

Chairman CRANE. Thank you, Mr. Dooley.

Mr. Blumenauer

STATEMENT OF HON. EARL BLUMENAUER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. BLUMENAUER. Thank you. And I appreciate the cautious and careful way that the Subcommittee is approaching this issue, because frankly one of the concerns I have had is that we have been caught up in rhetorical excesses, most graphically illustrated by the discussion surrounding NAFTA, where both sides oversold the case; and I fear that we really create a problem for ourselves in terms of perception. Your being careful and thoughtful in allowing the case to be made is going to serve a great purpose for the American people.

Fast track itself is not going to have any negative impacts on labor rules or environmental protection. It, in fact, gives the President a chance to negotiate trade agreements with other countries which historically have proven to be the best way to improve other countries' labor and environmental protections.

As has been pointed out, this is not new; this is something that we have taken for granted over the course of the last 25 years to great effect for our country and for the world's economy. The Congress reserves to itself the opportunity to turn down an agreement that any administration negotiates that we do not feel meets those objectives; and I personally pledge to exercise that authority to vote no if there is something that I feel is not in the best interest of the country, and I am sure my colleagues would do the same.

I am concerned with people who are advancing the notion that somehow we have to use the fast track authority to aggressively pursue environmental and labor provisions and somehow wanting them to be dictated. Frankly, I support progress labor practices and the environment, which could be part of trade negotiations, but we need to be able to do this in a thoughtful and deliberate fashion.

There are others in the world who have grounds to criticize our performance. What if there are other countries that are going to dictate that we have less income inequality and dictate minimum wage as a multiple of chief executive officer compensation; or those who look at the waste that we have in this country in energy, or the fact that we produce 50 times the greenhouse emissions as a developing country, and try and condition their agreements with us on our having a very high gasoline tax, for instance, well, some of the same people who are critical of these provisions would absolutely go ballistic and understandably so.

We are not going to dictate to other countries; they are not going to dictate to us. We must be able to do this in a thoughtful and deliberate process.

My region of the country stands to lose ground if we do not extend fast track authority. In my own district, I am looking at one of the largest employers. Freightliner, that has the most productive truck building facility in the United States, arguably one of the most productive in the world, is going to lose production by having to shift productive capacity to other parts of the world because we don't have an agreement with Chile; and that may be moved to Canada or to Mexico. We see the effects in my own region.

The rest of the hemisphere and the world are reaching trade agreements without the United States, as has already been referenced. We need to not be the only country in the region that does not have a trade agreement with Chile. We have the most to gain from these trade agreements.

As has been referenced, we are only a small minority of the world's population; we stand to have a 70 million population increase versus a 1.8 billion increase around the world over the next 20 years. As the Subcommittee has heard, these emerging economies are growing more rapidly than ours; that is where our future is.

We need to give the President the authority to move this forward for the future for a more productive economy, and I appreciate your efforts in terms of allowing us to maybe develop this in a less impassioned and rhetorical fashion. I think the country is going to benefit from your efforts.

Thank you very much.

[The prepared statement follows:]

Statement of Hon. Earl Blumenauer, a Representative in Congress from the State of Oregon

We begin our deliberation of an important tool for our country's Trade Representative amidst unfortunate rhetorical excess. This process was greatly accelerated during the debate surrounding NAFTA.

The effects of the NAFTA agreement were exaggerated, and the same thing is happening to "fast track."

When NAFTA was debated and passed in 1994, both proponents and opponents oversold its effects. Although NAFTA has played key roles in this decade's economic growth and in blunting the effects of Mexico's recession, its employment impacts are negligible within the scope of the enormous job creation numbers in the U.S. economy every week.

"Fast track" itself will not have any negative impacts on labor rules or environmental protection. It will instead give President Clinton a chance to negotiate trade agreements with other countries, which has historically proven to be the best way to help improve other countries' labor and environmental protections.

This process is not some new development, justifying either the tone of debate or the tinkering with the mechanism.

Every president, from both parties, all the way back to Richard Nixon, has enjoyed "fast track" authority.

"Fast track" is a trade tool for the presidency and was created to facilitate trade negotiations with other countries given today's Congressional realities. Many countries simply will not negotiate major trade agreement with us, if they know the president does not have "fast track."

Congress can still vote no on any trade deal brought before it—I will vote no if I feel it is a bad trade deal.

Congress does not give up its right to approve or disapprove a trade deal, and I will not hesitate to vote no if I feel any trade deal brought before the Congress hurts the interests of the United States. This will provide a natural incentive to have the President negotiate a trade deal he feels can pass the Congress easily and benefit the United States in the long term.

Environmental and labor provisions should be negotiated, not dictated.

I support progress on labor practices and the environment, which could be a part of any trade package, but they should not be fixed in stone before negotiations even begin. We should communicate to the president our concerns and our needs, and let him take that to the bargaining table with him, not tie his hands behind his back.

Others in the world have grounds to criticize our own labor and environmental practices. We often produce 50 times the CO_2 of developing countries, waste energy and have huge income inequality. If the roles were reversed and foreign governments dictated a relationship between our minimum wage and CEO compensation, or a $2 increase on our gas tax, some of the same critics who demand stricter labor and environmental protections would go ballistic.

The Northwest stands to lose ground because of the United States' lack of "fast track" authority.

Sectors like agriculture and manufacturing are losing ground daily to those in other nations who are crafting trade agreements without the United States at the bargaining table. 96% of the world's mouths lie outside the United States, and American and Northwest growers will have a better chance to feed those mouths with more trade agreements. China has 1/3 the arable land of the United States, but nearly four times the population—they and other countries desire American agricultural products. By using that leverage to our advantage, we can ultimately open other markets.

Manufacturing will also suffer without fast track. Freightliner, a major company in my district, may have to move some production from Oregon to Mexico *unless* we reach a trade deal with Chile, simply because Mexico already receives preferential treatment from Chile. Freightliner employs over 3700 people and brings in nearly $250 million to the region economically.

The rest of the hemisphere and the world are reaching trade agreements without the United States.

Every major economy in the Western Hemisphere has reached a trade deal with Chile—except the United States. This means we are in danger of falling behind the rest of the hemisphere, and indeed the rest of the world, in forging what the global trade rules will be. If we remove ourselves from the global trade negotiating table, we will have no influence over how trade agreements are reached, and no opportunity to change them for the better. We are still going to buy copper from Chile regardless of their status as a major supplier.

The United States has the most to gain from trade agreements, as future population and economic growth will primarily happen outside our borders.

We have some of the lowest tariffs in the world, so entering into trade negotiations has the prospect of lowering other countries' barriers more than our tariffs. The United States should continue to move aggressively towards opening world markets so our products are sold on a level playing field with other countries' products. Our potential trading partners are interested in enhanced access to the world's richest market—we can and should use that leverage to open markets for our products.

The global economy is here. Over the next twenty years, global population will increase from 5.8 billion to 7.6 billion, a growth of 1.8 billion people. Over that same period of time, the United States' population is projected to grow only 70 million. Not only do 96% of the world's people currently live outside our borders, 96% of the population growth over the next twenty years will also occur outside our borders.

Economically speaking, the global economic expansion will likely continue at 9–10% over the next few years, while our own economy, although performing well comparatively speaking, will only manage 3–4% growth. Latin America and Asia will grow three times as fast as the U.S., Europe and Japan over the next fifteen years.

These facts show clearly future prosperity is to be found in these emerging global markets. With the end of the Cold War, countries can now focus on bettering the lives of their own citizens through increased international cooperation and economic growth. The United States must continue to lead, not only militarily, but also economically. Giving the president traditional trading authority enhances that leadership.

Chairman CRANE. Thank you, Mr. Blumenauer.

Mr. Moran, second bells just went off. Do you want to proceed and then we will recess and all run over to vote?

STATEMENT OF HON. JAMES P. MORAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. MORAN. I get the picture, Mr. Chairman. Thank you.

I do want to emphasize, though, that fast track is not a trade agreement. All it does is set out the process by which trade agreements will be considered.

Only Congress has the final say on whether to approve or disapprove a trade agreement and its implementing legislation. The administration's Export Expansion and Reciprocal Trade Agreement of 1997, the administration bill, activates a historic partnership that provides an even wider role for Congress in trade negotiations, before, during, and after agreements are concluded; and at the end of the day, it is only Congress that has the final say whether to accept or reject a trade deal that is brought back by the administration.

With fast track trade authority, the administration is poised to negotiate strong international agreements in telecommunications, information technology, government procurement—major agreements, very important to our being able to sustain the growth of our economy. But without fast track, we are going to continue to face foreign barriers to our trade and products and services that include tariffs of up to 30 percent.

We have to understand the context here. We have very few tariff barriers, we have very little to give up, we are virtually a free trade country; but other countries have tariff barriers up to 30 percent, and here we are insisting upon things that would abrogate their own international laws in return for our being able to give up very little.

The critics of fast track are wrong; they are wrong on several counts. First and foremost, there is nothing in existing law to preclude this or any other President from making labor and environmental conditions an issue in international trade agreements. Previous Presidents have done so; this President will do so. The question is whether Congress should preordain the contents of trade negotiations before the President engages in them.

Beyond that, few nations, including the United States—particularly the United States—would seriously engage in trade negotiations if they knew that the result would require a change in or an abrogation of their own domestic laws. We wouldn't do it, and we shouldn't expect other countries to do it. And those who purport to be concerned about global environmental and labor conditions neglect one of history's great lessons, that it is free and open world trade that has improved global prosperity, that has fostered democracy, that has helped to ameliorate poverty and environmental degradation that is so common to emerging economies. This is what has done it.

It is free and open trade that has accomplished it more than anything else, so the bottom line is clear. If the United States is going to take full advantage of the opportunities of a global marketplace, where 95 percent of the world's consumers live outside our National boundaries, then we have got to open up trade to that mar-

ketplace; we can't continue to have 5 percent of the world's population and 20 percent of the world's wealth if we are not going to look to that marketplace, which represents 95 percent of the world's consumers.

Extending fast track trading authority to the President is necessary if we are going to continue the economy that we enjoy today; and without the unfettered authority to strike deals in the name of the U.S. Government in good faith, that will stick, the President is going to find his hands tied, and that is going to tie the hands of our economy and it is going to damage the quality of life that all of us are blessed by today.

We have a great deal at stake, we hope you will do the right thing and pass fast track trading authority. Thank you, Mr. Chairman.

[The prepared statement follows:]

Statement of Hon. James P. Moran, a Representative in Congress from the State of Virginia

Mr. Chairman, thank you for holding this hearing on extension of traditional trading authority to the President.

Congress is poised to make a decision that will have an enormous impact on trade for our entire nation. In short, will we grant this President the same power granted to every President since 1974 to negotiate important international trade agreements with the knowledge that the resulting pacts will not be renegotiated by Congress?

Dozens of Virginia business leaders have told me that renewal of this trading authority is absolutely critical to the continuing economic growth across the Commonwealth, including the sectors of information technology, financial services, and manufactured goods.

We simply can't afford to tie the hands of America's chief negotiators at the global trade table. To do so would allow our global competitors in other countries to beat us to the best deals and to overtake us in the race for economic progress.

The debate on this issue has been framed in broad national terms, but there is much at stake for individual states—and particularly for Virginia—in ensuring the widest access to global trade.

A survey of Virginia's economic landscape provides abundant evidence of how the Commonwealth benefits from full participation in the international marketplace. Virginia exported $11.6 billion in goods last year, much of it moving through our port at Hampton Roads. The export of these goods employed more than 120,000 Virginians directly, and thousands more indirectly. The international market in services is harder to measure, but Virginia is home to thousands of young and vital service companies whose financial future depends on open access to the global marketplace. With fast track trade authority, this administration is poised to negotiate strong international agreements in telecommunications, information technologies, and government procurement, just to name a few. Without fast track, the future of these negotiations, and our global economic position, is mired in doubt, and we will continue to face foreign barriers to our trade in products and services, including tariffs of up to 30 percent.

As with other states that provide friendly business environments, Virginia benefits from the ability of the President to negotiate effective international trade deals with the understanding that Congress won't nit-pick the deals to death. All fast track authority means is that the president can exercise his executive power to negotiate trade agreements with the full knowledge that such a deal, if struck, will stick. Under this negotiating authority, the deal would be put to a straight up-or-down Congressional vote, with individual members unable to derail or dilute the agreement with amendments.

Some argue that this authority should come with concomitant requirements that the President insist on certain environmental and labor standards in international trade agreements. These critics are wrong on several counts. First and foremost, there is nothing in existing law to preclude this or any other President from making labor and environmental conditions an issue in international trade agreements. Many Presidents have done so. The question is whether Congress should preordain the contents of trade negotiations before the President engages in them. Beyond that, few nations, including the United States, would seriously engage in trade negotiations if they knew the result would require a change in, or abrogation of, their

own domestic laws. Finally, those who purport to be concerned about global environmental and labor conditions neglect one of history's great lessons: that free and open world trade improves global prosperity, fosters democracy, and helps to ameliorate the poverty and environmental degradation so common to closed and emerging economies.

The bottom line is clear: If the United States is not able to take full advantage of the opportunities of the global marketplace, the 95 percent of the world's consumers who live outside our national boundaries will shop somewhere else, and other countries will reap the benefits.

Closer to home, extending fast track negotiating authority to the President is necessary if Virginia hopes to be in the best position to lead the way in today's dizzying global economy. Without the unfettered authority to strike deals in the name of the U.S. government, the President will find his hands tied just when they should be free to fashion the best deal for the country.

Chairman CRANE. Thank you all of you for your testimony and the Subcommittee will stand in recess. But this is a motion to adjourn; if we all vote aye, we will not have interruptions the remainder of the day. Thank you.

[Recess.]

Chairman CRANE. Will everyone please take seats. Please be seated or take conversations out of the Subcommittee room, please.

Since we have an unpredictable day, again not surprisingly, we would like to move as quickly as possible; and we now have the opportunity to proceed with Hon. Charlene Barshefsky.

We would like to welcome you back to the Subcommittee. Thank you for coming up here to try and dispel some of the myths about free trade and to explain the need to renew fast track negotiating authority to the President. And you may proceed.

STATEMENT OF HON. CHARLENE BARSHEFSKY, U.S. TRADE REPRESENTATIVE

Ms. BARSHEFSKY. Thank you very much, Mr. Chairman. It is a pleasure to see you and the Members of the Subcommittee again. I ask, of course, that my complete statement be available for the record.

Chairman CRANE. Without objection, so ordered.

Ms. BARSHEFSKY. The Export Expansion and Reciprocal Trade Agreements Act of 1997, which the administration has proposed, would renew the traditional relationship between Congress and the President in defining trade policy and approving trade agreements. The administration's proposal would provide a critical tool to lower foreign trade barriers, open markets, and rebalance trade relationships on more reciprocal terms. This legislation is vital to American business, farmers and workers, because fast track is fundamentally about U.S. exports, which are absolutely critical to our economic vitality.

Since 1993, more than a third of our economic growth has come directly from exports, and the number of export-related jobs has increased by almost 2 million. Twelve million U.S. jobs depend on exports now, and these jobs pay an average of 15 percent more than nontrade-related jobs, and since 1985, U.S. exports have roughly tripled.

With only 4 percent of the world's population but 20 percent of the world's wealth, we have to figure out a way of holding on to

that very advantageous position. That means we must have access do the other 96 percent of the world's consumers that don't live here.

Fast track sends a strong signal to our trading partners that the United States will continue to lead. It indicates that we are determined to set the rules for fair trade.

We must also recognize, in the post-cold war era, that economic relationships are increasingly important in defining our strategic alliances. Our trade relationships and economic leadership will help shape the longer term economic security of this Nation, reinforcing our global leadership. We must not diminish our power or our influence in the world. Our strength is our leadership, and fast track helps to ensure leadership on trade.

There are serious and immediate consequences if we do not renew this authority. In every region of the world, but particularly in Latin America and Asia, the two fastest growing regions, our competitors are pursuing strategic trade policies and, in many cases, creating new, exclusive trade alliances to our detriment. There are over 35 free trade agreements operating in our hemisphere; we are a party to one. Since 1992, over 20 free trade agreements have been negotiated; we are a party to none. This causes us to lose ground to our industrial competitors, not to mention the loss of leadership in our own hemisphere.

Canada, for example, recently signed a trade agreement with Chile, giving Chilean exporters substantial advantages in comparison with their United States counterparts. The EU, European Union, has concluded a framework agreement with Chile, which may also lead to a free trade agreement. Indeed, since the President kicked off his fast track initiative, both Canada and the European Union have stated their intention to complete free trade accords with MERCOSUR, further disadvantaging United States exports and dominance in our own region.

The question for us is, do we move ahead and fight for new markets, or do we let others define the rules and reap the rewards without us?

We intend to use fast track authority in three ways. First, to complete the so-called "built-in agenda" of the World Trade Organization. This year, we resumed global negotiations on the reform of government procurement. Next year, we restart negotiations on intellectual property, followed then by global agriculture negotiations, and then services negotiations. We must seek enhanced market access in all of these areas, and the stakes are very high.

Government procurement in Asia alone will be about a $1 trillion market over the next 10 years. Agriculture is a $600 billion global market; services, a $1.2 trillion market annually. We must have this negotiating authority to enter these various talks or countries will not put meaningful offers on the table.

Second, we must pursue market access initiatives, in fast-growing sectors where the United States is a powerful competitor. The recent information technology agreement, for example, cuts tariffs in 42 countries on a wide array of information products. The agreement amounts to a $5-billion annual tax cut for the United States. It includes sales of such things as telecommunications equipment, computers, semiconductors, and so on. The ITA, Inter-

national Trade Administration, has led the consensus among our trading partners to pursue ITA–II this fall, which would expand the product coverage, address nontariff barriers, and steer internet commerce toward free and open trade.

Other potential sectors we have identified for market access include chemicals, environmental products and services, medical equipment and services, and other areas where we are a leading global competitor, but where foreign market access barriers remain quite high.

Third, new authority is essential if we are to negotiate more comprehensive market access agreements with individual countries. This administration, consistent with its predecessors, has identified Chile as a promising candidate. Such an agreement appears to be possible with Chile, including with respect to labor and environmental issues.

Prior to identifying any other specific country, the administration would first engage in extensive consultations with Congress. The administration's fast track proposal ensures that Congress will be a full partner in setting negotiating objectives and establishing trade priorities. Fast track, of course, does not itself approve any particular trade agreement; it is merely the procedural device under which agreements are to be considered by the Congress. It is Congress that has the final say whether a trade agreement is acceptable or not. Only Congress can vote yes or no.

Let me note a few elements in the administration's proposal. First, the legislation would reactivate a 60-year partnership between the President and Congress by reinstating fast track and tariff cutting authority through October 2001, with the prospect of renewal through 2005. The extension to 2005 would be subject to disapproval by either House of Congress.

Next, our proposal outlines clear trade negotiating objectives designed to sustain U.S. economic competitiveness and advance fundamental values, such as worker rights, including child labor and environmental quality.

Third, notification requirements and public participation have been expanded relative to prior law, and the proposal gives Congress an expedited way to revoke fast track authority if it so chooses.

Fourth, the proposal broadens substantially, congressional involvement in trade policy at every phase. The President is required to confer with Congress before, during, and after the trade negotiation, and Congress has the ability to set priorities, provide advice, and exercise meaningful oversight.

And finally, the proposal ensures that we will maintain our high health and safety standards and enforce our trade laws.

In the Congress and among the American people there are strongly held views on the issue of trade, but there can be no disagreement that increasing our exports, tearing down barriers, and opening new markets under tougher trade agreements is good for America. We can accomplish none of these goals without the ability to bring our trading partners to the table and negotiate with them effectively, and that is what fast track is all about.

In conclusion, let me say that we are committed to working with the Congress to make sure that this legislation receives the full bi-

partisan support it deserves and the American people expect. As President Clinton recently said, walking away from this opportunity will not create a single job. Turning away from this opportunity will not expand our economy, enhance our competitiveness, make the environment better, or empower our workers. The world economy is on a fast track, and we must lead in shaping our future.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Statement of Hon. Charlene Barshefsky, U.S. Trade Representative

Mr. Chairman and Members of the Committee, I want to thank you for the opportunity to appear before you today to address an issue that is vital to the future of American farmers, businesses, and workers, as well as our position as a leader in the global economy: that is, approval of the Administration's proposal to renew fast track and the President's tariff proclamation authority under the ''Export Expansion and Reciprocal Trade Agreements Act of 1997.'' Mr. Chairman, if enacted, the President's proposal would renew more than 60 years of cooperation between the Congress and the Executive Branch in the negotiation and implementation of market-opening trade agreements for the benefit of American workers and companies.

What is at stake in your consideration of this proposal is nothing less than whether the United States will continue to be at the forefront of nations seeking the reduction of trade barriers and the expansion of more open, equitable and reciprocal trading practices throughout the world. As the President said recently, the question before you is whether we are going to lead the way or follow. This is not the time to shrink from the future, but to seize the opportunities it holds.

The President is right. Today, this country is at the pinnacle of its influence. Our economy is the strongest in the world. In the last four and one half years, the United States has once again become the world's number one exporter, the world's largest manufacturer of automobiles, the world's premier agricultural exporter, and the world's leading producer of semiconductors. From the farms of the Midwest to the high-tech firms of California and Massachusetts, businesses are growing, unemployment is declining and inflation is under control. America leads the world in a very competitive global marketplace. Our economy is the envy of our trading partners.

Today, international trade is an increasingly vital component of our economic strength at home and leadership abroad. Exports are more important in our economy than ever. Since 1993, more than a third of our economic growth has come directly from exports, and the number of export-related jobs has increased by 1.7 million. A total of some 11.5 million U.S. jobs depend on exports, and these jobs pay an average of 15% more than non-trade-related jobs. Since 1985, U.S. exports have roughly tripled from about $300 billion to an expected $900 billion this year.

But, we cannot rest on our past accomplishments. We must find new markets for our goods and services in order to help our economy to maintain strong growth. To frame our economic challenge clearly: the United States represents four percent of the world's population, yet our share of global income is 20%. How are we going to maintain our enviable position? We must sell to the more than 96% of the consumers that live outside our borders, which requires that we further open foreign markets to our goods and services. We need fast track if our economy is to stay on the fast track.

THE IMPORTANCE OF FAST TRACK

Fast track is critical to increase access to foreign markets and shift trade conditions in our favor. Fast track sends a strong signal to our trading partners. It tells them that when the President negotiates a trade agreement, he has the confidence of the Congress behind him. It also indicates that the United States is serious about reaching agreements that will reduce market barriers and trade distortions.

This proposal reactivates a partnership between the President and the Congress that dates back over six decades. Recognizing that the high protective U.S. tariff walls it established in 1930 had only served to deepen the Depression, Congress four years later enacted the first reciprocal trade agreements act. In that act, Congress gave the President authority to negotiate mutual tariff reductions with our trading partners. Congress renewed that authority repeatedly over the years, and successive Presidents used the authority to dramatically reduce tariff barriers around the world.

"Fast track" was first put in place under the Ford Administration in 1974. Under fast track the Congress and the President work together, ensuring that the United States can effectively negotiate away foreign tariff barriers as well as non-tariff barriers—such as quotas, protectionist product standards, and subsidies—which foreign governments have increasingly substituted for tariffs to exclude U.S. products. It worked well for 20 years, a period over which every President had fast track authority with bipartisan support. Fast track lapsed along with most of the President's tariff reduction authority three years ago.

With this legislation, we are seeking to reactivate the process by which certain trade agreements can come back to the Congress for an up or down vote without amendment. We are not seeking Congress' approval of a particular trade agreement. Congress retains the last word.

DANGERS OF INACTION

There are serious and immediate consequences if we do not renew fast track. Increasingly over the past few years, major trade agreements have been negotiated without our participation. Our competitors are determined, sophisticated, strategic and focused. In every region of the world, but particularly Latin America and Asia, the two fastest growing regions of the world, governments are pursuing strategic trade policies and, in some cases, preferential trade arrangements. They are forming relationships around us, rather than with us, and they are creating new exclusive trade alliances to the detriment of U.S. interests. I can assure you that our trading partners are not waiting for us to pass a bill.

A significant number of bilateral and regional trade agreements are already operating here in the Western Hemisphere. The United States is party to only one. In fact, most U.S. trading partners in the hemisphere have been actively forging closer ties with neighboring countries. In Latin America and Asia alone, over 20 such agreements have been negotiated since 1992—all without us.

Argentina, Brazil, Paraguay, and Uruguay have formed a common market, MERCOSUR, which has a GDP of approximately $1 trillion and ambitions to expand to all of South America. MERCOSUR is the largest economy in Latin America and encompasses a population of 200 million. It has struck agreements with Chile and Bolivia, and is discussing agreements with a number of Andean countries (Colombia, Venezuela), as well as countries within the Caribbean Basin. There are recent reports that Canada is also in discussions with MERCOSUR. And, the EU and MERCOSUR already have plans to conclude a reciprocal trade agreement by 1999.

Furthermore, the nations of the Andean Community have started meeting with member nations of CARICOM and the Central American Common Market to discuss negotiation of free trade agreements.

And, Chile, with one of South America's leading economies, has signed trade agreements with Bolivia, Colombia, Ecuador, Mexico, Venezuela, Canada and the MERCOSUR states. Indeed, Chile has preferential trading relationships with every major trading country in our hemisphere but one—the United States.

In South Asia, the seven members of the South Asian Association for Regional Cooperation (SARC)—India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, and the Maldives—have set 2001 as the target for the creation of a free trade area. SARC now represents only about 1 percent of world trade, but it encompasses roughly 20 percent of the world's population. This will increasingly be an important market for U.S. goods and services.

Access to markets in such developing nations is especially important to America's economic future, particularly those in Asia and Latin America which are projected to grow at rates as much as three times the U.S. growth rate. As noted, more than 96 percent of the world's consumers reside outside the United States. Of the more than 30 million people who join the world's middle class annually, an estimated three quarters are found in emerging markets and other low and middle-income countries. Latin America alone, if current trends continue, will exceed both Japan and Western Europe combined as an export market for U.S. goods by the year 2010. Already, Latin America is our fastest growing export market, even though the tariff barriers within the region average three to four times the average U.S. tariff. Similarly, the Asian Pacific Rim has been our second fastest growing export market in recent years, but its market access barriers are also generally higher than U.S. barriers. The elimination of these inequities is in America's fundamental interest, as we have the most competitive economy in the world.

Our lack of fast track procedures also disadvantages us in comparison with our industrialized competitors. As mentioned, Canada recently signed a new trade agreement with Chile, giving Canadian exporters substantial advantages over their U.S. counterparts. Perhaps even more disturbing, the EU, already the world's larg-

est trading bloc, is poised for major expansion in the next few years. The EU has secured for its exporters significant advantages in the transition economies of Central and Eastern Europe. As noted, the EU also has begun a process aimed at reaching a free trade agreement with MERCOSUR and one with Mexico. It has also concluded a framework agreement with Chile which is expected to lead to a free trade agreement by 1999 based on recent reports.

China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America. China wants to enhance commercial ties and ensure that key Latin countries are receptive to its broader global agenda as a rising power, both in the WTO and other fora. The Chinese leadership has undertaken an unprecedented number of trips to Latin America in the last two years, and Latin America is China's second fastest growing export market.

Japan has undertaken high level efforts throughout Asia and Latin America to enhance commercial ties through investment and financial initiatives. The Prime Minister of Japan recently visited Latin America seeking closer commercial ties and a greater Japanese commercial presence in all respects.

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

- A U.S. telecommunications equipment supplier lost significant sales to a Canadian competitor in part because of an 11% tariff preference favoring Canadian producers.
- A Massachusetts fabric producer recently lost a $1.8 million sale in Chile to a Canadian competitor because of an 11% tariff preference favoring Canadian producers.
- U.S. apple producers are at risk in their Latin American markets due to Chile's preferential tariff free, or near tariff-free, access to MERCOSUR, Venezuela, Colombia, and other South American markets as a result of the FTAs it has negotiated (six since 1991). U.S. producers have to absorb the non-preferential tariff cost to enter these growing markets.
- U.S. corn producers are facing competition in Chile from Argentinean producers who enjoy a 3.3% tariff preference, which will grow to 11% over time. U.S. corn producers are facing competition in Chile from Argentinean producers who enjoy a tariff preference. Similarly, U.S. corn producers could lose half their market share in Venezuela to Argentina because of Venezuela's relationship with MERCOSUR.

In the context of negotiating the MERCOSUR customs union, Argentina, Paraguay and Uruguay raised their tariff on imported computer products to accommodate Brazil's interests. The net result was that the common external tariff is significantly higher (from zero to 14 percent ad valorem in the case of Argentina, the second largest economy in South America) than the original tariff on these items in Argentina and others.

The United States can only redress these growing trade imbalances by concluding similar bilateral and regional agreements, as well as negotiating new multilateral agreements that level the trade playing field. But no such agreements are likely as long as our trading partners believe that any agreement the President negotiates will also have to be separately negotiated with the Congress.

Fast track, however, is about more than economics. It is about American leadership. As the President said last week, fast track "is about whether other countries will continue to look to the United States to lead to a future of peace and freedom and prosperity; about whether the world will be growing together instead of coming apart; about whether our economic ties will lead to cultural ties and ties of partnership, or whether we will be viewed as somehow withdrawn from the world, not interested in leading it, and therefore, not nearly as influential as we might otherwise be for the causes in which we so deeply believe."

Sidelining ourselves at this critical juncture will have repercussions that will be far more than economic. Economic prosperity contributes to economic security, which in turn supports democracy and stability. We are at the pinnacle of our influence and we should use that influence to shape international economic rules and transmit our fundamental values.

THE USES OF FAST TRACK

The absence of fast track does not only mean that we cannot match our competitors when they enter into preferential trade arrangements. It also prevents us from achieving our own goals. There are three major areas of pressing concern which require fast track now.

First, fast track would allow us to complete the built-in agenda of the World Trade Organization: that is, conclusion of the major trade negotiations that were deferred at the end of the Uruguay Round and participation in negotiations mandated by the Uruguay Round agreements in areas ranging from rules of origin to services. This year, we resume negotiations to expand and improve the government procurement agreement. Next year, we begin again the negotiations on intellectual property rights, followed by agriculture negotiations in 1999, and then services negotiations. We seek enhanced access to global markets in these areas, and the stakes are very high. The world's government procurement market will be a trillion-dollar market over the next decade and bringing more countries into the agreement will be critical. Agriculture and services represent another almost $2 trillion market, with agriculture representing $600 billion globally; and services $1.2 trillion. We must have fast track authority to enter these various talks or countries will not put meaningful offers on the table.

Second, fast track would enable us to pursue market-opening initiatives in sectors where the United States either leads the world or is a powerful competitor, and where there is extraordinary potential for growth. A good example of what can be achieved in this area is the recently concluded Information Technology Agreement (ITA), the United States and 43 other nations agreed to the reduction and eventual elimination of tariffs on information technology and electronic products, including semiconductors, computers, telecommunications equipment, faxes, phones, and integrated circuits. This is an extraordinarily favorable agreement for the United States, since we are a major exporter of these products and our applicable tariffs were already quite low. Because other countries generally maintained substantially higher duties, this agreement provides what amounts to a $5 billion tax cut for the U.S., money that can be used for research and market development, creating new business opportunities and jobs for Americans.

In fact, the agreement has proven so successful that we already have a consensus among our trading partners to pursue an "ITA–II"—in which we are seeking to expand the scope of products covered by the agreement, address non-tariff barriers in addition to tariff barriers, and increase access to the Information Superhighway.

We also are considering other sectors in which the United States is very competitive, but in which global barriers tend to be high. In particular, we are focusing on trade in chemicals, energy equipment and services, environmental technology and services, medical equipment and services, and wood and paper products. Within APEC, the United States and its Pacific Rim trading partners are working together to identify a number of areas that may be the subject of accelerated market opening discussions. Renewal of fast track would show APEC that the United States intends to fully take part in the negotiations and conclude key agreements.

Third, fast track is essential if we are to negotiate more comprehensive market access agreements with individual countries, as well as on a regional basis. This Administration, consistent with its predecessors, has identified Chile as a promising candidate for a comprehensive trade agreement. Chile appears in all respects to be prepared to enter into agreements with us that achieve our economic objectives, as well as our goals with respect to labor and the environment. Chile also symbolizes our commitment to proceed towards the conclusion of the Free Trade Agreement of the Americas (FTAA) by 2005.

Prior to the pursuit of other specific free-trade arrangements, the Administration would clearly define our negotiating objectives and consult closely with Congress.

THE FAST TRACK LEGISLATION

Fast Track is about forging an American consensus on trade and negotiating with our trading partners from a position of strength and unity. As many members of this Committee know, the Administration spent significant time consulting with members in both Houses and of both parties to try to develop a proposal that would reflect the views of the American people. The consultations were invaluable in shaping this proposal, and I thank the members of this Committee and their staffs for their significant contribution.

Let me now turn to the specifics of the President's proposal.

The proposal first sets out "overall" and "principal" trade negotiating objectives for the President. The "overall" objectives call on U.S. negotiators (1) to obtain more open, equitable, and reciprocal market access; (2) to obtain the reduction or elimi-

nation of barriers and other trade-distorting policies and practices that are directly related to trade and reduce market opportunities for U.S. exports or distort U.S. trade; (3) to further strengthen the system of international trading disciplines and procedures; (4) to foster economic growth, raise living standards, and promote full employment in the United States and to enhance the global economy; and (5) to address those aspects of foreign government policies and practices regarding labor, the environment, and other matters which are directly related to trade and decrease market opportunities for United States exports or distort United States trade.

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

These objectives and guidance reflect the President's three primary concerns underlying the proposal. The President has made clear that his first consideration in proposing this legislation is the expansion of American trade opportunities abroad and the tearing down of barriers impeding U.S. access to foreign markets. However, the President also has made clear that we have an obligation to promote the rights of workers and the environment. Our commitment to worker rights and the environment reflects long-standing, fundamental values of the United States. The proposal's objectives properly balance the need to open markets with the attention these vital issues deserve.

The proposal next provides that the President may enter into certain agreements regarding tariffs and implement them by proclamation. For example, the proposal would re-establish the President's traditional proclamation authority, under which he can reduce U.S. duties up to 50 percent and eliminate duties of 5 percent ad valorem or less. This authority dates back to 1934. The proposal adds a new provision that would allow the President to harmonize or eliminate tariffs in connection with reciprocal tariff agreements in particular sectors, as we did in the ITA, as well as to carry out reciprocal tariff elimination agreements consistent with WTO rules.

In order for an agreement to qualify for fast-track treatment under the bill, the President must comply with extensive notice and consultation requirements. These provisions enable the Congress to set priorities, provide advice, and exercise oversight at all stages of the negotiations. They ensure that Congressional views will be reflected both in any final agreement and in the manner in which an agreement is carried out.

The bill expands upon the notice and consultation requirements included in earlier trade acts. For example, the President must provide notice to Congress before initiating negotiations, and he must consult with all congressional committees having jurisdiction over relevant issues. Only by broadening the circle of consultations and the Members of Congress included in them will we ensure that the trade agreements we bring home have broad, bipartisan support—maximizing the benefits fast-track procedures are designed to achieve.

In addition, Members of Congress and their staff are to be named as cleared advisers with respect to on-going negotiations. These Congressional advisers will be apprised of all critical phases of the negotiations, and they will have direct input into our strategy and offers. When negotiations near completion, the President must notify Congress of his intention to enter into an agreement and, once the agreement is signed, the President must describe to Congress how he intends to implement the agreement. Finally, the President and the Congress are to receive advice on any proposed agreement from the International Trade Commission.

To strengthen these provisions, we have added further consultation requirements. The bill mandates that, prior to entering into negotiations, the President must describe his specific negotiating objectives. The President is required to consult with Congress both before and after negotiations begin. In addition, the President is required to inform Congress of any other agreements he intends to conclude with the country or countries in question in addition to the trade agreement itself. The President must also state whether the fast track agreement will require additional implementing legislation that can be enacted only outside the fast track process.

Moreover, Congress must be satisfied that the President has met his consultation obligations. Under the proposal, if Congress finds that the President has not done

so, an expedited procedure is available for Congress to withdraw fast track procedures.

The proposal also builds on existing provisions to ensure that the public is informed of trade negotiations and that a mechanism is available for ensuring that the public can make its views known to U.S. negotiators. In addition, the proposal calls for the President and Congress to receive advice from officially-designated advisory committees covering the full range of sectors and policy matters, including manufactured goods, agricultural products, services, intergovernmental matters, investment, intellectual property, labor, and environmental matters. These provisions demonstrate the Administration's hope that Americans will not only understand our trade agenda, but take an active part in formulating it.

Under well-established practice, the President collaborates with the Congress in drafting fast track implementing legislation. Such legislation is subject to informal public hearings and "mark-ups" by all Congressional committees of jurisdiction before its introduction. Under the President's proposal, provisions may be included in such legislation only if they are necessary or appropriate to implement an agreement and are related to trade. This language was designed to provide the President and Congress with sufficient flexibility to modify domestic law to achieve our trade objectives while ensuring that implementing bills will retain their focus on trade issues.

The President's proposal seeks this authority until his term is completed, with the possibility for an extension until 2005, subject to disapproval by Congress. This provides Congress and the next President the opportunity to ensure that the consensus that we hope can be achieved with this fast track proposal endures during the first term of the next President.

CONCLUSION

Mr. Chairman, if enacted, the President's proposal would renew more than 60 years of cooperation between the Congress and the Executive Branch in the negotiation and implementation of market-opening trade agreements for the benefit of American workers and companies. We have had a bipartisan consensus on the importance of expanding trade for the American economy and creating a trading system as a part of America's leadership for peace and freedom. It is now clearly more important than ever that we build a new consensus on the framework for the global economy of the 21st century. I am committed to working with the Congress to make sure that this legislation receives the full, bipartisan support it deserves and the American people expect.

As the President Clinton said recently: "Walking away from this opportunity will not create a single job. No one suggests we should throw up greater barriers in our own marketplace. Walking away from this opportunity will only leave inequalities in place—inequalities that do not work to the advantage of either American businesses or American workers." The world is on a very fast track to the 21st century. America must lead in shaping our future.

Chairman CRANE. Thank you, Madam Ambassador, and let me open up with a reference to some earlier testimony that we heard. The fast track opponents, including the Minority Leader, who testified just a few minutes ago, charge that trade agreements threaten food safety. Could you respond to the allegations that we are less able to protect U.S. citizens from contaminated food under trade agreements such as NAFTA and the Uruguay round than we were without these agreements?

Ms. BARSHEFSKY. First of all, Mr. Chairman, issues of food safety are not trade issues, they are issues of overall concern to the United States. Hudson Foods was not a trade issue, for example. The important point here is that our market has always been relatively open with respect to various foods, particularly fruits and vegetables. If we look at vegetables, for example, neither the Uruguay round nor NAFTA reduced U.S. tariffs to any significant extent here. But U.S. domestic demand for fruits and vegetables year

round has created growth not only in U.S. production, but also in imports.

As the President recently announced, we intend to ensure that our food, which is the safest in the world, continues to be so. He has proposed an initiative whereby, first, funding would be increased for inspection, and second, the Food and Drug Administration would be given power akin to our U.S. Agriculture Department to stop imports of fruits or vegetables where there was any question of safety and power to prevent those from entering our market.

But the important point to remember here is that all food, imported and domestic, is subject to precisely the same standards. The only issue is one of inspection, which is a systemic issue. We feel this can be cured quite well by the President's initiative.

Chairman CRANE. Thank you.

A part of winning the fast track battle, it seems to me, will be putting together a successful education effort, because there has been a lot of misrepresentation as to constitutionally, whether fast track is an abdication of congressional responsibility; and we both know better than that. But one of the things that concerned me was a recent poll that showed your gender being more adamantly opposed to trade than ours. Is it that all of the things that come into this country in the way of imports are exclusively consumed by men?

Ms. BARSHEFSKY. Let me just say that with respect generally to the various data we see in polls, if you look at the underlying question that was often asked, you see that the poll result is very much affected by the particular rhetoric used—free trade versus fair trade, open trade versus reciprocal trade—and depending on the phraseology used, poll results tend to differ quite radically.

I think all Americans would agree that the growth of our economy is the number one priority. This is where economic opportunity comes from, and this is where economic advancement comes from, this is the legacy we leave to our children. There is no question, no question, that trade now plays an ever important role in our own domestic economic growth.

That is not to say that everyone necessarily shares equally, and this is, I think, an issue deserving great attention; but it is to say that, overall, this economy's boom and the 13 million new jobs created are due, in very significant part, to exports and trade.

Chairman CRANE. And would you concur that the bulk of Chinese imports benefit women more than men?

Madam Ambassador, regarding the section 108 report recently submitted by the administration, when do you anticipate being able to begin consultations with Congress concerning countries, in addition to Chile, that would be appropriate candidates for negotiating free trade agreements?

Ms. BARSHEFSKY. Mr. Chairman, we are always happy to discuss with you and Members of the Subcommittee ideas that we may have. Certainly there are countries in our own hemisphere, there are countries in Asia, and potentially, as well, over time, South Africa, that probably deserve some consideration; but I think before we proceed, we need to look at all of our options, and consider very carefully how to move forward. We want to act, and I am sure Congress agrees, in a prudent and careful manner as we look at, par-

ticularly, the question of free trade agreements. We are in no particular hurry, and should not be. Instead, thoughtful analysis should always be applied.

Chairman CRANE. We are going to be interrupted again by a vote shortly, but I just want to inquire, can you stay for us to run over and back when we recess.

Ms. BARSHEFSKY. I certainly can, absolutely.

Chairman CRANE. Please, Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

Thank you very much, Ambassador Barshefsky, for your testimony and all the work you have been doing on behalf of the effort on fast track. I know you met with over 200 Members of the House Democrats; we only have 206, so you met with virtually everybody. And certainly I believe the President and his entire Cabinet and administration have been doing a tremendous job in trying to come to some consensus here, and we appreciate it.

Let me just ask a couple of questions.

The whole issue of technology has come up. Mr. Visclosky from Indiana said that there is a huge wage disparity in this country today, and he attributes that to trade. Now, my statistics, or my studies, indicate that trade and immigration frankly only account for 10 percent of wage disparities, but basically the change in disparity is due to education, but most importantly, technology. Could you respond to this?

Ms. BARSHEFSKY. Virtually all of the economic studies, including those by the IMF and the World Bank, indicate that technology is far and away, the principal contributor to the question of wage disparity. Trade is viewed almost universally in the economic literature as having anywhere from no to only very slight effect.

I think the maximum projection I have seen, which came fairly recently from the IMF, was that, at most, trade might account for one-eighth of the disparity, but that the actual number is likely to be even smaller.

Of course, over time, exports tend to shift the locus of job creation to higher wage, higher value-added jobs, and in that regard, trade is a help to the question of differences in income distribution, not the cause of it and not a hindrance to it.

Mr. MATSUI. And getting down to specifics from your discussion, in terms of Mexico, it was stated in the prior panel that Mexico has a low-wage rate now than it did prior to NAFTA, and that very well may be; but it was my understanding in 1995, when the peso fell—almost had a free fall—that had a great deal to do with the issue of Mexican wages prior to NAFTA and Mexican wages after NAFTA.

And what would your projection be in terms of wages in Mexico now, given the fact the peso is reasonably stabilized?

Ms. BARSHEFSKY. Well, you are quite right. The effect of the peso crisis on the Mexican economy was quite devastating, leading to the worst economic recession in that country in 60 years. Overall, we saw about a 20-percent decline in wages in the country as a whole because of the peso crisis.

Interestingly, the wage fall was less in export sectors, which tended to pay more to begin with and which tended to be able to ride the economic depression a little bit better than those in occu-

pations not related to trade. We have now seen wages going back up. I can't give you a projection, except to say the slide was arrested a number of months ago.

Wages are now on the increase. Again, in export-related sectors, wages are rising more rapidly than the overall wage increase rate. There is no question that the peso crisis itself had virtually nothing to do with the NAFTA; it was, instead, the product of fiscal and other decisions made by the Mexican Government in the mideighties.

Mr. MATSUI. Thank you. One last question.

There is some talk about introducing a piece of legislation that would require countries that we are negotiating with just to maintain their labor and environmental standards; and I question what the impact of that would be on the United States. We in Sacramento County, my community, my home district, we live in the Central Valley of California, and so we are recessed and we have a clean air problem. And we have sought waivers a number of times over the last 10 years because we haven't been able to meet the attainment standards promulgated by the EPA.

Would we be in jeopardy should similar language be imposed upon the United States? Let's say in our dealings with Chile, we said, you have to enforce all of your labor, all of your environmental standards at the local, State, and Federal level; and it was similarly imposed on us? What would your interpretation be if you could make an interpretation at this time?

Ms. BARSHEFSKY. I think it is hard to know precisely the effect on the United States or, for example, on Sacramento. I would say generally the point of the administration's policy is to ensure three things: First, that we can sustain and increase our own economic growth, exports, as a principal vehicle in that regard; second, that we have means by which to encourage countries to raise their environmental standards to promote policies leading to sustainable development—this is absolutely critical; and third, a means by which countries over time will raise their worker standards, their health and safety standards, and all of the core labor standards to which so many countries claim they subscribe. These are the critical goals.

The goal is not to in any way impinge upon U.S. labor or environmental standards, to call into question congressional right to set standards, or the administration's ability to promote and promulgate standards. That is not what these trade agreements are about. They are, instead, about seeing the world move up in our direction.

Mr. MATSUI. Thank you very much, Ambassador.

Chairman CRANE. Thank you.

Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman.

Ambassador Barshefsky, I note in the administration's fast track proposal, unlike the 1988 act, there is no specific objective in the statute regarding dispute settlement; and I am a little concerned about the lack of emphasis on that particular area, particularly regarding the concerns surrounding Chile's potential accession to NAFTA.

But I do want to mention that I think it is—I do appreciate the recognition of the importance of U.S. agriculture to our trade policy

and to our economy as a whole by having a section on agriculture. In reading the administration's bill, it does seem to me that the negotiating objective is focused on commodities that we export, and I wonder if you could tell me what I could say to farm families that are particularly import sensitive to commodities, what fast track will do for them?

Ms. BARSHEFSKY. Let me first make one comment on the dispute settlement issue.

Certainly, it is not our intent that dispute settlement not be the subject of negotiation. I think that we envisioned that dispute settlement would be one of the areas encompassed by what we called the "basket category," which was the first principal objective, but that is certainly something we are pleased to take a look at.

On the agriculture issue, you are quite right that we in this administration have a renewed focus on agriculture, the critical importance to our economy of sustained high levels of agriculture production and, agriculture exports. This is a net income earner for the United States. We also know, though, that foreign country barriers with respect to agriculture are quite problematic. We clearly must go after them.

I do think, though, that we have to be aware of and find a means to deal with agricultural areas that are import sensitive here. Obviously, the point of trade agreements is to promote overall growth, not to try and disadvantage particular sectors in any way. Certainly, we are committed to looking at the question of import sensitivity and trying to devise appropriate means to deal with that.

Mr. CAMP. I appreciate your answer, and I am going to have to run and go vote so I would yield back. Thank you.

Ms. BARSHEFSKY. Thank you.

Mr. NUSSLE. There is the microphone. Hi.

Ms. BARSHEFSKY. Hi.

Mr. NUSSLE. Madam Ambassador, my questions are more general. I had an opportunity to listen briefly and then read the Minority Leader's arguments about not granting the President fast track; and one of his arguments—and other opponents, for that matter, argue that the President doesn't need fast track in order to conclude the various trade agreements. And he cites that 198 of the 200 agreements you cite were done without fast track, and why do we need fast track, he doesn't deserve fast track—the President, in this instance, he is referring to.

If you don't have fast track, how are you disadvantaged vis-a-vis the negotiations with our trading partners? How will this affect us as you maneuver through the negotiations?

Ms. BARSHEFSKY. Fast track is absolutely critical to the three areas that I outlined; that is to say, the agreements that the administration has negotiated for market access, of which we are quite proud, tend to be single-issue agreements with single countries. For example, apples to Japan—not global agriculture, but apples to Japan—citrus to Brazil or auto parts to Korea, all are very specific issue-oriented agreements for market access with an individual country. They don't require any change in U.S. law; they are very targeted agreements.

The agenda that we have laid out here, though, is something rather different with a degree of complexity far beyond those agree-

ments and, of course, envisions negotiations with a multiplicity of countries all at the same time, not one country at a time. So with respect to the WTO, for which fast track has always been a necessity—that is to say, in the GATT rounds preceding it as well—we are looking at a negotiation on global agricultural trade, and on global services trade, covering every aspect of agriculture, every aspect of services, with the world.

Similarly, on government procurement; similarly, intellectual property rights; standards; sanitary and phytosanitary barriers; and rules of origin—these are highly complex agreements which will also entail changes to U.S. law.

Likewise, with respect to the information technology agreement on the sectorial side, but for the fact that we had residual fast track authority from the Uruguay round, we could not have concluded an information technology agreement. We need a continuation of that authority, including tariff cutting authority as we look at other important sectors of the U.S. economy.

And last, of course, with respect to other comprehensive agreements like free trade agreements, fast track has always been a necessity, as it was in the United States-Israel agreement, the United States-Canada agreement, the NAFTA, and any other agreements that might follow.

Mr. NUSSLE. How will you handle future trade negotiations with regard to labor and environmental issues? It appears that that is the sticking point, and no matter what happens in this discussion and debate, that will continue to be the sticking point. It is your indication from your testimony that those are not trade issues, or they are not issues that are part of trade—at least that is my understanding of what you said; if that is not what you said, I would like you to clarify that and how you will handle them.

And finally, I would like you to touch on the education process for the Nation. I want to compliment you and your staff for your assistance, the work that you have been doing on Capitol Hill in trying to work with Members. They have come by my office, answered questions, and so forth; I very much appreciated that. But I have to say, it is going to be a difficult process, as you know, if the President is not even able to convince his own party; and it appears from press reports that that has not yet been the case. I think there are only two that have come out in favor of it, and that is going to be a difficult process if that does not change.

So I would just like you to touch on those two issues that were touched on by the Minority Leader, and finally, the education process for the Nation and for Members of Congress, how that is continuing; and I will pass on questions at that point.

Ms. BARSHEFSKY. With respect to labor and environmental issues, these issues are absolutely critical and they do bear a relationship to trade. As a commercial matter, that is certainly the case at the minimum. The President, even in 1991 and 1992, set out three broad goals: Economic growth, including breaking down market access barriers; improving global conditions and standards with respect to labor rights; and improving environmental protection and enhancing sustainable development. Those have always been three core goals.

The proposal that we put forward deals with all three of those goals in the following respect. To the extent labor and environmental issues are directly related to trade, those can be encompassed in a trade agreement. We can talk about directly related to trade, but we can come up, I think, with the range of examples to which that might pertain.

Second, the President, as you know, has executive authority stemming from the Constitution to negotiate with foreign parties. He intends to do so with respect to labor and environmental issues. We have been very active on those issues with individual countries, as well as on a global basis in various international forums. We have been told by the Chileans that they will sign on to labor and environmental agreements subject to civil fines for enforcement, and we intend to enter into those agreements with Chile much the same way as they recently did with Canada.

Third, the proposal sets forth certain goals, which we would like to achieve in the WTO and in the ILO, International Labor Organization, of course, as well as other multilateral forums, like the OECD, Organization for Economic Cooperation and Development, and UNCTAD, United Nations Conference on Trade and Development. There are a variety of areas where members increasingly understand that there is a relationship between trade and the environment, as witnessed by, now, the WTO Committee on Trade and the Environment.

There is a relationship between trade and labor standards. We were instrumental in the ILO in developing a Committee on Labor and Trade to which the WTO secretariat is a member.

These are very important issues. Obviously, it is critical, if we can, to achieve consensus on them because they also bear upon not only fundamental U.S. values, but also upon fundamental U.S. competitiveness in an increasingly competitive world.

Mr. NUSSLE. My final point about the education process—and I would just point out too, I happened to have an opportunity to listen to the President's speech earlier to the AFL–CIO, and I have to say, it was very disruptive to the vote-counting process up here on Capitol Hill. There were a number of Republican colleagues I know on our side of the aisle that were very disheartened by the partisanship that it appeared to take, and I have to say both in educating the public and working the vote up here on Capitol Hill, that it is going to be a difficult process if the strategy doesn't make some adjustments here in the near future.

What are you doing, and what can be done, if this process is going to be brought to a successful conclusion in what you are advocating?

Ms. BARSHEFSKY. The President has set out his goals. The three goals that I have mentioned are his goals. Those were his goals in 1991, 1992, 1993, 1994, 1995, 1996, and in 1997, and those goals will not change. The issue is, how do we best move forward on the economic issues, on labor issues, and on environmental issues?

We believe that under our proposal, the President and the Congress, can make progress on all three issues simultaneously. There are some proposals that would have us make progress on none, simultaneously or otherwise, and obviously, it seems to me that

those are nonsensical. This proposal that we have put forward would allow for progress to be made on all three.

That is our intention, and we have confidence at the end of the day that will be Congress' intention as well.

Mr. NUSSLE. Thank you, Ambassador.

Ms. BARSHEFSKY. Thank you.

Chairman CRANE. Mr. Rangel.

Mr. RANGEL. Let me join with the many who have complimented you for the job that you have been doing for the President and, therefore, our Nation in trying to get some consensus on this important and politically sensitive issue. I gather that all of the objections that people have to fast track, as presented by the President, you would agree are relevant and important issues, but not necessarily related to a trade bill or to fast track; so that doing business with a country that is exploiting its workers or forcing them to work in conditions that are far below human standards, while it is a threat to a great industrialized nation like ours in terms of losing jobs, may be an issue, you would say not an issue that should be directly involved with trade.

The question as to whether or not going into a trade agreement with countries will cause us to lose jobs and cause some economic pain to individual families and communities, you would say is a very, very important issue to the President, but it should not be directly involved in a trade bill.

The fact that these high-paying jobs that result from expanded trade are in highly technical areas, there are many communities that the kids and the adults know that you are not talking about them; the school system doesn't allow them to aspire to these jobs, and they are not going to get them. They are not trained for them, and you would say this is a very, very important issue and the President's concern, but it is not directly related to a trade bill.

And last, there are people that this period of very, very low unemployment and high prosperity that just passed by, communities with unemployment from 20, 30, to 35 percent, and of course they can't be hurt any more by expanded trade. A lot of them now have reached a point that they are unemployable, and in certain communities, kids can almost be promised a career in jail rather than a career in the private sector; and you would say that these things, too, the President is concerned with. And it does involve an impediment to our competition with foreign countries, having a million and a half people in jail while we are trying to have economic growth, but that too is not directly related to trade.

Then comes the question of education, because in my community, fast track is considered to be a transportation issue; and when people talk about it, they talk about losing jobs, they don't talk about prosperity and new jobs. How do you deal with education, if not in the trade bill? Where, where do we go? Because this is an educational process.

And I trust the President, and I think this is what we are talking about. The President is aware of all of these problems and he is saying, trust him, don't write things that are unenforceable and cause our country not to be able to compete. And so we are out there now in the hustings and the valleys and the counties saying,

support the President because it means jobs. But you are saying, but not in my bill, you won't.

This bill is for the future; it is not for tomorrow. It is, where does America go in the next century? And these are the things that I would want to support for my kids and my grandkids, but I also have to see, if not in this bill, where the rest of the country would be able to say, you bet your life, we trust the President, we are working now, we have public works, we have infrastructure, our jobs are secure, and we only hope that you can improve that. And that is the way it should be.

But how do we educate the people? But not in a trade bill, you don't. Where do you go? What do we do so that everyone would feel secure and know that expanded trade is no threat to their job, expanded prosperity means that they are going to be the beneficiary. If not in the fast track, where?

Ms. BARSHEFSKY. Mr. Rangel, let me say, first of all, that the issues that you have raised—that is, job growth, income distribution, providing opportunity to those to whom opportunity has been limited, and ensuring that all Americans can benefit from economic growth—are critical to the President, and are reflected in many of the President's programs. For example, the budget initiative—with respect to educational spending, with respect to doubling assistance for dislocated workers, with respect to HOPE scholarships, with respect to pension portability—and a number of other absolutely critical issues—addresses the economic concerns that our people may have.

There is no question more should be done and more can be done, but let me say, first, that the areas that you have raised are areas of concern for the President, and he has been perhaps the most responsive President in modern times to attempt to deal with those issues in an effective way.

Second, these issues are critical issues regardless of trade. We know with respect—as we were talking earlier on the question of wage disparity—that technological change has had the most profound impact, raising the demand for higher skilled workers, relative to lower skilled or undereducated workers. This is obviously of concern; that is to say, how to move that lower skilled pool toward the higher skilled area.

Education is certainly an important answer, and more critical in the longer run. The question is, what can we do in the shorter run for those workers who are not able to get into that flow and into that stream? In this regard, adjustment assistance programs and transitional assistance programs become very, very important.

As you know, the NAFTA–TAA, Trade Adjustment Assistance Programs, are up for reauthorization next year, and I think in this context, we need to look at a variety of possible means by which to improve economic opportunity for those who are currently least advantaged.

Mr. RANGEL. I would just like to conclude by saying, you would agree that we have a lot of education to do, because certainly America does not feel nearly as secure as you are saying that we should, as it relates to job opportunity and job loss as a result of fast track; and if not in this bill, I think the President will have

to direct himself to the fact that there is a concern, that there is compassion, and that there are solutions.

Chairman CRANE. Mr. Shaw.

Mr. SHAW. Thank you, Mr. Chairman.

I think a statement that Charlie Rangel just made deserves repeating, that this is not about tomorrow, this is about the future; and I think that there is a lot of shortsightedness out there, which is exactly what we are talking about.

The President likes to talk about bridges into the next century; in fact, I think sometimes he repeats that slogan too much. But I think we are talking about building bridges of trade, and they have to be built into the next century if we are going to be able to maintain our position in the world. The world is walking away and leaving us.

Madam Ambassador, you made a point of the number of free trade agreements that had been signed lately—20, of which the United States is party to none; 35 since NAFTA, of which the United States is party to only one. These things are going forward, whether the United States likes it or not. What is happening in Europe is going to have a profound effect upon trade, and unless we can put together a trade agreement in this hemisphere, the rest of the world is going to walk away from us.

Madam Ambassador, someone made reference to a telecommunications contract that we lost to the Canadians lately down in Chile because they had a free trade agreement with Chile, and we do not. Those are American jobs that we are talking about. So free trade will produce American jobs; and the high technical jobs, the better paying jobs are going to be here in our country.

I think that all of us have to look at the very structure of our government. Politics ends at the ocean's edge—we all like to say that, particularly when we are traveling, but I think this is another area we need to talk about; and I can think of no finer example than that we on the Republican side, the majority of us, are willing to give the President fast track authority in negotiating a trade agreement.

With countries that have a parliamentary type of government and a Prime Minister from the majority party in that parliament, the failure of the President's party or the Prime Minister's party to support him on a vote like this would be a vote of no confidence, and it would bring down that government and create a need for new elections.

We have got to look at ourselves, and I think—particularly speaking to the Members on the other side of the aisle now—they have to look at this and see, do they want this to be a vote of no confidence in this President, or do they want to be left behind and leave it with the Republicans, or it is necessary for us to push this thing through? I would hope not.

And the very reason why we don't have more free trade agreements at this particular time is simply because the people that we would be negotiating with do not have any type of guarantee that the U.S. Congress won't take whatever they have put on the table and amend it and amend it to death; and those of us who have watched what is going on in the Congress for years know that the

other body over on the Senate side will fiddle with it if we don't have fast track authority.

So the only way that we can guarantee that whatever is negotiated will at least be voted on by the Congress is to give the President fast track authority.

I have problems with the Mexican agreement. I wish we had started with the Chileans, because their economy is much more like ours, their environmental laws and labor laws are much more like ours. But nonetheless, I think we can see what has happened in Mexico; anything that could have gone wrong, did go wrong, whether you are talking about corruption or whether you are talking about the collapse of the peso. But can you imagine what might have happened in Mexico had we not had NAFTA, had we not had a free trade agreement with Mexico and the effect that has on the border with illegal immigration coming into this country?

To me, this is a no-brainer. I mean, we have to give this President authority to go forward because the President of our country does not control matters of trade like the presidents of other countries; the Congress does. And the Congress is not giving him any authority to negotiate for that Congress; it is simply guaranteeing the President and the people we negotiate with that whatever they negotiate is going to be voted up or down by the Congress. It is as simple as that.

I can't see why anybody would shy away from this vote, and I intend to support fast track, and hopefully, the President will come in with a treaty that I can support in the final analysis. But this is only the first step. And I think a couple of the Democrat witnesses that appeared before you, Madam Ambassador, made that point, that they were going to have an opportunity then to vote up or down on whatever the President negotiates. That is the way our system works and that is the way we want it to work.

Thank you, Mr. Chairman.

Chairman CRANE. Thank you.

Mr. Ramstad.

Mr. RAMSTAD. Thank you, Mr. Chairman.

Ambassador, let me also commend you for your strong leadership on all trade issues and, also, your refreshing straight talk. That is a commodity that is in short supply sometimes around here, and I admire you for refuting statements from those that would lead us to believe that somehow food safety is going to be in jeopardy if we pass fast track and so forth.

The next thing we are going to hear from opponents is that fast track will cause hemorrhoids. I have never seen such a campaign of disinformation and misinformation in my brief 3-year tenure on this panel than with respect to fast track. Hopefully, this will energize those who do understand the importance of fast track to the macroeconomy, to job creation, to get off their backsides.

It certainly is not your fault that fast track is in trouble. The silence of the business community has been deafening on this issue. I was talking to two of my colleagues, who are proponents like I am and they have not gotten one correspondence from anyone in support of fast track. I have gotten three letters. I think everyone who recognizes the need for this critical legislation should take the message to heart that we need to work harder.

I talked to several businesspeople back in my district over the weekend. They agree with my friend from Kentucky: This a no-brainer. They just assumed people would vote for this because they understand how important it is.

Let me just ask you in that context, Madam Ambassador, you state in your testimony that 20 free trade agreements have been entered into since fast track authority expired, and which the United States has not been a party to any of those agreements. Is there any way of quantifying that in terms of the lost opportunities, in terms of job creation? Specifically, everyone from the Midwest is interested in the disadvantage to which that puts United States products like wheat and grains in the Chilean market, in comparison to Mexico and Canada, which have obviously gone ahead in negotiating some of those agreements with Chile.

Please comment on the effect on job creation and the macroeconomy, and then specifically, wheat and grains.

Ms. BARSHEFSKY. Certainly we know that our own job creation, particularly shifting the locus of that creation to higher wage jobs, is hurt by every export we don't get. Obviously, in order to keep shifting that locus of job creation to higher wage jobs, to keep adding jobs, we absolutely must embark upon a policy of: Make it here, sell it there, which is what fast track, the way we conceive of it, is designed to do.

With respect to the agricultural issues, the failure of the United States to be in this array of agreements is particularly damaging because many agricultural goods are commodities. The lowest price commodity gets the sale. What you have now because of this web of free trade agreements within our own hemisphere is, for example, that wheat going into Brazil, our wheat going into Brazil, is less competitive with respect to Argentine wheat going into Brazil, or our citrus going into Argentina is less competitive than Chilean citrus going into Argentina, or our fruits and vegetables going into Venezuela are less competitive than Chilean, Brazilian, or Argentine produce going into Venezuela; and the reason is, with these other countries, there are all sorts of preferential trade and preferential tariff deals to which we are not a party, immediately creating, a price advantage in those markets, and disadvantaging our exports by the same amount.

So if you are an importer and you can buy U.S. citrus for 30 and you can buy Chilean citrus for 30 minus 15 percent, which would you buy? And this is the problem that we now face.

Mr. RAMSTAD. I just have one other question, Madam Ambassador.

I don't think anybody is making light of specific trade disputes and the importance of resolving the trade disputes, but is it not true, we had these disputes in the past and now our trade agreements, really for the first time, give us an internationally recognized means to resolve these disputes which violate the spirit and letter of the agreements that have been made? Doesn't that have a lot of value in making a difference in this context?

Ms. BARSHEFSKY. It absolutely does. If I were to succinctly describe administration trade policy, I could do it in two words, expansion and enforcement. Fast track has to do with both because, of course, any agreements we negotiate under fast track will be

fully enforceable. Let me take a minute separately on the enforcement issue.

This administration in the last 4½ years has brought more than 70 enforcement actions against our trading partners around the world where they have violated rights we acquired under trade agreements, or where we believe their implementation of their obligations has been lax.

In that connection, we have, I think, very fully utilized and aggressively utilized WTO dispute settlement as a new means to help resolve disputes, not relying solely on U.S. unilateral action on our trade laws, but also relying on multilateral dispute settlement. We have taken five cases all the way through dispute settlement in the WTO; we have won all five.

That is not to say we will win every case. Certainly we won't, any more than one would win every court case one brought; but we do think the system seems to function fairly efficiently and fairly effectively.

We are now plaintiffs in 31 WTO dispute settlement cases. We are third-party plaintiffs in another 21. We are defendants in 15, so this works both ways. We have a very active litigation program with respect to the WTO and, in general, a very active enforcement program—as the 70 figure shows—with respect to our other trade laws under USTR jurisdiction; and of course the 70 does not include actions taken under our dumping or countervailing duty law, the jurisdiction of which resides with the Commerce Department.

Mr. RAMSTAD. Thank you again, Madam Ambassador. Keep the faith. I read the last chapter on fast track, and we win, but it is going to be tough getting there.

Chairman CRANE. Mr. McNulty.

Mr. MCNULTY. Thank you, Mr. Chairman.

I just have one quick question for the Ambassador; it is a telecom question.

Chile imposes a telecom access surcharge of about 15 cents for inbound only international calls. What approaches are you taking or will you take in order to ensure that Chile agrees to cease this discriminatory practice?

Ms. BARSHEFSKY. Certainly we will not tolerate discriminatory practices in telecommunications trade or otherwise. This is a practice that I think can be rectified in part through the WTO telecommunications agreement that we have just entered into, to which Chile is a party, but more particularly and more directly, through a free trade agreement with Chile.

Mr. MCNULTY. Thank you, Ambassador.

Chairman CRANE. Ms. Dunn.

Ms. DUNN. Thank you very much, Mr. Chairman. Ambassador Barshefsky, I am very concerned, as Mr. Ramstad was, with the opposition we are seeing from some of the union groups; and particularly last week, or a few weeks ago in my district, I turned on the television set and there was an advertisement on that had the speaker saying that she would rather have a fair agreement than a fast agreement, and stating that hundreds of thousands of jobs had gone to Mexico because of NAFTA, and all sorts of misinformation.

I would like to have you comment on that sort of thing, and I just hope somebody over at the White House is going to pick up the phone and say to the AFL–CIO, stop lying to the people in these advertisements. Because that doesn't do us any good, those of us who are strong supporters of fast track and of the administration's position on fast track and of you, and I wonder if you could comment on this.

Ms. BARSHEFSKY. I think—I'd simply like to say that passions run quite high on this issue, perhaps on both sides. Certainly I can't condone misinformation or disinformation from anybody— or from those in favor of fast track, from those opposed to fast track. I think on any factually based ground, the position that the administration has taken far and away is the position that should prevail, and we would hope that the debate about this issue can be conducted on fairer terms.

Ms. DUNN. Well, I am glad to hear you say that, because it is a battle that is—it is like fighting with alligators, and this is serious business. And when I hear something like an advertisement from the AFL–CIO that says, fast track, has special powers to rush through flawed trade deals like NAFTA, stripping Congress of the right to fix them—I really believe it is in the best interest of all of us to think about a growth-oriented future that must include our adapting to a global market, and I really hope that you will just pass on to those folks down at the White House that we would like to see them be very forceful in criticizing ads like this. I think that would be most helpful to us, and it would also prove to us that the White House really does want to put its shoulder to the wheel on getting fast track passed. Many of us are doing the same thing—I know you are, and Mr. Matsui and many of the Democrats are; but this sort of interference that creates a lack of understanding, that exacerbates misunderstandings that already exist, and that leads toward protectionism hurts our cause.

Thank you very much, Ambassador.

Chairman CRANE. Mr. Jefferson.

Mr. JEFFERSON. Thank you, Mr. Chairman. Good to see you again, Ambassador. I wanted to ask a question that in some respects is related to the one that Mr. Rangel asked, but I will ask it under the TAA programs, or the adjustment programs.

Right now, there are three of these programs that are around—one for employees, one for firms, and one for NAFTA-related issues. The Trade Adjustment Assistance Programs are what I am talking about. The President in the budget agreement asked for—provided for the extension of all of these in his budget authority, and actually the budget authority was vastly increased, particularly for employees, and also for the NAFTA-related jobs, from 30 million in NAFTA to 44, from 80 million for employees to 300 million, I believe it was. So it is a huge—that is money that is authorized and budgeted for.

However, when the legislation was proposed by the President for fast track, it did not include any provision for the—any language that related to these programs. It may be that that is a way to deal in some respect with the issues raised by Mr. Rangel, to provide in the fast track legislation that where these agreements are

struck, the provisions are going to be made for the Trade Adjustment Assistance issues.

Right now, it is provided for in NAFTA, which is a trade agreement. I understand this is not a trade agreement, but it is a procedural device that leads to one, and the issue is whether there is some incongruency in providing language such as that in the fast track legislation, as a guide as you deal with these agreements, as a way of attempting to respond to the issues that Mr. Rangel has raised.

Ms. BARSHEFSKY. Certainly, Mr. Jefferson, we wish to work with Congress on these issues, and as you might know, the President is very concerned that these adjustment programs of various types, of which there are a whole range, operate effectively and efficiently and get benefits and retraining quickly to people who need them.

One of the Labor Department's particular programs for dislocated workers has worked very, very well; that is to say that worker turnaround into new jobs is very rapid, at 95 percent of previous salary, which is very significant. In other words, workers are not going to poorer jobs than the jobs that were lost.

But not all of the adjustment programs tend to work as efficiently or as well as that, and as part of our review overall of these programs, Alexis Herman, the Secretary of Labor, is looking at how to reorient and restructure these programs so they all work as effectively as the one I have just mentioned.

We would like to work with you on the range of issues, with Mr. Rangel and others on the Subcommittee, because these are critical issues to the President and to the country, and the manner in which we deal with them, and the timing is certainly something that we need to discuss.

Mr. JEFFERSON. I think they need to be discussed quite closely, and I also think that they do have a place in our trade policy, and therefore, it might prevent a ripe opportunity, it seems to me, for responding to some of the issues that have been raised, particularly by Mr. Rangel and perhaps by others.

The other issue I would like to talk about is whether this provision that you have for the determination of the fast track authority and the option for extension upon this, unless there is disapproval, is this congruent with the provisions in the prior fast track legislation, or is this a new feature?

Ms. BARSHEFSKY. It is fairly consistent. Prior fast track legislation has often been authorized for a term, with the possibility of an additional term, unless there is disapproval. So we followed a similar pattern, for example, that was in the 1988 act.

Mr. JEFFERSON. In the 1991 act, it wasn't a feature of it?

Ms. BARSHEFSKY. Yes, I believe it had been a feature of the 1988 act, which allowed the 1988 act to be extended, and extended again to finish the Uruguay round.

Mr. JEFFERSON. I see. OK.

The last thing is with respect to enforcement actions, the—no, let me ask another one. I think I will let the other answer stand on that, the one that someone else asked.

The business about the restrictions, there is some suggestion that this fast track legislative proposal limits the President's authority more than previous fast track agreements, particularly with

respect to issues on worker rights and environment. How do you judge that?

Ms. BARSHEFSKY. No, this agreement does not alter the way in which this President can negotiate trade agreements, or in any way differs from the way in which fast track has traditionally been used by Presidents, both Democratic and Republican.

Mr. JEFFERSON. So where do they get the notion that it is more restrictive?

Ms. BARSHEFSKY. This goes back to the issues, I suspect, generally on labor and environment—perhaps on other matters. But we believe that our proposal allows the President to bring back the kinds of agreements that traditionally have come back under fast track authority. His authority to negotiate with respect to labor and environmental issues is in no way, impinged upon or lessened by this bill—in no way.

Mr. JEFFERSON. So the argument is about whether there is positive language that says these things must be, as opposed to a limitations authority to engage in them, should he or his administrations desire to.

Ms. BARSHEFSKY. This bill we have put forward allows the President to proceed on all three bases—economic, labor, environment—simultaneously. There is nothing in the bill that interferes with his ability to do that, and of course his intent is to do that.

Mr. JEFFERSON. Thank you, Madam Ambassador.

Chairman CRANE. Mr. Herger.

Mr. HERGER. Thank you very much, Mr. Chairman, and thank you, Madam Ambassador. And I thank you for the work you have done, attempting to bring down the trade barriers of our trading partners.

But as you know, many Members of this Subcommittee have been working very hard to have specific language pertaining to agriculture included in the fast track legislation. Our concerns stem from the fact that many of our Nation's agriculture groups have not always been encouraged by the results of existing agreements. The U.S.-EU canned fruit accord is one example. That agreement has been violated in virtually every year since it was first negotiated.

As part of our review of the U.S. negotiating needs, shouldn't we be looking closer at how better to enforce the trade agreements we already have in order to ensure that the interests of the U.S. industry are adequately protected?

Ms. BARSHEFSKY. First, let me say that the administration's bill has put forward a very strong agriculture negotiating objective, which includes not only reference to the importance of getting down these sanitary and phytosanitary barriers to trade, where those barriers are based on phony science, but also for the very first time talks about bringing down barriers with respect to genetically modified organisms, that is, biotechnology, which is becoming increasingly important to our corn and wheat producers and others in our agricultural community. This is a very big and important issue for the United States.

Certainly we have got to enforce existing agreements, or there is no credibility in what we negotiate or bring back; and in response to an earlier question, we have been more active on enforcement, I believe, than any previous administration.

The canned fruit issue is one that is particularly troubling, because European violation has gone on for some time. We have taken, and I have taken, a particular interest in this issue—I don't like these lingering issues—and we are now in the process of reviewing a very large bunch of material given to us by the EU with respect to the way in which EU subsidies may flow to Greece, which is the principal offender of this agreement. We are in consultation with the industry and with the lawyers to determine if we might be able to bring a successful WTO challenge and end this matter once and for all.

Mr. HERGER. Just as a followup to that. Are there any time periods that we feel that we need to be setting up, again in order to enforce these agreements that we already have? And I do appreciate that the administration has placed agriculture in this, and I want to thank you for that.

Ms. BARSHEFSKY. My policy is simply to proceed as expeditiously as possible. We have, I think, pursued this canned fruit issue and will continue to pursue it very vigorously. We have to move quickly on these issues of violation, and we have tried to do so here.

Mr. HERGER. I want to encourage you to continue doing that, and I do thank you for that.

I also have another concern that, as the President is working to achieve the power to enter into new trade agreements, the administration is agreeing to deals that place the United States at a disadvantage. Specifically, I am referring to the Montreal Protocol amendment and its new phaseout period for methyl bromide. By requiring a U.S. phaseout by 2001 and by allowing less developed countries free use until 2015, this protocol puts U.S. producers at a marked disadvantage in international markets, which require fumigation by this compound.

Ambassador, how do you and your staff plan to address issues of this nature, which place the U.S. producers at a competitive disadvantage.

Ms. BARSHEFSKY. Let me say that I am not sure that I agree with the premise of your question on this.

There is a new phaseout schedule for methyl bromide for a phase down beginning in 1999 by OECD countries and a total phaseout by 2005. Developing countries are on a somewhat longer period, but they also have obligations here. I think, most important from the point of view of the agriculture community here, is that there are two very important exceptions to this. One is the exception for quarantine and preshipment use for any crop, for example, Japan's requirements that imported apples be stored in methyl bromide. So there is one exception for that.

There is also a critical use exception. This is very important to agriculture, and the administration has promised to provide this, should the need arise. So this should certainly mitigate quite substantially any adverse competitive impact, while at the same time, protect the environment.

Mr. HERGER. Well, I thank you.

Again, I want to make you aware, as I am sure you are, the agriculture community is very concerned about this issue. There is not really another alternative to methyl bromide at this time, and their

big concern is that they can't use it and the countries right next door are able to.

Thank you, Mr. Chairman.

Chairman CRANE. Surely. And we want to thank you.

Mr. LEVIN. Mr. Chairman.

Chairman CRANE. Yes.

Mr. LEVIN. Could I just have 2 or 3 minutes before we go?

Chairman CRANE. Well, we are down to about 5 minutes.

Mr. LEVIN. How much time is there, 8 or 9?

Chairman CRANE. Five-and-a-half minutes.

Mr. LEVIN. Let me just take 1 or 2 then.

Chairman CRANE. Quickly.

Mr. LEVIN. I just want to say to the Ambassador, welcome; and I think you have helped to clarify the issue in one sense when you say that "Fast track sends," and I am quoting, "a strong signal to our trading partners. It tells them when the President negotiates a trade agreement, he has the confidence of the Congress behind him." And that is the issue, where the President and the administration stand.

And I just want to mention, as we have discussed over 3 or 4 months, what is really the burning issue here. There has been a changing trend in trade, more and more of it is with low wage, tightly controlled economies; and the question is, what is the impact of that? It is now up to 45 percent of our imports into the United States.

And what your answers today really say—I will just sum them up. In one sense, you minimize it. The studies show trade has zero-to-slight impact. I think this is wrong. If you think it has slight or no impact, simply say that. Say it publicly and we will argue about it, but there are other studies that show that that is increasingly untrue.

There is also the issue of whether it is trade related or not—and by the way, "trade related" wasn't in the language of previous fast tracks, so this is more restrictive. And the question is, when a low-wage country keeps its markets, its labor markets controlled, is that a trade distortion? And you need to say yes or no.

You have also said, well, we will work at it elsewhere, the ILO and the WTO, even though you have had little or no success in doing so, and you raised the hackles of some of my colleagues on the other side of the aisle who say, we are going to turn this over to the WTO.

And then you say, "It is academic," or Mr. Matsui has, because what you are interested in is other things, and you spell them out. And there is no disagreement here about fast track for services through WTO, there is no disagreement over telecommunications. There wouldn't even be disagreement, I think, over Chile.

Chairman CRANE. Excuse me for interrupting you. We are down to 3 minutes.

Mr. LEVIN. I will finish in 30 seconds.

So the question is—and you don't have time to answer it—if we limited fast track to those, would it be satisfactory? And I think the answer is no, because you want fast track for larger negotiations that strike this issue of our relationships with low wage, tightly

controlled economies. That is what is the spark in this, and we need, in this country, to face up to it now, not 5 years from now.

Ms. BARSHEFSKY. May I make one quick comment.

Chairman CRANE. One quickie.

Ms. BARSHEFSKY. OK. I think what I said with respect to wage disparity is that the studies show anything from very slight impact to perhaps one-eighth the difference in the disparity.

Second, 47 percent of our exports go to low-wage countries, a 270-percent increase, less than half that increase to the developed world. We all know where the growth markets are.

Third, with respect to our imports of goods from low-wage countries, we find that something less than 4 percent of U.S. spending is spent on goods from developing countries that are nonoil, nonpetroleum goods, and that that number, as a percent of U.S. spending, has remained almost constant for a decade. I am not saying that the points you are making aren't very important and that we don't have to look very carefully at the question of trade with low-wage countries. I am simply saying that we have to look at the total picture, which is also the importance of those markets to our economic growth, and the fact that as those countries get richer through trade, their wages will rise, as seen in Korea and Taiwan, and greater prosperity can be had across the board.

Chairman CRANE. Thank you. We are down to 1 minute.

Mr. LEVIN. You and I run fast.

Chairman CRANE. Well, you may be a sprinter.

Thank you so much, Charlene, for your testimony, and we look forward to working closely with you on this.

And the Subcommittee will stand in recess until 1 p.m.

[Whereupon, at 12:23 p.m., the Subcommittee recessed, to reconvene at 1 p.m.]

Chairman CRANE. The Subcommittee will now reconvene and welcome before us Joe Gorman, chief executive officer for TRW and general chairman for America Leads on Trade.

Joe, please proceed, and let me remind you that your written statement will be inserted in the record and so if you could make an oral presentation within roughly 5 minutes before our next interruption with a recorded vote, that would be very good.

STATEMENT OF JOSEPH GORMAN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, TRW, INC.; ON BEHALF OF AMERICA LEADS ON TRADE

Mr. GORMAN. Thank you very much, Mr. Chairman, and Members of the Subcommittee. I am appearing today on behalf, as was mentioned, of America Leads on Trade, which is a national broad-based coalition of businesses, farmers, and consumers supporting congressional renewal of the President's trade negotiating authority. The coalition is comprised of more than 500 companies, associations, small- and medium-sized businesses, organizations, and individuals.

I appreciate very much the opportunity to be here today and testify in support of fast track authority. I had prepared remarks for this 5 minutes or so, but it turns out that during the course of the testimony this morning, every key point contained in my remarks was, in fact, made and made well. So allow me simply to stress

three or four key points and then I will be happy to respond to whatever questions you might have.

This really is about leadership, the leadership of America, the leadership of the United States leading our global trading system to a better future. It is about opening markets and it is about leading the world toward the opening of markets. Indeed, not to grant the President this fast track authority would be to abdicate that leadership role. We dare not do that. We must not do that. For the absence of fast track is truly tantamount to abdication. This is not a nice to have kind of provision. It is a must-have provision.

Second, let me make the point that this is not being done simply to favor big business, not by a long shot. This is for economic growth for all of our people. Let's talk 1 minute about small business, for example.

TRW has over 5,000 suppliers, small and large businesses, who supply us parts that often get exported, so they are in the export business, as we are in the export business. They are in the global community as we are. They simply don't do it directly. They do it indirectly. So the fact that large businesses are involved more in trade, international trade particularly than small business does not mean that this opening of markets is any less important to the small business. Indeed, the opportunities, as was said earlier, are far larger outside the United States for economic growth than inside the United States.

A couple of statistics in support. During the last 10-year period, the U.S. grew about 26 percent. Europe grew about the same, 26 percent. Japan, 33 percent. Yet the emerging, developing countries in Asia grew a whopping 109 percent. Those kinds of numbers are illustrative of what we are talking about. The World Bank tells us that growth outside the United States will be twice that of growth within the United States over the next 10 years.

Another point. There will be trade agreements with or without U.S. participation. And, indeed, they will be without U.S. participation if we do not give the President this authority. So it is a question of our leading and helping to shape the future or our being left out of the process.

Finally, I would say that on the labor and environmental front, of course it is important to deal with labor issues on a global scale, bilaterally and multilaterally. Of course it is important to be concerned with the environment. We are and we expect all countries to be. But unless those issues are directly related to a trade issue, they should be dealt with separately on their own merits and, indeed, we have the multilateral mechanisms in place to do that.

So in closing, I would simply urge this Subcommittee and all Members of Congress to, in partnership with the administration, arrive quickly at some compromise language that all can support. Certainly our coalition is out there working hard now in support of this authority. And I am astonished by a couple of the comments that I heard from Subcommittee Members today as to the absence of the business community being involved. The fact is we made over 250 visits to congressional representatives during the month of September alone, we are out there in nearly every congressional district meeting with people. We are running ads on television and in print and we have got grassroots movements under way. We in-

tend to help the advocates of fast track authority win this battle and we are prepared to do whatever it takes to do so.

Thank you.

[The prepared statement and attachment follow:]

Statement of Joseph Gorman, Chairman and Chief Executive Officer, TRW, Inc.; on Behalf of America Leads on Trade

INTRODUCTION

Mr. Chairman and members of the subcommittee, I am Joseph Gorman, Chairman and Chief Executive Officer of TRW Inc. and General Chairman of America Leads on Trade. TRW is a Cleveland-based manufacturing and service company that provides products and services with a high technology or engineering content to the automotive, space and defense, and systems integration markets. We currently operate in 27 countries around the world and employ about 68,000 men and women, including about 38,000 in the United States. I am appearing today on behalf of America Leads on Trade, a national, broad-based coalition of businesses, farmers and consumers supporting Congressional renewal of the President's trade negotiating authority. This coalition is comprised of more than 500 companies, associations, small and medium-sized businesses, organizations and individuals. I appreciate this opportunity to speak with you today about the importance of fast track for our nation.

My point today is simple: the United States must continue its aggressive pursuit of trade agreements to ensure that markets around the world are open to American companies, workers and farmers. International trade is, more than ever, critical for the well-being of the U.S. economy. To keep a strong and growing economy, to expand opportunities for all Americans, and to increase our standard of living, we have no choice—we must *compete* and *win* in the global economy. Fast track is a critical tool for our success.

Continued U.S. leadership in world trade negotiations has become particularly important because other countries are moving forward without us. But they are looking out for their own interests—not ours. Now more than ever, the United States must be at the head of the table to make sure that the new trade agreements that are being reached are fair and allow our companies, workers and farmers to compete fairly around the world.

TO WIN IN THE GLOBAL ECONOMY, THE UNITED STATES MUST REACH NEW TRADE AGREEMENTS

Over the past few decades, successive Congresses and Administrations have made significant and admirable progress in breaking down foreign trade barriers, benefitting our companies, workers, farmers and the country as a whole. However, the ever-changing global economy continually presents new opportunities and challenges. We must reach out for these opportunities and meet these challenges. In order to do so, the United States must continue to pursue trade liberalization, especially through new international agreements. If we are not in the vanguard we risk falling behind other countries that are pursuing their own agendas.

International trade agreements are needed to open foreign markets for American companies, workers and farmers.

The United States has been the leader in working for open markets because we know that with our market the most open in the world, and with our companies, workers and farmers the world's most competitive, we have the most to gain from removing foreign barriers to our goods and services through trade agreements and the most to lose if such barriers persist.

However, despite recent trade agreements and improvements in world trade rules, foreign barriers remain and new ones may always be erected. Many countries still impose significant tariffs on our exports. In an increasingly competitive global economy, these small taxes can make the difference between success and failure in foreign markets. Moreover, as tariffs and traditional non-tariff barriers to our goods and services exports have fallen, new problems have emerged. For example, inadequate intellectual property protection, investment restrictions, customs and other administrative problems and standards-related barriers have emerged as major problems for U.S. exporters. Our agricultural exports continue to face a range of tariff and non-tariff barriers. Recent agreements have gone part of the way toward resolving some of these problems but more progress is needed multilaterally, regionally, bilaterally and sectorally.

If the United States is not at the table, it can't play and it can't win.

If the United States does not lead in opening up markets and expanding global commerce in ways that are fair to our companies, workers and farmers, no one else will. For example, the WTO telecommunications agreement was reached in February only after U.S. negotiators refused to accept an agreement in 1996 because it was too weak. They fought hard for, and won, a better deal. It was only through U.S. leadership that a truly good agreement was reached, one that will open significant new opportunities for our companies and workers. We cannot hope to lead in the absence of fast track authority, and we dare not abdicate our leadership position on trade and foreign direct investment. For to do so will surely relegate the United States to second-class standing on such matters. Such a result should be viewed as wholly unacceptable.

The world is not waiting for us; the last several years have seen an increasing flurry of trade negotiations and trade arrangements around the world. Our competitors are moving toward new trade arrangements to open markets only for *their own* products and services, to benefit *their* companies, workers and farmers. For example:

- Mercosur, comprised of Argentina, Brazil, Uruguay and Paraguay, is implementing a common market.
- Mercosur now has association agreements with Chile and Bolivia, is expected to reach a trade agreement with Mexico next year, and may reach association agreements with Canada, Peru, Venezuela and other countries in the future.
- The Andean Community, consisting of Bolivia, Colombia, Ecuador and Venezuela, is establishing a free trade area.
- Mercosur and the Andean Community are discussing a free trade arrangement.
- Chile has trade agreements with Mexico, Canada, Ecuador, Venezuela, Colombia and Bolivia.
- Mexico has trade agreements with several Latin American countries and is pursuing others.
- Latin American nations have a web of other free trade agreements as well as bilateral arrangements that are the precursors of future free trade agreements.
- There has been discussion of a Mercosur-ASEAN free trade area.
- Japan and China are enhancing their commercial ties in Latin America.
- Southeast Asian countries (ASEAN members) are implementing a free trade area.
- South Asian nations plan to create a free trade area by 2001.
- Several countries, mainly in Central Europe, are negotiating entry into the EU.
- Central European nations are pursuing a free trade agreement.

The attached Wall Street Journal article (September 18, 1997) discusses inroads that the European Union (EU) has been making in Latin America. Mercosur countries import more from the EU than from the United States, and EU trade with these countries is rising more quickly than U.S. trade. In the words of Peter Guilford, an EU trade spokesman, "it can all be summed up quite simply: we are stomping all over their backyard." In an effort to expand this trade, the EU is now pursuing its own trade agreements with Latin American nations. It expects to conclude reciprocal trade agreements with Chile and with Mercosur and has initiated talks with Mexico toward a comprehensive trade agreement.

If we stay on the sidelines as other countries reach their own agreements, U.S. companies, workers and farmers will lose out. For example, while our exports to Latin American countries still face significant tariffs and other trade barriers, trade among many Latin American countries (as well as between Canada and these countries) is becoming more open due to their own trade agreements. As a result, U.S. companies now find it harder to compete in Latin American countries against products from those countries' free trade partners. Because of the Canada-Chile trade agreement, Canada's Northern Telecom recently beat out U.S. companies to win a Chilean contract for $200 million of telecommunications equipment. A U.S. company would have to pay an 11 percent tariff; the Canadian company does not. Similarly, Quaker Fabric Company of Fall River, Massachusetts—a $200 million a year corporation with 1,750 employees—recently lost a bid for a $1.8 million a year account in Chile to a competitor from Mexico solely because of the tariff that Quaker, but not its competitor, would have to pay.

Moreover, local content requirements and rules of origin in other countries' trade agreements provide incentives not to purchase U.S. inputs. For example, in order to meet the local content requirements of Mercosur and benefit from its tariff elimination, companies from around the world that produce goods in Mercosur member states will have to source more of their parts and components from Mercosur coun-

tries, cutting down on purchases from U.S. suppliers. The end result: a loss for the U.S. economy and U.S. workers.

It's also important to recognize that other countries' trade agreements usually do not live up to the high standards of liberalization, transparency and fairness demanded by the United States in *its* trade agreements. As more and more trade agreements are reached that exclude the United States, other countries will increasingly be writing the rules of the game, making it difficult for the United States to negotiate good agreements in the future.

In order to ensure that our trading partners don't implement agreements and regimes detrimental to our interests and that future progress in expanding global trade is not compromised, we must remain engaged and maintain the leadership role we have exercised so successfully these many years. This is not a burden for the United States. It is an unparalleled opportunity to shape the world's economic relationships in our interests.

Fast track is a critical tool for reaching new trade agreements.

For more than twenty years, Presidents Nixon, Ford, Carter, Reagan, Bush and Clinton all used the fast track process established by Congress to break open foreign markets for U.S. products and services. Expanding trade has always been, and should still be, a bipartisan issue—both sides of the aisle are in favor of expanding economic growth and creating jobs.

The reasons for fast track today are even more compelling than they were in the past. In the past, fast track authority was enacted in the context of an existing or contemplated major trade negotiation. Things have changed—important trade negotiations no longer wait for U.S. leadership, and other countries are reaching their own agreements without us. In addition, agreements are being negotiated in a broad range of contexts—multilaterally, regionally, bilaterally and sectorally. If fast track procedures are not reauthorized, our trade negotiators will not be able to pursue effectively negotiations that are ongoing or on the immediate horizon, such as multilateral negotiations on rules of origin, agriculture, services, government procurement and intellectual property in the WTO; regional negotiations in Latin America and the Asia-Pacific region; bilateral negotiations, such as those with Chile; and sectoral negotiations, such as those to follow up on the recent Information Technology Agreement. Our trade negotiators will also not be able to take advantage of targets of opportunity that may arise. If we can't continue tearing down foreign trade barriers, our companies, workers and farmers will suffer.

The members of America Leads on Trade view fast track as guaranteeing a partnership between Congress and the President in the trade arena. Future fast track authority should include, as it has in the past, very specific requirements for consultations between the President and Congress before, during, and after negotiations. Putting these consultation requirements into law is critical for strengthening the Congressional-Presidential trade partnership. Fast track should also continue to ensure an effective partnership between the government and the private sector by requiring consultations with the advisory committees that represent business, farmers, consumers, labor and environmental groups.

Some fast track critics have argued that recent trade agreements reached without fast track demonstrate that fast track is not necessary. This is just wrong. Not a single trade agreement requiring Congressional action—the type of agreements that are at issue in the fast track debate—has been concluded over the last twenty years without fast track. Virtually every major trade agreement in the works will require Congressional action; that is why fast track is needed.

SUCCESS IN THE GLOBAL ECONOMY IS CRITICAL FOR THE AMERICAN ECONOMY AND COMPANIES, WORKERS AND FARMERS

The United States must lead in promoting trade liberalization around the world because the U.S. economy has become internationalized. We can't hide from the reality of globalization, and we can't afford to turn our backs on the opportunities it presents. The United States is the strongest country in the world economically, politically and militarily. However, we cannot maintain that strength if we do not continue to engage fully the world outside our borders.

The global economy is real, and the United States is part of it.

International trade is increasingly important for the world as a whole. Since 1990, the amount of trade around the world has grown an average of six percent a year. This is six times as fast as world GDP has grown, and four times as fast as world merchandise production has grown.

And the world at large is more important to the U.S. economy than ever before. We remain the world's largest exporter—our total exports were $849 billion ($612 billion of goods and $237 billion of services) in 1996. Total trade—imports plus exports—accounted for over $1.8 trillion in business activity, equal in magnitude to nearly 24 percent of the size of the U.S. economy as a whole. Over 95 percent of the world's consumers—5.5 billion people—live outside the United States, and the world's fastest-growing and most promising new markets are spread across the globe. There's no way we can have a bright future as a nation if we don't actively pursue these foreign customers and markets.

Trade is good for our economy, good for business, good for workers, good for farmers and good for consumers.

American companies, workers and farmers have worked hard to compete and win in the global economy, and we have seen the positive results. U.S. exports continue to rise at an impressive pace—in 1996, exports were up 6.8 percent from the year before. These exports are the engine driving economic growth and job creation in the United States. Export growth has accounted for about one-third of the nation's overall economic growth over the past ten years, and export growth continues to outpace the growth of the economy as a whole. In 1996, exports of goods and services rose by 6.5 percent in real terms, compared to a 2.4 percent increase in real GDP.

I have heard a lot of talk that trade is good only for big companies. This is just not the case. First of all, a lot of small and medium sized companies are active exporters. In 1992 (the latest available data) companies employing fewer than 500 employees exported $103 billion in goods, about 29% of U.S. goods exports. But just as important, many small and medium-sized companies supply large companies with products and services that are used in the production of the large companies' exports. Big companies recognize that smaller companies are the backbone of their business—big companies need smaller companies to survive, and vice versa. Trade benefits all in the supply chain.

Trade is clearly good for the economy and for our companies. But just as important, it's good for American workers. Well over 11 million U.S. jobs are supported by exports. Export-related jobs accounted for 1 out of every 8 net jobs created in the United States between 1992 and 1996. Exports account for about 1 in 10 civilian jobs in the nation and about 1 in 5 manufacturing jobs.

Export-related jobs are also higher-wage jobs. Export-supported jobs typically pay 13 percent more than the average U.S. wage. The premium is even more striking if you look at the core of export-supported jobs—those directly supported by goods exports. These jobs pay, on average, 20 percent more than the average U.S. wage. And a lot of our export growth is in high-wage, high-tech sectors. These are clearly the types of jobs we want to promote for this and future generations.

Exports are particularly important for the nation's farmers—our agricultural sector is more than twice as reliant on foreign trade as the U.S. economy as a whole. U.S. agriculture exports hit a record $60 billion in 1996, up over 7 percent from 1995 and more than 50 percent from 1990. These exports support almost one million American jobs. One out of every three farm acres in America, and 50 percent of our wheat acres, 57 percent of our rice acres and 37 percent of our soybean acres, are dedicated to exports. Last year, U.S. agriculture had a trade surplus of over $28 billion—the largest ever.

Trade also has a tremendous beneficial ripple effect in separate communities throughout the entire U.S. economy. As I mentioned, trade benefits suppliers, especially small and medium-sized companies. Trade also benefits numerous service providers, such as insurance companies and banks that finance exporting companies' activities. The benefits flow throughout the local community, to the restaurants, stores and other establishments near the facilities of exporters and their suppliers.

Let's not forget that imports are also important to maintaining a vibrant, competitive economy and high standards of living. Imports give consumers a greater choice of goods and services, including those not available domestically. They create jobs in areas such as retailing, distribution, ports and transportation. Imports allow U.S. companies and workers to use the best technology and components from around the world, increasing their productivity and competitiveness and therefore leading to higher wages and creation of more U.S. jobs. Moreover, imports encourage competition and innovation.

International investment is also a crucial part of competing and winning in the global economy.

In order to seize the opportunities presented by the global economy, companies must be able to invest in other countries when this makes sense for their businesses. And this investment creates new markets and customers for U.S. companies and their workers and boosts the U.S. economy.

One of the primary goals of foreign investment is the desire to serve businesses and consumers in the country in which the investment occurs. In 1994 (the latest available data), about 67 percent of total sales by U.S. companies' majority-owned foreign affiliates were sold in the affiliate's country of location; another 23 percent were sold in other foreign countries. So, a total of 90 percent of U.S. companies' foreign-made goods and services are sold *outside the United States*. This makes sense. Customers demand prompt and reliable service from their suppliers; it is frequently difficult to meet those needs from thousands of miles away. Of course, proximity is even more important for services—consumers expect their banks, telephone companies and professionals to be nearby.

Investment abroad brings back significant benefits here at home. Because U.S. companies invest overseas to stay competitive and win new customers, their foreign investments help boost U.S. exports, creating American jobs. Exports follow investment—in 1994 (the latest year for which data is available), exports of goods by U.S. companies to their foreign affiliates totaled $125 billion, 25 percent of all U.S. goods exports. And U.S. companies' trade with their foreign affiliates generated a $22 billion trade *surplus*. The result is jobs here at home. According to the latest available figures (1994), U.S. companies that invest overseas employed 19 million U.S. workers—18 percent of all private sector jobs.

U.S. companies' overseas operations also generate income that can come back here to the United States to be reinvested in U.S. operations to the benefit of the local economy and U.S. workers. In 1995, this income was almost $117 billion. Moreover, overseas investments are often needed to keep U.S. companies competitive. Foreign investment allows companies to enjoy greater economies of scale and scope as well as access to important foreign technologies.

I'd also like to point out that foreign investment by U.S. companies is concentrated in developed countries. If foreign investment were motivated by a search for low cost inputs, developing countries would be the predominant location for foreign investment. But 80 percent of U.S. companies' foreign investment is in developed countries; many of which have more stringent labor and environmental laws and higher labor costs than the United States.

Because the United States is the world's most competitive nation, we have the most to gain from the global economy and from trade liberalization.

Back in the 1980s and early 1990s, conventional wisdom held that the United States had been overtaken by Japan and Germany and might never regain its place in the sun. Today, the United States is back on top. Our economy has been growing faster than those in Europe and Japan. We are the world's biggest exporter of both goods and services. We have the lowest budget deficit as percentage of GDP of any G–7 economy. We have created more net jobs in the past few years than all other G–7 nations *combined*, and our unemployment rate is below that of every other major industrial economy besides Japan (which keeps official unemployment low through artificial means). While we still have a trade deficit, it has declined by 40 percent as a percentage of GDP, from about 2.7 percent in 1985 to 1.5 percent in 1996.

We have the world's largest economy, the most productive workers, the best technology, and the most innovative people. That's why we are considered to be the most competitive country in the world, as recently confirmed by the World Competitiveness Yearbook from the International Institute for Management Development. We're highly competitive in a range of important industries, such as: semiconductors, computers, computer software, aerospace equipment, applied materials, biotechnology, construction equipment, telecommunications and other information-based equipment and services, financial services, information services and entertainment. These are the technologies of today—and of tomorrow.

We have done so well as a nation because we have aggressively sought out the opportunities presented by the global economy. We have the resources and the capability to be winners. All we need to do is ensure that our companies and our workers, and the products and services they produce, are given the opportunity to compete fairly and to win in the global economy.

We need to do more, of course, to ensure the continued competitiveness of the nation, its companies, and its workers. In a world of increasing technological innova-

tion, our companies simply cannot succeed without educated, trained and skilled workers, scientists and technicians. That's why U.S. companies are doing their part to help ensure that our workers remain the best in the world.

Each year, companies in the United States spend about $30 billion on formal training and $180 billion on informal on-the-job training of their employees. Each year, U.S. companies make huge investments in plants, equipment and research & development (over $600 billion on capital investments and over $100 billion on research & development) to ensure that their workers can benefit from the best technology and equipment.

U.S. companies are also working to improve the quality and performance of the nation's K–12 education system, including a state-by-state initiative to achieve comprehensive education reform across the nation. Forty-three states now have business-led education reform coalitions that encourage governors, state legislators and state departments of education to support fundamental changes in their schools.

With improved education and training and wise governmental policies the United States will remain highly competitive. In an open global economy, America will come out on top.

Developing countries in particular hold huge promise.

Our market is one of the biggest in the world, but we have to recognize that our greatest opportunities for expanded exports are in large developing countries. These are the countries that can grow, and are growing, the quickest. For example, between 1985 and 1995, the U.S. economy grew 26.4 percent, Europe's, 26.5 percent, and Japan's, 33.7 percent. Developing countries in Asia grew by a whopping 109.3 percent in the same period. The World Bank expects developing countries to grow twice as fast as the industrialized countries over the next ten years and to account for one-third of the world economy by 2020, nearly twice their current share. We ignore these developments at our peril.

While world imports grew 96.8 percent between 1985 and 1995, developing economies' imports jumped 180.4 percent, and imports of developing countries in Asia were up 226.1 percent. And these developing countries are in particular need of the types of goods and services that we are good at producing, in such areas as telecommunications, construction, information technology, biotechnology, environmental protection and cleanup, and finance.

Moreover, development builds demand for consumer goods and services, again an area of U.S. predominance. By the year 2010, China, India and Indonesia combined will have 700 million people with annual personal income equal to that of a worker in Spain today. The opportunities for the United States are, frankly, mind-boggling.

We are already seeing significant benefits from trade with these markets. Between 1992 and 1996, U.S. goods exports to Pacific Rim countries (excluding Japan and China) jumped 57 percent; goods exports to Latin America surged by 49 percent. This is much faster than growth of our exports to many of our major developed country trade partners—in the same four years, U.S. goods exports to Europe grew only 18 percent. Growth of developing country economies and U.S. exports to those countries are predicted to keep rising dramatically. If current trends continue, by 2010 Latin America will surpass Japan and Western Europe combined as a market for U.S. exports.

There's another important point to make here. Economic liberalization in other countries benefits not only the United States but the liberalizing country itself, as well as global stability in general. Developing countries around the world have recognized the benefits of open markets and abandoned, to varying degrees, old protectionist policies. The result has been an economic boom in many of these countries. This in turn promotes creation of middle classes, which, along with openness to the rest of the world, promotes democracy and economic and political stability and improved respect for, and demand for, human rights and environmental protection. Thus, open markets advance important U.S. non-economic goals.

Critics of Trade and Fast Track Are Off the Mark

With the opportunities presented by the global economy come fears. I think it's important to look closely at some of the charges being leveled about international trade and fast track and lay these fears to rest.

There is no simple direct linkage between imports and lost jobs. Some have argued that trade costs U.S. jobs because of imports. Well, it's obvious that U.S. exports generate U.S. jobs because someone has to make those goods or produce those services. But if we look at the reality of imports, it's not obvious that they translate into lost U.S. jobs and, in fact, often they do not. Some imports, such as the $73 billion of petroleum and other fuel products and $3 billion of coffee and tea we imported

in 1996, are products that are simply not available or are in short supply in the United States. Other imports, by providing a competitive input into a production process for example, complement U.S. production and support rather than displace U.S. jobs by enabling U.S. companies to be competitive at home and abroad. Other imports include U.S. components, and production of these components supports U.S. jobs. Imports also create jobs in such areas as ports, distribution, wholesaling and retailing.

It is true that some jobs are displaced by imports. However, trade is only one factor that impacts the job market; technological change, for example, is far more significant. In fact, recent studies, including from the Organization for Economic Cooperation and Development and the International Monetary Fund, find that trade is not a major factor behind any trends toward declining wages or wage disparity that may exist in industrialized countries. These studies found other factors, including technological change, to be much more important. Moreover, jobs displaced by imports are more than offset by other jobs created by imports and exports and the other benefits of trade to the U.S. economy.

We cannot and should not ignore the real effects of job loss for individuals, regardless of the cause. I simply do not believe that trying to freeze our economy is in the interest of this or future generations of workers. The national and world economies are seeing a shift of jobs from low-productivity, low-wage jobs to high-productivity, high-wage jobs. These job shifts are to be expected and welcomed as we approach the 21st century; they will lead to a better future for today's and tomorrow's workers. Our work force is one of the most diversified and capable in the world, and as a very large and flexible economy, we have the ability to absorb workers into productive and well-paying jobs. We must, as I stated before, ensure that all Americans get the education and learn the skills they need in order to be as competitive as individual citizens as we are now as a nation. We must also use trade negotiations and the resulting agreements to break down foreign barriers so that we can win new customers abroad and boost American incomes. In general, we need to keep our economy dynamic, open and growing. The end result will be better jobs and standards of living for all Americans.

Trade deficits result from many factors and simple linkage to trade policies is misleading. Some have pointed to the U.S. trade deficit as evidence that trade is bad for the United States. Actually, the trade balance is determined by macroeconomic factors, such as savings and consumption rates, currency values and growth rates. Moreover, trade deficits result in part from our growing economy, employment that is on the upswing, and our consumers and businesses having more money to spend on both domestic goods and imports. At the same time, many of our trading partners are in recession or growing only slowly.

We should also recognize that the trade deficit has fallen significantly in the last decade when compared to the size of our economy. Moreover, a large portion of our trade deficit consists of petroleum imports, which is not a job-displacing commodity—our deficit in petroleum products was 57 percent of the total trade deficit in 1996. Another huge chunk—27 percent—was in our auto and auto parts deficit with Japan, which is due to special, unique bilateral problems. I would also note that, compared to the size of its economy, the United States imports far less than every other developed country except Japan.

When discussing the trade deficit, we should be addressing the macroeconomic factors we can control, such as the low savings rate in the United States and government spending, while continuing to focus on tearing down foreign barriers to our exports. Resorting to isolationism and protectionism to "solve" the trade deficit problem will not help.

International investment, as with trade, benefits the economy and workers. There are also those who argue that international investment is bad. The facts I presented earlier prove that this is not true. It's important to recognize that the decision to invest is a very complex one, involving many factors, not just low production costs. The United States is endowed with numerous advantages that make it a very attractive place for U.S. companies and foreign companies to invest, including a highly productive work force, state of the art communications networks and computer systems, technologically advanced production facilities, a well-developed transportation infrastructure, and stable and sophisticated legal and financial systems. If low wages were the main determinant of investment decisions, our principal foreign direct investments would be in less developed countries rather than in highly industrialized, developed countries where, in fact, our principal investments are made.

And, contrary to irresponsible statements by some, U.S. companies are *not* pulling up their stakes in the United States. U.S. companies' direct investments overseas were $86 billion in 1996, only 11 percent of non-housing domestic investment in the United States. And three-quarters of that foreign investment did not even come

from the United States, but from the earnings of the companies' foreign operations themselves. As for Mexico, U.S. companies' investment there is a trickle and has been declining. U.S. foreign direct investment in Mexico in 1994, 1995, and 1996 was $3.7 billion, $3.0 billion, and $2.7 billion respectively; this amounted to 0.4 percent, 0.3 percent, and 0.2 percent of total investment in the U.S. economy itself.

Fast track does not rush trade agreements or cut Congress out of the picture. Critics of fast track persist in misrepresenting just what it is. As the members of the subcommittee know, fast track is merely a procedural rule that sets up a close partnership between the President and the Congress to ensure that the United States can reach trade agreements to open foreign markets to American companies, workers and farmers. Fast track does not rush the country into agreements and it does not cut Congress out of the loop. In fact, the members of America Leads on Trade want their representatives in Congress to be heavily involved in the process of reaching and implementing trade agreements. Fast track guarantees that role by writing consultation requirements *into law*.

Fast track is not NAFTA. Critics of fast track also keep changing the topic to NAFTA. But the debate over fast track is not about NAFTA—it is about the future of U.S. leadership in world trade, about whether we will participate in a wide-ranging series of new negotiations that are about to start with or without us. Most of the concerns raised by NAFTA opponents, such as illegal immigration, the border environment and maquiladoras, are specific to Mexico and are simply not relevant to our economic relations with other countries. The United States must recognize the importance of being the leader in new negotiations and separate the debate over NAFTA from the debate over fast track. Our competitors around the globe would be overjoyed if we sidelined ourselves to engage in a destructive debate about NAFTA while they move ahead with their own agreements that will leave us behind.

Big corporations are hardly the only advocates for fast track. Critics of fast track charge that it is only big corporations that want fast track. This is just wrong. Businesses, farmers and consumers are fighting for fast track because the nation as a whole—not just big corporations—benefits from increased trade spurred by trade agreements. These benefits for the nation as a whole explain why the President and his Administration are asking for fast track, and why the U.S. Conference of Mayors and the National Governors' Association have passed resolutions supporting fast track.

Trade agreements do not threaten health and safety. Another favorite of fast track opponents is to raise the specter of unsafe food, trucks and drug trafficking. This is nothing but scare tactics—trade agreements do not hamper our ability to protect ourselves from any of these problems. Trade agreements do not result in unregulated trade—we are always able to enforce our laws and close our border to any product that could legitimately result in harm to our citizens. Recent trade agreements such as the WTO and NAFTA not only explicitly dealt with the issue of food safety but further strengthen our ability to protect ourselves from such dangers. NAFTA does not prevent the United States from enforcing drug laws. In fact, by improving overall cooperation with Mexico, NAFTA improves the likelihood of success in reducing drug smuggling.

As recent problems with domestically-produced food demonstrate, ensuring the safety of the U.S. food supply is not a trade issue. Similarly, we need to ensure the safety of all trucks, not just those from Mexico. Adequate safety measures and inspection are essentially domestic regulation, not trade, issues.

Trade, labor, and environmental goals must be pursued separately. Finally, I want to address the contention that fast track should be rewritten to bring labor and environmental issues into trade agreements. Protecting the environment and improving working conditions around the world are important goals, but they must be pursued in an effective and achievable manner. Confrontational approaches (or those that are perceived as confrontational, protectionist, or anti-development) on these issues, such as attempting to link labor and environmental issues to trade, and especially using trade sanctions in an attempt to improve labor and environmental conditions, will not work. Such approaches would likely cause trade wars, impede international cooperation, and reduce economic growth, reversing current promising trends for improved working and environmental conditions around the world.

We must recognize that most developing countries currently cannot afford the high level of labor and environmental standards that developed countries enjoy. Economic growth is needed to create the financial and social foundations for better working conditions and environmental protection in developing countries. Increased international trade, which is a vital engine for economic growth in today's global economy, ultimately helps improve working and environmental conditions.

Consequently, the focus of *trade* agreements should be on liberalizing *trade* to promote economic growth. Businesses recognize the importance of addressing transborder and global environmental problems and seeking to improve working conditions around the world. But, where these issues are not directly related to trade, they must be pursued through separate initiatives, particularly cooperative solutions such as international environmental and labor agreements. Our goals in the separate areas of trade, labor, and environment must each be pursued on their own tracks.

Other countries have made it absolutely clear that they will not negotiate trade agreements with the United States if we insist on trying to dictate their national policies on issues other than trade. The United States would similarly not allow other countries to intrude in such a way on our sovereignty. Advocates of using trade negotiations and sanctions to force improvements in other countries' labor and environmental laws and policies ignore the fact that additional access to the U.S. market doee United States is already one of the world's most open markets with very low barriers to trade. The main focus of our trade agreements with other countries is to open other countries' markets to U.S. exports, not the other way around.

CONCLUSION

The United States can maintain its economic strength only if it *competes* and *wins* in the ever-expanding global economy. We cannot assert effective global leadership on trade without fast track authority for the President. Indeed, fast track authority is absolutely vital to the economic well-being of the country and of every American citizen. Thus, on behalf of the businesses, workers and farmers that comprise the America Leads on Trade coalition, I urge that Congress and the President, in partnership, renew the President's authority to negotiate trade agreements under fast track procedures.

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Silent Invasion

In Backyard of the U.S., Europe Gains Ground In Trade, Diplomacy

South America Is Hot Market For EU-Made Goods; How Fiat Outpaced Ford

Monet and Chirac in Brazil

By MATT MOFFETT and HELENE COOPER
Staff Reporters of THE WALL STREET JOURNAL

SAO PAULO, Brazil—While Uncle Sam sleeps, Europe is mounting a silent invasion.

Combining savvy deal-making with velvet diplomacy, the European Union is angling to convert its thriving trade ties with South America into a full geopolitical partnership. There is no guarantee that this trans-Atlantic bid for influence will succeed. But Europe is emerging as a potential spoiler in President Clinton's latest push to revive a long-stalled plan to create a common market extending the length of the Western Hemisphere.

A stroll through this business capital captures the sweep of Europe's gains. The hot new compact car is the Palio, which is produced locally by Italy's Fiat SpA and has left Ford Motor Co.'s Fiesta in the dust. Aided by a recent $1 billion acquisition of a local bank, the Hongkong & Shanghai Bank subsidiary of London-based HSBC Holdings PLC has leapfrogged past Citicorp and First National Bank of Boston as Brazil's largest foreign lender. And in a refrigerator market so dominated by Whirlpool Corp. that the words "frost free" have entered the language here, Germany's Bosch-Siemens Hausgeraete GmbH and Sweden's Electrolux AB are introducing competing lines.

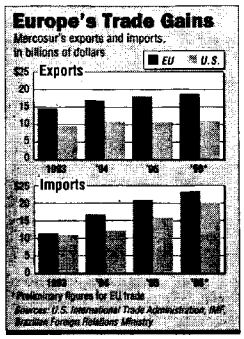
Changed Roles

At more than $40 billion last year, total trade between Mercosur, a regional bloc led by Brazil and Argentina and including Paraguay and Uruguay, and the EU exceeds that between Mercosur and the U.S. "It can all be summed up quite simply: We are stomping all over their backyard just as they have done over ours for the past 50 years," says Peter Guilford, an EU trade spokesman.

That's probably hyperbole. In Latin America, the U.S. still dominates many major industries, ranging from full-size cars to computer software to airplane parts. And U.S. trade with Mercosur is also growing rapidly, with the bloc's imports from the U.S. up an estimated 84% between 1993 and 1996. But during those years, total U.S. trade with Mercosur rose only 51%, while Europe's was increasing 62%.

EU politicians are striving to make the European flavor of Latin America even stronger. In a diplomatic courtship in which Europe has trotted out everything from an exhibition of Monet paintings to Oxford University's new Brazilian Studies Department, the EU is pushing for its own free-trade agreement with Mercosur as "part of the natural order of things," as French President Jacques Chirac put it.

The idea of closer ties to Europe appeals greatly to many Brazilian industrial-



ists — and to many in Brazil's Europhile political elite, who yearn for international recognition to match the country's vast size and resources. At the very least, Brazilian trade negotiators want to play the European card to pry open U.S. markets and persuade Washington to move more slowly toward a common market in the Americas. They want to give Brazilian companies more time to get competitive and to expand Mercosur to incorporate other South American countries.

Whether Mercosur tilts toward Europe or the U.S. may be decided by the hot debate over President Clinton's request for "fast track" authority to negotiate trade pacts. If Congress rejects his plan, South America could be indefinitely ceded to the Europeans. "No fast track — no concrete negotiations," says Jose Botafogo Goncalves, the Brazilian Foreign Ministry's subsecretary general of commerce.

"While we're complacent, the Europeans are obsessed with increasing their exports to Latin America," says Jeffrey Garten, dean of the Yale School of Management and former Clinton Commerce Department undersecretary. "They're targeting Brazil and Mexico and Argentina; we'd be extremely myopic to read them out of the competitive race there."

Vouching for that are the U.S. corporations battling it out with Europeans in one of the world's most-torrid deal-making sectors: the estimated $70 billion market for Brazil's privatized companies and concessions. Consortia led by Telia AB of Sweden and AirTouch Communications Inc. of San Francisco are grappling in both the legal and diplomatic arenas for a mammoth prize: a cellular-phone concession, worth about $1 billion, in the affluent state of Sao Paulo. The Telia group was the high bidder, even though the Telecommunications Ministry had tried to disqualify it from the auction. Now, the U.S. and Swedish governments are lobbying on behalf of their respective companies as Brazilian courts try to straighten out the mess.

Europe's new discovery of Latin America is actually a rediscovery: It harks back to earlier this century, when Europeans held sway here both economically and culturally, says Riordan Roett, a professor at Johns Hopkins University in Baltimore. Spain and Portugal long had colonial ties in South America. Britain dominated high finance. French was the preferred second language, and architects turned Buenos Aires into the "Paris of the New World." Italy's fascists devised the model for the corporatist labor system adopted in both Brazil and Argentina.

Not until Europe was busy rebuilding after World War II did its influence begin to wane. And during a 1963 French-Brazilian fishing dispute, President Charles de Gaulle enraged Brazil by expressing doubt that it was a serious country.

Meanwhile, American influence rose. During the Cold War, the U.S. intervened in Latin America to confront Communist expansion. More recently, the U.S. has pursued economic objectives. In 1993, the U.S. signed the North American Free Trade Agreement with Mexico and Canada. As Europe watched from the sidelines, President Clinton invited Latin American leaders to Miami and announced plans for a Free Trade Area of the Americas extending from "Alaska to Tierra del Fuego." U.S. officials said the new bonhomie was partly responsible for the Brazilian government's decision to choose Raytheon Co. over France's Thomson SA for a $1.4 billion contract for a satellite system for the Amazon.

But then the U.S. plan to bring the entire continent solidly within its economic orbit ran headlong into a protectionist backlash. In 1995, Mr. Clinton failed to muster congressional support for the fast-track authority needed to expand Nafta, and the hemispheric trade pact went nowhere. Europe, noting Latin America's rebounding economies and especially Brazil's market of 160 million consumers, saw new opportunities and seized them.

"We've suddenly discovered Latin America," says Michael Valdes Scott, who heads Britain's Latin American Trade Advisory Group. And Latin America "is throwing the bloody door open to us."

Accustomed to crossing borders at home, European companies often moved faster than American rivals in Latin America. Despite having no Latin American presence at all as recently as two years ago, BOC Group PLC, a British natural- and industrial-gas conglomerate, quickly ramped up a Latin American division that now employs 1,000 people and has lined up four big contracts.

In addition, many Europeans seem more comfortable than Americans in Latin America's business environment. U.S. electric utilities have been put off by Brazil's vague regulatory framework, but it hasn't impeded Europe's state-run utilities, which are used to smoothing over problems through political negotiations.

Electrolux has found that Latin American consumers are much like Europeans; both prefer smaller, cheaper washing machines to the large, souped-up American models. The company's South American sales tripled to almost $1 billion last year.

Auto making is another business in which shrewd European companies lapped a U.S. giant. Though operating here for just two decades, Fiat has surpassed long-established Ford in the small-car market. The reason: Fiat was the only auto maker with a product ready when the government, in the early 1990s, offered tax incentives to stimulate small-car sales.

"It's basically a one-car company, and they capitalized on that," says John Peart, sales-planning manager of Ford's Brazilian operation. Only now is the affiliate emerging from its heavy losses when it was caught without a small car.

Soon, European politicians were following the footsteps of their corporations toward Latin America. President Chirac staged the most aggressive European diplomatic political sally. In a visit here coinciding with the Monet exhibition last March, the French leader formally retracted the old insult. "I consider Brazil *extremely* serious," he said.

Then he fired a salvo at *les Americains*. "They want to give orders about everything in the world," he charged, adding: "Geographically, Brazil is part of America. But it's European because of its culture and global because of its interests." And as French and Brazilian diplomats toasted a recent pact under which France waived visa requirements, the press here noted the contrast with the U.S., which is often accused of discriminating against Brazilians seeking visas.

Next in Europe's sophisticated diplomatic blitz: Brazilian President Fernando Henrique Cardoso will travel to London this fall for a state visit, a pomp-filled spectacle in which he will stay at Buckingham Palace and be feted by the queen. Britain grants only two such visits a year; not even Mr. Clinton got the full royal treatment during his visit in June.

Mr. Clinton's planned visit to South America next month will be his first trip to the continent in his five years in office; he canceled a visit scheduled for last spring after injuring his leg in a stumble. Earlier this year, U.S. Trade Representative Charlene Barshefsky sparked a major dust-up by bluntly questioning Brazil's commitment to open markets.

Mercosur officials say they want to enter into trade agreements with both the EU and the U.S., though they clearly prefer the slower pace proposed by the Europeans. "The U.S. is anxious to get access to some areas of the market and much less anxious to open access," says Mr. Botafogo of Brazil's foreign ministry.

Brazil's business community, meanwhile, is dividing up into pro-European and pro-American factions. A younger group of manufacturers prefers the U.S. Old-line, family-run businesses, as well as raw-materials exporters, tend to prefer Europe.

Among the latter is Luiz Fernando Furlan, a business-group leader and president of Sadia SA, a big meat processor. Sadia sends about 40% of its exports to Europe but almost nothing to the U.S. because of hygienic barriers that Mr. Furlan views as disguised protectionism. "If the U.S. doesn't offer conditions of trust and equality," he says, "others will cultivate the relationship with Mercosur."

Everyone knows who the "others" are. Mario Garnero, chief of BrasilInvest, a big holding company here, recently organized a trade seminar for Brazilian, U.S. and European executives. No sooner had invitations gone out, he says, than he got a call from a French official asking "why more Europeans weren't participating."

Chairman CRANE. Thank you.

Your reference to small businesses reminds me of the time Charlie came out to my district a couple of years ago for a Subcommittee hearing. Illinois is the fifth largest export State in the union. In my district are the corporate headquarters of Motorola, Ameritech, Sears, United Airlines, Kemper Insurance, and Baxter and Abbot are just beyond the border. But the thing that was a revelation to me was the input that over 90 percent of our State exporters are companies employing 500 or fewer. And so small business really makes up the lion's share of our State exporters, notwithstanding the giants that we have there.

Something that I would like to ask you about, in your written statement, you talked about pursuing these environmental and working conditions in an achievable manner, that approaches perceived as confrontational, protectionist or antidevelopment will not work.

Would you talk a little bit more about how our trading partners have responded thus far to the USTR's efforts to put labor and environment on the agenda in the WTO?

Mr. GORMAN. Yes. In general, and few things are universal, but in general countries do not wish, other countries do not wish us to try and dictate to them on matters of the environment, on labor issues, or on any other issue in the trade context particularly. They say, look, let's deal with trade on its own merits; let's not try to deal with these other issues indirectly there. Indeed, I think if we were to persist in trying to deal with the labor issues involved and the environmental issues involved, we wouldn't enter into a trade agreement with anyone. But I do not think that is a likelihood because I also don't think that a compromise bill including that kind of provision would prevail.

Chairman CRANE. Our Trade Subcommittee attended that Singapore ministerial, and at that time the question of labor came up and clearly the overwhelming majority of the sentiment there was to keep it out of our trade negotiations. That is something that I think is important to keep in mind as we pursue this.

Mr. GORMAN. One other important point I would make in that dimension is that our best hope of lifting the standards on both of those subjects with emerging countries is to engage with them in commerce, through trade and through international investment. In my company, when we build a new plant in a foreign land it is exactly like the one we build here, the same environmental concerns and standards, the same kind of training, the same kind of conditions under which the folks work. So we can cause there to be an uplifting of standards through engagement, not through disengagement.

Chairman CRANE. I couldn't agree with you more on that. Motorola has told me similar stories about their presence on the mainland in China.

Mr. GORMAN. Yes.

Chairman CRANE. I have reminded folks of Ben Franklin's quote, "Good example is the best sermon." Your presence there all over the world is providing that good example.

Mr. Rangel.

Mr. RANGEL. It is good to see you again, Mr. Gorman. Is there any reason for anyone to be concerned about the living and working conditions of people working overseas?

Mr. GORMAN. Yes, I think it is a legitimate concern for all of us to have——

Mr. RANGEL. I will just bag that.

If not in the trade bill, that people believe should not interfere with the President's ability to negotiate a trade agreement, how would it be dealt with? We respect the fact that people like you have the same standard and want to improve the quality of life for people all over the world, but certain people have come back from Mexico with horror stories and pictures of high-tech factories and people living in squalor, open sewage near outstanding United States-based international firms.

What should a Member of Congress do that has a concern about these things happening?

Mr. GORMAN. Well, I think that the United States should, working with the Mexican Government, make every attempt to cause those conditions to change. I would like to say that some of the horror stories are exaggerated, and indeed we have, my company has plants in Mexico. One of those plans was named one of the top 10 plants in North America by Industry Week magazine just 1 year ago.

Mr. RANGEL. We are not talking about those who are outstanding leaders in the world. I am just saying that for those who believe that there are problems, we have to be able to answer some of their questions.

What about the question of those people who feel that they will be losing jobs in the community and they are not prepared to take advantage of the ever increasing high-tech jobs that would be available? The plants that are in their districts; have in the past closed and have in the past gone to Mexico, and there is a threat that more would do the same. How would we handle that in the Congress?

Mr. GORMAN. Well, there are dislocations that come with trade and that come with free trade agreements in particular. There is no question about that. But there are dislocations that occur for a whole host of reasons.

What I would argue is that, yes, of course we should address those dislocations for whatever reason and address those through training programs, retraining programs. I am perfectly behind those kinds of efforts. I think we should make sure they are effective and cost-effective programs, but nevertheless do them.

Mr. RANGEL. I assume, then, that you would think that in communities where they don't have the type of educational institutions that train young people for these high-tech jobs that would be coming, that resources should be made available so that they too would be able to meet the challenges of the next century?

Mr. GORMAN. Yes. Indeed, I have been an advocate of Congress giving tax incentives to the private sector to train and educate those in need of such training and education.

Mr. RANGEL. Even though you would not want this to be in the same bill, do you see any problem if it were presented to the Con-

gress in the same package that we are encouraging economic growth abroad, but at the same time we are concerned about American workers that would be dislocated and we are concerned about communities with high unemployment?

Do you think it might be easier for us to sell this package if we were not only giving the President broad opportunities to negotiate and compete, but also to have a package so that people at home would not be fearful that they are going to lose the little jobs that they do have?

Mr. GORMAN. I think it might be more difficult, frankly, to pass that kind of a bill than one that dealt solely with trade unless of course those issues and others are directly related to trade. I really do believe that trade is so important to the United States and to the world that the issues ought to be dealt with singularly and that we deal separately with the environmental and labor issues.

Mr. RANGEL. I understand. But can we depend on your leadership in dealing with the other shoe once it is dropped, that is the education of America, the idea that people will be working and not doing drugs and crime and violence?

Mr. GORMAN. Absolutely.

Mr. RANGEL. And we hear your voice that is outraged at the number of people who are not productive, 1.5 million Americans not working, they are in jail. When we compete, how can we compete with these type of young people for whatever reason? Isn't that a national problem that requires the same type of attention as authorizing the President to negotiate a treaty?

Mr. GORMAN. I couldn't agree with you more. In fact, I chaired for 4 years for the Business Roundtable, the Task Force on Transformational Education Reform. Norm Augustine succeeded me. We have committed 10 years and all of our membership to bringing about transformational change in our systems of education, so that all people are educated and prepared to enter the workforce at the kind of levels that new jobs require. And so you are preaching to the choir when you talk to me about that issue. I, in fact, have been out front leading that effort and you can count on that continuing.

Mr. RANGEL. I wish there was some way that I could help so that the whole Congress and country would know the effort not only you, but I assume that there are thousands of other businesspeople that believe it is in our national interest not only to expand trade, but to have our young people prepared to assume the challenges of the next century. You would have to admit that we don't hear that much from the private sector as to their concerns about making certain that all of us participate.

Mr. GORMAN. We are certainly talking enough about it and doing enough. We have coalitions in 46 States. The Rand Corporation did a study for us, an independent group. They found that we are making a significant difference in 36 States. We are not where we want to be, don't get me wrong, but it is a difficult, tough task. You have got to transformationally change the State laws in order to achieve the objective, but we are making some progress.

Mr. RANGEL. Would you share with me that information, because we are working together in a task force with many multinationals

and we have made some changes, we have targeted areas that we are going into partnership with.

Mr. GORMAN. We will come see you with that information.

Mr. RANGEL. Thank you.

Chairman CRANE. Gentlemen, we have 6 minutes left.

Mr. Jefferson, do you want to ask Mr. Gorman a question?

Mr. JEFFERSON. I might be able to get one in.

Past grants of fast track authority have permitted in the implementing bill changes in U.S. law that were necessary and appropriate to implement that trade agreement. Some Members on the Senate side, some Members on the House side would like to limit the scope of fast track to cover only those provisions necessary to implement the trade agreement and apply normal legislative procedures to those including possible amendments to everything else. How do you feel about that? Do you agree with that view on this particular fast track legislation as opposed to other ones that we have had in the past?

Mr. GORMAN. I think it should be unlimited authority applicable to all trade agreements, bilateral, multilateral, including sectoral trade agreements. Many of the negotiations that will take place in the next several years will be, indeed, sectoral in nature. Importantly, they would have the same kind of fast track authority.

I think the beauty of fast track and voting up or down is that it forces the administration, the President, regularly to consult with Congress, to make certain that indeed the negotiations are on a path likely to lead to an agreement that can be voted up. So I think it is a good process if managed well.

Congress maintains, of course, the ultimate authority to turn down any proposed agreement. That is why I would offer unlimited authority to the President.

Mr. JEFFERSON. Does that square with the notion that you can include labor and environmental provisions in fast track so long as they are directly related to trade? Does that square with the notion of the broadest possible authority?

Mr. GORMAN. Yes.

Mr. JEFFERSON. With respect to investment services and other topics, there is no provision that they must be directly related to trade. That is a little incongruent; don't you think?

Mr. GORMAN. Pardon me?

Mr. JEFFERSON. In the other provisions of the legislation, investment services are covered in the language of the fast track legislation but there is no requirement that they be directly related to trade for them to be discussed as a part of the trade agreements. And so in the one sense we limit the labor and environment to them having to have a direct relationship to trade, but these other issues you don't limit them in that regard, my question is why would you support a view like that if you support the broadest possible Presidential authority?

Mr. GORMAN. I don't find that an anomaly because when you are talking, say, financial services, that in essence is the trade in question. It is about trade in financial services, about the opening of markets to North American-based financial service organizations. That is what that trade issue is all about.

Mr. JEFFERSON. You can't imagine some cases under which services and investment would not be directly related to trade? You can't imagine any cases where that would not be done?

Mr. GORMAN. No, because again when you are talking financial services, that is the trade that we are talking about, the trade in services. Take Japan. They limit, as you know, any outsider, not just North American, but any outsider providing financial services by not giving them a license. There has been discussion on that issue. There has been agreement on that issue negotiated by Ambassador Barshefsky.

Chairman CRANE. Joe, we are down to 2 minutes. I think we are going to have a repeat vote right on the heels. I won't hold you, but I want to express appreciation for what you have done and keep the good fight going. It is primarily an education battle and once folks understand, I think our differences get minimalized.

Mr. GORMAN. We will keep working. I hope with all deference that you will keep working to come together with a compromise that we all can support.

Chairman CRANE. Absolutely. You betcha. Thank you again. The Subcommittee stands in recess.

[Brief Recess.]

Chairman CRANE. If everyone will please take their seats, we will resume again.

I would now like to welcome Tom Donohue, president and chief executive officer of the U.S. Chamber of Commerce. I look forward to hearing what the Chamber has done through its members to get the word out about the benefit of trade. Please proceed, because I know you are on a tight time constraint.

STATEMENT OF THOMAS J. DONOHUE, PRESIDENT, AND CHIEF EXECUTIVE OFFICER, U.S. CHAMBER OF COMMERCE

Mr. DONOHUE. I am pleased to be here. This is the first appearance that I have made in my new job as head of the Chamber. I will try to set the future tone of what they will be by being very brief.

It is my pleasure to be here. I want to state at the outset that it is obvious to all the members of the panel that large companies, particularly those represented by Mr. Gorman and others, are going to figure out a way to do well in the trading system around the world and will do better with a fast track agreement. But let everyone focus on the fact that small companies are going to be major beneficiaries of this agreement in two ways. First, as Mr. Gorman indicated, they are going to be the subcontractors to the large companies and, as I will suggest to you, there is a major increase in trade by small- and medium-sized companies all over this country and all over this world. We need to do what we can to continue to support that, because as you and your colleagues know, the job growth in this country have come primarily in small- and medium-sized companies and that the great opportunity in the future is going to be found there as well.

I don't need to repeat all of the rhetoric and the fact about the benefits that Presidents have had since 1974 or the fact that in offering fast track it assumes a consultation between the Congress and the administration. I would say, by the way, I find that a great

comfort, in that the administration is apt to negotiate a more targeted and sensible agreement with consultation with the Congress.

I also would like to say that we believe that this should be, to use a phrase, a clean bill, and that it ought to leave to other venues the very important discussion that Members of your Subcommittee have raised about the environment and workers rights and other matters. But to put them in this bill is to open a Pandora's box that will leave us without time and without conclusion on the fast track legislation.

I think it is also very important to focus on the fact that we are already way behind the curve. That there are negotiations being held all over the world where people are making favorable trade arrangements from which we are being excluded and it is absolutely essential for you to rectify that situation.

I have a whole series from my written statement. What I was going to say today, using Chile for an example, I can tell you how big companies can move their factories to Brazil and then avoid the 11 percent fees, and I can tell you how small companies cannot. And I could tell you all about the different things that are being negotiated and the opportunities that are in front of us, but you are familiar with all that. Let me just say in a very clear way that this is a piece of legislation that will open up the rest of the world for American goods at a reasonable and good—and a beneficial trading arrangement. To deny it is to say to countries all over the country, don't negotiate with our President or with our trade representatives because you have no assurance that this is going to be handled in a sensible way when it gets to the Congress.

I would conclude by going back to where I started and saying this is a bill that is good for this country. It is a bill that is very, very important for large companies but unknown to many. It is essential for small companies. I encourage your focus on that.

Let me conclude with one thought. American goods are not the only goods being offered for sale around the world. We hold no monopoly on our goods. People have to have them. There are lots of other places to go and get trading materials. We need to keep ourselves in the game. I ask your support, not only from this Subcommittee but throughout the Congress to get this done. I promise you that we will work very aggressively with you to see that it is done.

I thank you very much, Mr. Chairman.

[The prepared statement follows:]

Statement of Thomas J. Donohue, President, and Chief Executive Officer, U.S. Chamber of Commerce

Mr. Chairman, thank you for inviting me to appear before this panel today. I am Thomas J. Donohue, President and Chief Executive Officer of the U.S. Chamber of Commerce. I appreciate this opportunity to testify on behalf of the Chamber on implementation of fast-track trade authority and its importance to America's commercial interests.

Simply put, under fast-track, Congress agrees to grant the President the privilege of an up-or-down vote, within a specified period of time, on agreements negotiated between U.S. and its trading partners. Every President since 1974 has enjoyed this authority. Access to fast-track is a critical element to the success of any negotiating strategy. U.S. trade negotiators' credibility depends heavily on their ability to obtain Congressional approval of legislation to implement trade agreements as they were negotiated. As anyone in business knows, you do not waste your time making deals

with negotiators who are not in a position to commit their principals—whether they are companies or countries—to an agreement.

In return for that privilege, Presidents have agreed to establish extensive consultation with the Congress so that, when the agreement is finally concluded, Congress will have enough confidence in the agreement's benefits to the United States that it will be willing to approve the changes in U.S. laws that are needed to implement the agreement.

By the same token, if the President fails to consult adequately or in good faith, Congress has the power to refuse to pass the implementing legislation. Or if it chooses, Congress can take an intermediate step, rescind the fast-track process, and send negotiators back to the table to seek revisions in the agreement.

Obviously, the Chamber strongly believes that the first scenario should prevail. Domestic squabbles between the executive and legislative branches—whether or not they are controlled by the same party—should stop at the water's edge. It does us no good for our President's negotiators to reach arrangements with other countries, only to have them amended in numerous ways for whatever reason, after the fact. History shows that if the President and the Congress work closely together to craft a national trade agenda, real progress can be achieved. Without it, our trading partners will neither sit at the table with us, nor make vital market-opening concessions to America's most competitive products. Only the largest U.S. companies will be able to overcome the hurdles that remain or increase in the absence of pro-U.S. trade agreements generated through fast-track. It is no accident that the number of U.S. companies benefiting from foreign trade has skyrocketed in the fours years since the North American Free Trade Agreement (NAFTA) and the Uruguay Round Agreement were implemented. For example, between 1993 and 1996, the number of small and mid-sized business companies who earn at least ten percent of their revenues from international trade has doubled.

In general, Congress should grant fast-track authority to Presidents that permit our negotiators to obtain:

- More open, equitable and reciprocal market access;
- The reduction or elimination of barriers and other trade-distorting policies and practices;
- Strengthened international trading rules and procedures; and
- Increased economic growth and full employment in the U.S. and global economies.

More specifically, "fast-track" negotiating objectives should include verifiable provisions providing for:

- Expanded competitive opportunities for the export of U.S. goods;
- More open and equitable conditions of trade for U.S. services, including financial services;
- Reduction and elimination of artificial or trade-distorting barriers to international direct investment;
- Maximum protection for intellectual property rights; and
- Transparent, effective and timely enforcement of agreements' rules and implementation of dispute settlement procedures.

The Chamber also believes that fast-track authority should be unencumbered by requirements to advance labor, environment and other social agenda objectives as part of trade negotiations. These issues not only require a considerably expanded level of technical expertise at the negotiating table. But as the administration's own proposal demonstrates, there would be a very real risk that a wide array of domestic labor and environmental laws could end up re-written on a fast-track, with potentially serious consequences. And finally, twelve of our own potential negotiating partners in Latin America repeated on August 24 that they want these issues dealt with separately. Trade issues are contentious enough, with the well-being of thousands of American companies and millions of American workers dependent on continued new access to foreign markets. What is already difficult to achieve could well become impossible if trade negotiations become loaded down with non-trade issues.

America's stake in the global economy and its need for open trading rules is growing too fast for us not to work together and be in a position to close deals with our trading partners. Trade's share of U.S. gross domestic product (GDP) grew from 13% in 1970 to 30% by 1995. Between 1985 and 1994, U.S. exports rose 112% while U.S. GDP only increased 25%. In that same period, exports generated one-third of America's economic growth and about five million new jobs. U.S. firms which export have greater productivity and wages that are 20% and 15% higher, respectively, and are 9% less likely to go out of business in an average year. These companies also experience almost 20% faster employment growth than those who never exported or ceased exporting.

And this is in a world where our own market is much more open than those of our competitors. We must continue to try to open other markets if we want to preserve and build on those advantages. But we will get nowhere if we don't even try. And we need fast-track in order to try.

Opponents of fast-track continue to try to lock in NAFTA's performance as the principal criterion on which to base continued U.S. leadership in trade policy. Essentially, they argue that (1) NAFTA was a bad mistake, and (2) an even worse mistake would be to repeat that mistake in other countries. Both these points are seriously wrong.

First, NAFTA was and is good for the United States. U.S. exports to Mexico have risen over 60 percent since NAFTA took effect. Despite NAFTA opponents' claims that millions of U.S. jobs would move to Mexico (the "giant sucking sound"), the U.S. economy is strong and unemployment is at near-record low levels. Despite some continuing serious problems between the United States and Mexico, we are clearly better off than we were before NAFTA took effect, or we would have been without NAFTA. Both U.S. exports to and imports from Mexico are up dramatically. While we have a significant trade deficit with Mexico as a direct result of the collapse of consumer demand during their 1995 economic crisis, now that Mexico is rapidly growing again, U.S. exports are rising at a rate of over 20 percent per year and the trade balance is moving sharply in our favor. Moreover, thanks to NAFTA, Mexican barriers to U.S. exports fell much farther than the U.S.'s already low barriers fell for Mexico's exports. Results include U.S. exports to Mexico that—despite Mexico's economic problems—are higher than at any time before NAFTA, as well as an increase in the U.S. share of Mexico's import market from 69% to over 74%. And had NAFTA not been in effect, Mexico would have been free to respond to their own domestic economic problems by restoring or raising en masse new barriers against U.S. exports.

Second, if we want to continue to accrue these benefits both in the Americas and elsewhere, then we must continue to engage the world economy. But we will not be able to do that if we don't cooperate with each other. Already, we are seeing the adverse consequences of fast-track's lapse. As others have pointed out, over twenty agreements either have been or are being negotiated without us. The danger—which has already begun to manifest itself—is that as other countries negotiate preferential trade and investment terms among themselves, U.S. companies and their workers will ipso facto find themselves at new disadvantages in those markets.

Chile, for example, has been a leader in moving toward free trade in the Western Hemisphere. While Chile is not a large economy, Chile is considered a model for how other Latin American nations will develop beyond their borders. Chile's GDP has increased at an annual average rate of 7.4% over the past five years. That figure for the year 1996 is estimated at 6.8% or close to $73.4 billion, $5 billion more than in 1995. Inflation was close to 6.5% in 1996. Per capita income has increased to $4,700 and purchasing power parity to nearly $9,000. That nation's increased trade with other countries in the region demonstrates the benefits the nation has derived from lowering tariffs and investment barriers. But Chile is even more important symbolically. A Chile-U.S. Free Trade Agreement would mark the first such agreement between the United States and a South American country.

Chile's bilateral and multilateral deals dot the landscape of every sub-region within the Americas. Chile signed bilateral deals with both of our NAFTA partners. The Chile-Mexico deal has lowered the duties on nearly 90 percent of total bilateral trade to nearly zero. As a result, 1996 trade jumped between the two nations by 48 percent. Chile's free trade agreement with Canada, which went into effect on July 1st, eliminated all duties on 80% off all Canadian goods entering Chile.

In the Andean region, Chile has also been actively striking deals. Chile and Colombia have agreed to lower the duties on 333 products traded between the two nations to zero. In 1996, trade between those two nations rose 23 percent. Chile and Venezuela will have tariff-free trade by 1998. Trade between the two nations rose 70 percent in 1995, and 28 percent in 1996. Furthermore, Chile and Ecuador have signed a deal which will lower the tariffs on all items traded between the two nations to zero by the end of 1998.

Chile has also struck a deal with the formidable trade group of Mercosur, which includes Argentina, Brazil, Paraguay and Uruguay. Brazil alone accounts for over 60 percent of South America's GDP, and U.S. exports to Brazil now both exceed and are rising faster than U.S. exports to China. While tariff-free trade will not be in effect until 2014, significant market opening steps are already being taken. Since October 1, the Mercosur-Chile deal has led to a 30% tariff reduction on 73 percent of Chilean exports, and 81 percent of Chilean imports.

And in 1995, Mercosur and the European Union concluded a broad "framework" agreement that includes a commitment to negotiate a reciprocal trade agreement. Mercosur has proposed completing such an agreement by 1999.

Meanwhile, we have been unable to lower either the 11 percent duty rate or the numerous other non-tariff barriers that U.S. exporters typically face when trying to sell in the Chilean market. As a result, the long-term growth of our bilateral trade relationship is limited, as are our opportunities to beat out our competitors who already have (or will soon negotiate) preferential access to the Chilean market.

If the United States does not jump start negotiations with this important trading partner soon, U.S. businesses will find their current markets eroding. U.S. competitors will be able to institutionalize favorable customer relationships because the U.S. can't negotiate the elimination of tariff and non-tariff barriers that other competitors don't have to face.

But this is by no means the only area in which renewed U.S. participation requires renewed fast-track authority. The Chamber believes such authority is essential if the United States is to pursue a variety of legitimate and critical national objectives worldwide. These objectives include:

Unfinished GATT Uruguay Round Business. As important as the Uruguay Round agreement (also approved under fast-track) was, it did not finish the job. The Uruguay Round also required that signatories initiate additional negotiations in a variety of areas, including intellectual property rights, agriculture, services and government procurement—in many cases within the next three years. Market opportunities in these areas total in the trillions of dollars.

Negotiation of a Free Trade Area of the Americas (FTAA). In December 1994, thirty-four western hemisphere heads of state committed to establishment of a FTAA—a market of over 750 million consumers—by 2005. A Chile-U.S. FTA was envisioned as the first of many steps leading toward that goal. These negotiations are scheduled to be launched in April 1998. The U.S. needs fast-track to participate credibly in setting the rules for trade in this region. The U.S. should include among its FTAA objectives agreed-upon standards for consistent government rule-making; harmonization of technical standards; reduction of existing tariff and non-tariff barriers and the avoidance of new ones; investment reforms; and improved intellectual property protection. The European Union and others clearly find these kinds of initiatives worthwhile. And while we stall, they are proceeding along, to our disadvantage.

Creation of an Asia-Pacific Free Trade Area. While 2020 may seem a long way off for some, in 1994 Asia-Pacific area heads of state similarly agreed that our combined long-term interests require the progressive elimination of trade and investment restrictions by that time (23 years from now) in a region with over half the world's population. Already, ASEAN nations have agreed to reduce tariffs to 5 percent or less on a preferential basis—meaning for them but not us—by 2003. But we weren't there. And we won't be there for the rest of the negotiations without fast-track.

As both this administration, its recent predecessors, and outward-looking businesses all over the United States believe, U.S. success in 21st century competition requires that we continue working to open global markets to U.S. businesses. And with smaller businesses rapidly getting more involved in trade in the wake of NAFTA and the Uruguay Round—and at the same time continuing to grow most of the new jobs in this country—America must stay engaged at both business and governmental levels. American business is quite capable of competing and winning against anyone in the world when doors are open and the field is level. But when other governments block the doors and tilt the fields against us, it is time for our government—with the combined support of the legislative and executive branches—to make sure that business has the freedom to do what it does best.

This concludes my testimony. I will be happy to try to answer your questions.

Chairman CRANE. Thank you, Mr. Donohue.

In your testimony, you indicated the number of small and midsize businesses that earn at least 10 percent of their income from exports has doubled since NAFTA and the completion of the Uruguay round. Maybe you don't have this information available, but do you have any general idea how many of those are located in Illinois?

Mr. DONOHUE. I would assume a large number and probably others are going to move there shortly. Seriously, Illinois has a number of reasons to have, and I am going to tell you a small story about this, a number of reasons to have many of those companies. They have a good university system and some of the wonderful research universities there. They have some large and very significant companies for which others provide subcontracting support. As a matter of fact, our next chairman for next year runs a company in the city of Chicago that competes worldwide with all minority labor and with a union. It is one of the best examples of what can be done if you give companies an opportunity. I look forward to bringing him up and having you meet him.

Chairman CRANE. I look forward to that. I had an interesting experience earlier this year when a fellow that does business in the Persian Gulf area asked me if I knew how many businesses in my district did business over there, and I hadn't the vaguest idea of course.

Mr. DONOHUE. I will try to find out for you.

Chairman CRANE. He gave me the breakdown of the list. He had it. It was over 150 businesses. I looked back home in a little town of 6,000 population, one of those was located in that town. I never heard of any one of these 150 businesses. They were not even medium sized.

Mr. DONOHUE. Mr. Chairman, with the introduction of the type of communications technology we have in this country and the ability to bypass what has traditionally been the impediments to smaller companies being in the trading business, the future for small companies doing business around the world as fabricators, as technology suppliers is unbelievable. We need to take the burden of an uneven trading competition off American companies. The only way to get that done is to pass this legislation and then by the way to keep the pressure on the White House to get it done in a timely basis and within the constraints of what the Subcommittee expects.

Chairman CRANE. And then proceed to NAFTA expansion?

Mr. DONOHUE. Yes, sir.

Chairman CRANE. Very good. All right, Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

Mr. Donohue, I want to thank you very much for your testimony. I would like to ask you, in terms of fast track, the business community wants to see—I think you have said you wanted a clean bill. I think a lot of us would prefer that. But assuming we can't get a clean bill, the U.S. Chamber and others, the Business Roundtable, would you still support a fast track? Because the concept of fast track is to give the President the ability to negotiate a deal and come back to the House and Senate for a yes or no vote without amendments.

Mr. DONOHUE. And consultation along the way.

Mr. MATSUI. And consultation which is very important.

If you don't get a clean bill, you could still support legislation; is that right? And obviously it depends upon how far it goes. But you could still support it. And pending getting legislation that comes out of this Subcommittee on a bipartisan basis, are your members willing to work this issue with the Members of the House and Senate and Democrats and Republicans?

Mr. DONOHUE. Let me try and answer that question very carefully.

We obviously all need a fast track bill. We will not be able to support a bill that has mandates in it that requires the President and his representatives to negotiate trade legislation that must include environmental and labor conditions, for a number of reasons. First of all, it probably won't pass. Second of all, our trading partners wouldn't put up with it, and third of all, it doesn't belong in trade bills.

I am a realist and have been around for a while, and I understand that in 1988, in that legislation and in others, there was rhetoric involved in the bill that suggested that the President consider and the Secretary keep in mind, and the trade ambassador not forget. That rhetoric, while we wouldn't like to have it in there, is not as negative as mandates in the bill that would say that if you don't do these things, we won't give a positive vote on the bill. So we are going to support this vigorously right up to the end because it is going to be a very close vote. But if some group of people from the White House or the Congress at the last minute, and I am going to use this word carefully, load mandates into this bill, it is my considered opinion that it will not pass and that we would oppose it.

Mr. MATSUI. I think what you are saying is correct. Let me say this. One of the problems with mandates or making it a core, labor and environment, a core part of the agreement and requiring negotiations in those areas, of course, is—take the CBI, Caribbean Basin Initiative, for example. That really wasn't a trade issue. That was really a foreign policy issue. Because the U.S. Government didn't want to actually give foreign aid to these countries, the best way to help bring these countries up and move them into democracies, which they were moving into, I believe, in the early to mideighties, was by encouraging economic development in the private sector. If you mandate labor and the environment, we would have gotten bogged down with the CBI countries.

One needs to go back to the early eighties and really understand what was happening. We had Grenada, Jamaica, and a number of others. Now those countries are extremely stable. Not only because of CBI but because we took an interest in them.

To some extent the whole issue of Mexico; the NAFTA was a foreign policy issue more than a trade issue. After all, the size of the Mexican economy is only 2 percent the size of the U.S. economy and so it wasn't going to have an appreciable, maybe 4 percent, appreciable impact.

Mr. DONOHUE. But it has had a major economic impact.

Mr. MATSUI. A positive economic impact, but the real issue was to help stabilize the Mexican economy and obviously the political system. So if you mandate certain things like labor and the environment you might detract from a President, Democrat or Republican's principal goals of both economic well-being but also foreign policy issues as well. So I take your statements as something that I happen to agree with.

Mr. DONOHUE. Congressman, may I suggest that your discussion is something that those that are concerned about labor and conditions of work and about environment should keep in mind. Strong

trading relationships that develop economies, provide better standards of living, and bring more business into those countries are going to have some of the most desirable results that we can get in terms of opportunity for workers in improved standard of living in those countries and that could be a foreign policy objective, of course.

Mr. MATSUI. Thank you.

Mr. DONOHUE. Thank you, sir.

Chairman CRANE. Mr. Nussle.

Mr. NUSSLE. I don't have any questions.

Chairman CRANE. Mr. Neal.

Mr. NEAL. Thank you.

Mr. Donohue, nice to see you again, sir.

Mr. DONOHUE. Nice to see you.

Mr. NEAL. I am starting to hear more and more in my district about the WTO. While I know that some of the evidence isn't clear either way yet on the WTO, tends to be reflected in who has won and who has lost as it relates to WTO, how do you view the WTO at this juncture?

Mr. DONOHUE. Mr. Neal, I would like to know a lot more about the WTO, as you would, but it is very clear that when one enters the worldwide global economy and plays under a series of rules that are established in any myriad of trade negotiations, there needs to be a place where these things are argued, debated, and resolved.

My concern is that none of these organizations, whether it is the WTO or the world labor groups or others begin to set American domestic policy. While we want to use organizations like that to adjudicate and to—differences amongst us under our agreements and to advance world trade, we want to be very careful that their actions do not take the place of the Congress and the administration of setting our domestic economic and human resources policies in this country. Of course we are going to be major players in those organizations, we are going to try and advance our agenda, but I think the Congress wants to be careful. That is another reason to keep a clean bill, not to give third parties power over the things that you should control.

Mr. NEAL. Thank you.

Chairman CRANE. Thanks for all you have done to explain the benefit of free trade through your members, and I look forward to working closely with the Chamber as we move further into the debate about the necessity of extending fast track authority.

With that, have a safe flight.

Mr. DONOHUE. Thank you very much, sir. Have a nice day.

Chairman CRANE. Thank you.

I would now like to welcome the next panel of agreement. We will begin with Thea Lee, representing the AFL–CIO; Calman Cohen, president of ECAT, Emergency Committee for American Trade; Edith Wilson, trade project director for the Democratic Leadership Council; and James Meinert, director for National and International Marketing for Snider Mold Co.

We look forward to hearing your testimony and would ask that you try and keep your oral presentations to 5 minutes. Your printed documents will be made a part of the permanent record. We

shall proceed in the order I introduced you with Thea Lee leading off.

STATEMENT OF RICHARD C. TRUMKA, SECRETARY–TREASURER, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS; AS PRESENTED BY THEA LEE, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATION

Ms. LEE. Thank you very much. Mr. Chairman and Members of the Subcommittee, I am delivering this testimony on behalf of Richard Trumka who was taken ill this morning. I appreciate this opportunity to present the views of the AFL–CIO on the current proposal to extend fast track trade negotiating authority. I will submit the full testimony for the record and summarize it here.

The AFL–CIO and our 13 million members support American leadership in the global economy. But we believe it is critical at this historical transition period for that leadership and the leverage of the American market to be used to protect the rights of working men and women all over the world and to safeguard the environment, not just to enhance corporate mobility and augment corporate profits. We, therefore, oppose the fast track proposal that President Clinton transmitted to Congress on September 16.

Remarkably, this proposal is even more restrictive of the President's ability to negotiate and implement strong and enforceable worker rights and environmental standards in trade agreements than previous fast track authority. At a time when working families are looking to make progress on these issues, this proposal represents a giant step backward.

I would take some exception to Ambassador Barshefsky's assertion earlier today that this legislation is no different from earlier legislation in this particular area. The language is very different. It is dramatically different, and it is worse in terms of labor and environment. Certainly, as Ambassador Barshefsky has made very clear, labor and environment provisions would not receive fast track treatment. They could be broken off, they could be discarded, even as the trade agreement was kept whole. This is a big problem. I will talk more about some of the other ways in which it is a step backward.

This is a very different fast track bill from the 1988 and 1991 bills, even the 1974 bill. It is more restrictive in the areas of labor and the environment and it is more expansive in terms of the agreements that are grandfathered in, the agreement with Chile and the entire built-in agenda of the WTO. This is a big departure from previous fast track authority and I think a troubling one.

Worker rights and environmental standards should be at the top of our priority list, not relegated to a never never land where progress is always promised and never achieved.

The NAFTA labor and environmental side agreements are too weak, not too strong. Labor and environmental protections need to be brought into the core of trade agreements, and they need stronger enforcement provisions that apply to all the labor laws covered and not just a small subset of such laws.

We need to get off the fast track and onto the right track. The proponents of NAFTA and this fast track legislation have focused

only on the rhetoric and ideology of free trade. They are hoping to sell it to the American public on the basis of a false sense of urgency, the idea that speed is more important than the content of new trade agreements. They aren't willing to face up to the concrete costs and unequally shared benefits and burdens of past trade policies.

Increasing the volume of trade brings with it both hidden costs and distributional consequences. These costs need to be assessed up front, and, as a nation, we need to do a much better job redistributing the benefits of freer trade and making sure that those hurt by trade liberalization receive the training and assistance they need to rebuild their lives.

This fast track proposal marginalizes worker rights and environmental standards in two ways. First, it limits the negotiating arena to the World Trade Organization which has been consistently hostile to including worker rights and environmental protection in trade agreements. Second, it limits labor and environmental issues which can be considered under fast track authority to those that are directly related to trade, and decrease market opportunities for U.S. exports or distort U.S. trade.

This language is likely to be turned against working people and used to weaken labor and environmental standards here and abroad. Our aim, in contrast, is to use the leverage of trade agreements to strengthen and enforce internationally recognized worker rights and environmental standards, not negotiate them away.

In order to achieve enforceable labor and environmental standards at the WTO, we would need consensus among the 131 WTO members, a majority of which are developing countries. At the last WTO ministerial meeting in Singapore last December, the Clinton administration could not find even half a dozen allies to support our demand simply to establish a working party to study the link between trade and worker rights. To relegate the negotiation of worker rights to the WTO is to admit defeat.

Trade agreements have an impact on the safety of food in our supermarkets, the wages and working conditions of American and foreign workers, and the integrity of our environment. Let's make sure that when we negotiate new trade treatments, all these interests have been given their due.

I just want to take a moment to clarify one other point that Ambassador Barshefsky made and that Congressman Matsui had raised about the relative impact of trade and technology on wage inequality. Ambassador Barshefsky referred to several studies that showed that the maximum impact of trade on wage inequality was around one-eighth. In fact, she has ignored several excellent studies by scholars from very reputable institutions, including Adrian Wood of Sussex University in England and William Cline from the Institute of International Economics here in Washington, both of whom are free trade supporters. Their estimates are that the impact of trade on increased wage inequality is around 50 percent. I just wanted to add that for the record.

Thank you very much. I look forward to your questions.

[The prepared statement follows:]

Statement of Richard C. Trumka, Secretary-Treasurer, American Federation of Labor and Congress of Industrial Organizations

Mr. Chairman, members of the Subcommittee, I appreciate this opportunity to present the views of the AFL–CIO on the current proposal to extend fast-track trade negotiating authority.

The AFL–CIO and our thirteen million members support American leadership in the global economy. We believe it is critical at this historical transition period for that leadership—and the leverage of the American market—to be used to protect the rights of working men and women all over the world and to safeguard the environment, not just to enhance corporate mobility and augment corporate profits. We therefore oppose the proposal President Clinton transmitted to Congress on September 16th.

Remarkably, this proposal is even more restrictive of the president's ability to negotiate strong and enforceable worker rights and environmental standards in trade agreements than previous fast track authority. At a time when working families are looking to make progress on these issues, this proposal represents a giant step backwards.

Worker rights and environmental standards should be at the top of our priority list, not relegated to some murky never-never land where progress is always promised and never achieved.

Our assessment of the NAFTA labor and environmental side agreements—an assessment shared by most Americans—is that, although they represent some small progress in the right direction, they have failed to protect basic worker rights and environmental standards in the three North American countries. They have failed even in their modest mission to ensure that the U.S., Mexico, and Canada effectively enforce their own labor and environmental laws. In order to be more effective, labor and environmental protections need to be brought into the core of the agreement, and they need stronger enforcement provisions that apply to all the labor laws covered (not just a small subset of such laws).

We need to get off the fast track and onto the right track. The proponents of NAFTA and this fast-track legislation have focused only on the rhetoric and ideology of free trade. They are hoping to sell it to the American public on the basis of a false sense of urgency, the idea that speed is more important than the content of new trade agreements. They aren't willing to face up to the concrete costs and unequally shared benefits and burdens of past trade policies. Yesterday's New York Times (9/29/97, pp. A1, 10) revealed with startling clarity how the increased volume of food imports we are experiencing has swamped our inadequate domestic and border inspection infrastructure, with dire consequences for the health and well-being of American consumers. These problems are multiplying rapidly as trade barriers continue to come down. According to the Times, while our food imports have doubled, Food and Drug Administration inspections of those imports have fallen to less than half their level in the 1980s. In 1996, the FDA inspected less than one percent of the 2.2. million food shipments imported into this country.

Dr. David Kessler, former FDA Commissioner, commented: "We built a system back 100 years ago that served us very well for a world within our borders. We didn't build a system for the global marketplace."

Imported food poses problems due to polluted water used to grow food in third world countries, faulty safety systems, and lack of immunity to microbes not usually found in this country. These problems underscore that the goal of trade policy should not be simply to increase the volume of trade haphazardly, but also to pay attention to how goods are produced. Substandard labor and environmental conditions often go hand in hand with inadequate hygiene or unregulated use of dangerous pesticides.

Increasing the volume of trade brings with it both hidden costs and distributional consequences. These costs need to be assessed up front, and—as a nation—we need to do a much better job redistributing the benefits of freer trade and making sure that those hurt by trade liberalization receive the training and assistance they need to rebuild their lives.

THE PRESENT PROPOSAL

Rather than ensuring that future trade agreements contain enforceable protections for worker rights and the environment, the present fast-track proposal actually guarantees that agreements on worker rights and environmental standards will NOT be subject to fast-track treatment.

This fast-track proposal marginalizes worker rights and environmental standards in two ways. First, it limits the negotiating arena to the World Trade Organization, which has been consistently hostile to including worker rights and environmental

protection in trade agreements. Second, it limits the labor and environmental issues which can be considered under fast-track authority to those that are "directly related to trade."

In the list of overall trade negotiating objectives, the Administration's proposal calls for negotiations to address labor and environmental standards only insofar as they are directly related to trade and "decrease market opportunities for U.S. exports or distort U.S. trade." This proposal would, in essence, instruct the U.S. negotiating team to try to negotiate away other countries' strong labor and environmental protections. This language is likely to be turned against working people and used to weaken labor and environmental standards here and abroad. Our aim, in contrast, is to use the leverage of trade agreements to strengthen and enforce internationally recognized worker rights and environmental standards, not negotiate them away.

The Administration's fast-track proposal limits the principal negotiating objectives on worker rights and the environment to those negotiated "through the World Trade Organization." The WTO has been a singularly unreceptive forum for the advancement of trade-linked worker rights.

In order to achieve enforceable labor and environmental standards at the WTO, we would need consensus among the 131 WTO members, a majority of which are developing countries. At the last WTO ministerial meeting in Singapore last December, the Clinton Administration could not find even half a dozen allies to support our demand to establish a working party simply to study the link between trade and worker rights. To relegate the negotiation of worker rights to the WTO is to admit defeat.

Furthermore, the negotiating objectives with respect to worker rights in the WTO seek only symbolic, rather than concrete, results. Our negotiators are instructed to pursue the following objectives: "promote respect," "secure a review," and "adopt a principle."

Contrast this set of objectives to that regarding intellectual property rights, where our objectives are to: "provide strong protection," "prevent or eliminate discrimination," and "provide strong enforcement,...including through accessible, expeditious, and effective civil, administrative, and criminal enforcement mechanisms."

In the short and medium run, progress on labor and environmental provisions is most likely to be achieved in bilateral and regional agreements. The current fast-track proposal makes this virtually impossible. Unlike previous fast-track authority, this bill limits trade agreements eligible for fast track only to those making progress in meeting the principle negotiating objectives, not the overall objectives. Since the reference to worker rights in the principle negotiating objectives makes no mention of regional or bilateral trade agreements, labor or environmental provisions negotiated as a part of such agreements (with Chile or Latin America, for example) would not be eligible for fast-track treatment.

Trade agreements have an impact on the safety of the food in our supermarkets, the wages and working conditions of American and foreign workers, and the integrity of our environment. Let's make sure that when we negotiate new trade agreements, all these interests have been given their due.

Mr. Chairman, thank you for the opportunity to share our views.

Chairman CRANE. Thank you.

Our next witness is Mr. Cohen.

STATEMENT OF CALMAN J. COHEN, PRESIDENT, EMERGENCY COMMITTEE FOR AMERICAN TRADE

Mr. COHEN. Thank you, Mr. Chairman.

I am Calman Cohen, president of the Emergency Committee for American Trade, ECAT, and pleased to have this opportunity to appear before you.

ECAT's membership is comprised of the heads of major American companies with international operations representing all major sectors of the economy.

To summarize my statement, I would like to make six basic points. First, the members of ECAT believe that fast track renewal

is critically important for us as a nation if the United States is to maintain its leadership role in the world. Indeed, if the United States does not have fast track, U.S. businesses and workers whose well-being is increasingly dependent on international trade, as well as our overall national economic interest, will suffer.

The second point concerns the very major shift that has occurred in international trade. In earlier decades, at the time of international trade negotiations, the strong push for improved market access came from other countries which sought access to the U.S. market. Today the situation is quite different. If American companies are to prosper, it is they who need access to markets outside the United States. Indeed, fast track negotiating authority is necessary to ensure that our government has the wherewithal to negotiate with other governments for improved access for American companies overseas.

Third, the international trade and investment of American companies assures high levels of investment by American companies in U.S. capital goods, and research and development. Most importantly, it allows American companies with global operations to pay their American workers higher wages. I want to emphasize that. Our investment overseas and international trade allows American companies with global operations to pay their American workers higher salaries.

To detail the ways in which these operations of American firms make a difference, ECAT will be releasing a major new study on the important benefits to the U.S. economy that result from expanded trade and foreign direct investment.

Fourth, ECAT believes that very little progress on fast track will be made unless it represents a bipartisan consensus. Fast track is too important and should not be buried in partisan politics, as it is an initiative that will promote the national economic interest.

As a number of Members on the Subcommittee have indicated, there are those in our society who experience dislocation during a time of economic expansion, whether fueled by trade and investment liberalization, or by technological change. They should have available to them cost-effective programs of education and retraining.

Mr. Chairman, you and the other Members of this Subcommittee have helped to ensure that America's trade policy remains bipartisan and takes into account the needs of all Americans. We look to you and the other Subcommittee Members once again to fashion a trade policy appropriate for America's future.

Fifth, in terms of the scope of the fast track, we in ECAT believe that it should be comprehensive and allow the United States to maintain a lead role in shaping the global trade agenda into the 21st century through, multilateral efforts, regional initiatives, and bilateral agreements. The train has already left the station in South America and elsewhere. If the United States is to be the locomotor, fast track negotiating authority must be enacted into law.

Last, much has been discussed this morning about labor and the environment. We believe that the inclusion in fast track of nontrade-related labor and environmental objectives, standards on conditions on which there is little or no international consensus would impede the achievement of progress in trade and investment

liberalization. Fast track legislation should allow for only those labor and environmental provisions that are directly related to trade and should include a provision specifying how the standard is to be applied.

We continue to believe that the best means to secure higher standards in these areas abroad is to promote greater economic development through increased trade and investment. This very goal will be impeded if trade negotiations are conditioned on nontrade-related labor and environment issues on which there is little or no international consensus.

In conclusion, Mr. Chairman, we commend you and the other Members of the Subcommittee for their efforts in trying to fashion a bipartisan fast track proposal. We believe, indeed, that there is a great deal of common ground between the various proposals that have been introduced and are being developed by the Subcommittee and the administration. We urge that every effort be made to reach a compromise which both Republicans and Democrats in Congress can support. We also urge that this be accomplished in sufficient time to enable the Congress to enact fast track legislation this year. We commit to work with all of you in this regard.

Thank you.

[The prepared statement follows:]

Statement of Calman J. Cohen, President, Emergency Committee for American Trade

Mr. Chairman and Trade Subcommittee members, my name is Calman Cohen and I am President of the Emergency Committee for American Trade, popularly known as ECAT. I am pleased to have the opportunity to appear before the Subcommittee today to present ECAT's views on the importance of extending the President's fast-track negotiating authority. ECAT's membership is comprised of the heads of major American companies with international operations representing all major sectors of the U.S. economy. The annual sales of ECAT member companies total over 1 trillion dollars, and the ECAT companies employ approximately 4 million people.

It is critically important for us as a nation that the United States maintain its leadership role in pursuing greater global trade and investment liberalization. If the United States abandons this role, U.S. business and workers, as well as our overall national economic interest, will suffer. U.S. business risks ceding to their foreign competitors the significant new opportunities in emerging markets which are so vital to our continued health and expansion, as the U.S. market is now mature in many sectors. Over the past decade, U.S. business has worked hard to become internationally competitive. As a result, American companies across the economic spectrum—from high technology to agriculture to services—offer that which is best globally in terms of products, technology and services. American companies cannot maintain this competitive edge unless the United States succeeds in securing greater access to the rapidly expanding emerging markets.

If the United States does not retain its leadership role in global trade expansion, American workers face the loss of new and higher-paying jobs that result from greater exports and the growth of the overseas activities of U.S. firms. Instead, workers in the markets of our principal foreign competitors will benefit from expanded trade and job creation.

Our overall national economic interest would also be jeopardized by the loss of U.S. leadership in global trade, as U.S. international trade and investment play an essential role in promoting U.S. productivity and economic growth, now providing for one-third of the growth in our GDP. The international trade and investment of American companies ensures high levels of investment by American companies in U.S. capital goods and research and development. Most importantly, it allows American companies with global operations to pay their American workers higher wages. To detail the ways in which the international operations of American firms make a difference, ECAT will be releasing a major new study in the near future on the important benefits to the U.S. economy that result from the expanded trade and foreign direct investment of American firms.

ECAT believes that fast-track extension legislation must be approved this year if America is to continue to benefit fully from trade liberalization that will be going forward around the globe with or without the United States. It is not a priority that we can afford to set aside until next year. Delay now is likely to result in the fast-track debate languishing into the twenty-first century with America losing out in global competition.

We also are of the view that little progress will be made on fast-track legislation unless it represents a bipartisan consensus. Fast track should not be allowed to be buried in partisan politics, as it is an initiative that will promote the national economic interest. At the same time, it is important to recognize that those in our society who experience dislocation during a time of economic expansion fueled by trade and investment liberalization should have available to them cost-effective education and retraining. Mr. Chairman, you and the other members of this subcommittee have helped to ensure that America's trade policy remains bipartisan and takes into account the needs of all Americans. We look to you and the other Subcommittee members once again to fashion a trade policy appropriate for America's future.

Having commented on the great importance of fast-track legislation, I would now like to make a number of points about the substance of the fast-track proposals being discussed.

Scope and Duration of Fast Track Authority

Fast-track authority should allow the United States to maintain a lead role in shaping the global trade agenda into the twenty-first century through multilateral efforts, regional initiatives, and bilateral agreements. It should be broad in scope. It should allow for the United States to participate fully in further liberalization under the WTO through completion of the built-in agenda, particularly in negotiations on agriculture, services, and intellectual property. On services negotiations, fast track should allow for the strengthening of the framework and basic obligations under the General Agreement on Trade in Services.

On investment, fast track should promote the negotiation of agreements to provide greater protection for U.S. foreign direct investment and to spur liberalization of foreign investment regimes. Fast track should also provide sufficient flexibility to allow for the consideration of a Multilateral Agreement on Investment in the event the OECD negotiations produce an agreement which provides broad investment protection and eliminates foreign barriers to investment.

Fast track should also authorize the negotiation of regional liberalization agreements, such as the expansion of NAFTA and the establishment of a Free Trade of the Americas agreement and an APEC agreement. It should also authorize the negotiation of sectoral liberalization agreements on tariff and non-tariff barriers modeled after the Information Technology Agreement. On information technology products, the United States should have the authority to pursue an agreement which addresses non-tariff barriers.

Finally, ECAT believes that fast-track authority should be extended for a multi-year period, at least until the year 2001 with the possibility of further extension.

Consultation

In pursuing the negotiations described above, fast-track legislation should require the Administration to provide thorough notification to Congress of its intent to initiate negotiations and to enter into agreements. The Administration should also be required to consult closely with Congress in initiating and conducting trade negotiations authorized under fast track. Furthermore, consultation and notification requirements should apply to all trade agreements negotiated pursuant to its provisions, not just those falling under Principal Negotiating Objectives.

Treatment of Labor and Environment Issues

We believe the inclusion in fast-track legislation of non-trade related labor or environmental objectives, standards, or conditions on which there is little or no international consensus, would impede the achievement of progress in trade and investment liberalization. Therefore, fast-track legislation should allow for only those labor and environment provisions that are directly related to trade and should include a provision specifying how this standard is to be applied.

The efforts to include broad labor and environment provisions in the fast-track legislation appear to be motivated by two separate concerns. The first seems to be perceived threats to the integrity and full enforcement of U.S. labor and environmental laws. In this regard, we believe it is important to point out that the multilateral trading rules do not restrict the ability of the United States to fully enforce its

labor and environmental laws. For example, in negotiating the WTO Agreement on Sanitary and Phytosanitary Measures, the United States was successful in ensuring that the rules under the agreement would not hinder the enforcement of high U.S. food safety standards. Health food safety measures are consistent with WTO rules as long as they are based on scientific principles and do not arbitrarily or unjustifiably discriminate against imports. Similarly, to the extent that the WTO Technical Barriers to Trade Agreement covers product standards which are environment-related, it also maintains the United States' ability to enforce high environmental, health and safety standards.

The second objective in including broad labor and environment provisions in trade agreements seems to be the advancement of stronger protections in these areas abroad. While ECAT companies support strong compliance with U.S. labor and environmental laws, we believe that real progress in achieving stronger labor and environment standards overseas cannot be achieved unless these objectives are pursued in the appropriate international fora. Moreover, we continue to believe that the best means to secure higher standards in these areas abroad is to promote greater economic development through increased trade and investment. This goal will be impeded if trade negotiations are conditioned on non-trade related labor and environment issues on which there is little or no international consensus.

CONCLUSION

We commend the Chairman and the other members of the Committee on both sides of the aisle for their efforts in trying to develop a bipartisan fast-track proposal. We believe that there is a great deal of common ground between the fast-track proposal being developed by the Committee and the Administration's proposal. We urge that every effort be made to reach a compromise which both Republicans and Democrats in Congress can support. We also urge that this be accomplished in sufficient time to enable the Congress to enact fast-track legislation this year.

Chairman CRANE. Thank, Mr. Cohen.

Ms. Wilson.

STATEMENT OF EDITH R. WILSON, TRADE PROJECT DIRECTOR, DEMOCRATIC LEADERSHIP COUNCIL; AND SENIOR FELLOW, PROGRESSIVE POLICY INSTITUTE

Ms. WILSON. Good afternoon, Mr. Chairman, Mr. Matsui, other Members of the Subcommittee. I will summarize my remarks and ask that the full statement be entered in the record.

Mr. Chairman, the Democratic Leadership Council believes that President Clinton's request for renewal of traditional fast track negotiating authority serves a compelling need of U.S. foreign and economic policy and should be approved. It must be renewed and it should not be altered in any way that would render it less viable as a policymaking mechanism.

Growth in trade is vital to sustain our country's successful economic strategy. Americans cannot be pro-growth without being pro-trade, for international trade now accounts for fully one-third of our economic growth.

At this moment, the fast track negotiating arrangement that has served this Nation so well for so long is at risk. Partisan politics from the left and the right threatens to produce legislation that would tie the hands of this President and his successors. The result will be an America negotiating with one hand tied behind her back in a world where other nations have never been tougher or smarter negotiators on behalf of their own interests.

The American people reject special interest politics and they dislike partisan politics even more. They want Congress and the

President to work together to solve problems, seize opportunities and expand economic freedom and political liberty. That is exactly what fast track authority does in facilitating our international trade initiatives, helping the American economy grow and carrying our interests and our values to every corner of the globe.

Make no mistake about it. Further delay of fast track renewal with all that is ahead on the international trade agenda would be a triumph of the new protectionism and of economic defeatism that would cost Americans dearly.

Now that the President has made this request for renewal, the world is watching. Legislative rejection, no matter how eloquently cloaked in humanitarian or procedural terms, will send a message around the globe that the United States has abdicated international economic leadership, and, worse, abandoned the pursuit of our own economic self-interest at the hour of our greatest strength. It would confirm to our trading partners that negotiations with the United States are doomed to failure in a Congress controlled by special interests.

Congress needs to come up with a bipartisan bill that can pass. Of the various positions being advanced, the one that defines the political center also makes the most sense for the long-term viability of fast track authority. We call it "no mandates/no new restrictions." No mandates from the left on how social issues must be connected to trade talks and no new restrictions from the right on what interests of the United States can be pursued commercially and in trade.

There should be guidance from Congress in the form of trade negotiating objectives and active consultation throughout, but President Clinton and his successors should have the same broad negotiating authority that other Presidents have had to get the best possible deals for the United States. "No mandates/no new restrictions" is compatible with negotiating on labor and environmental issues directly related to trade, an important and necessary clarification that should be incorporated in the final bill.

The decision about fast track renewal is not about what powers a Republican Congress will give a Democratic President. This is about Congress and the President of the United States uniting to face formidable challenges from foreign trading partners and, using fast track rules of consultation and consideration as guidelines, working together to pursue enormous opportunities.

Congress, as a body, should be careful not to give the executive branch unusual powers beyond the traditional fast track procedures for trade matters. To allow the President to negotiate environmental and labor agreements not directly related to trade under fast track rules would be an expansion of Presidential authority. Members should examine the legislation as it goes through markup and ask themselves: How would I feel about this proposed arrangement if there were a Republican President and a Republican Congress? If it was a Republican President and a Democratic Congress? If Democrats in Congress faced a conservative Republican President able to bring labor and environmental agreements in for a no-amendment, yes-or-no vote, what would the attitude of, for instance, environmental organizations be? If you are going to mandate some kind of negotiations under this fast track bill, you should

be prepared for the possibility that it will be exercised by a President with whose policies you might disagree. Caution is in order and that is why we think a middle of the road position is the appropriate one.

There is room in this bill for specificity. But if there is no flexibility, America will find itself at a disadvantage whether it involves talks about agriculture, information services, or free trade.

I have some comments on labor and environment which I will refer to you in my statement.

I would just like in closing to remark that there is one element oddly missing in this congressional debate and I think Mr. Rangel has raised a number of these questions today; namely, how to expand the winner's circle at home. Technological progress and trade liberalization should go hand in hand with a domestic agenda that offers all U.S. workers lifelong access to career training, more effective public support for workers in transition, and the means to manage their career security by controlling their own health and pension resources. Our paramount goal should be to make trade liberalization and economic leadership a winning proposition for all Americans.

Thank you. We will do everything we can to renew fast track under these conditions and look forward to working with you and other Members of the Subcommittee in this regard.

[The prepared statement follows:]

Statement of Edith R. Wilson, Trade Project Director, Democratic Leadership Council; and Senior Fellow, Progressive Policy Institute

Mr. Chairman, the Democratic Leadership Council believes that President Clinton's request for renewal of traditional fast track negotiating authority serves a compelling need of U.S. foreign and economic policy and should be approved. Fast track serves, overwhelmingly, the national interest. It must be renewed, after an unprecedented three year interruption, and it should not be altered in any way that would render it no longer viable as a policymaking mechanism.

Growth in trade is vital to sustain our country's successful economic growth strategy. Americans cannot be pro-growth without being pro-trade, for international trade now accounts for fully one-third of our economic growth. As the world's richest country, largest exporter, and most competitive national economy, we have the most to gain from opening new markets and enhancing a rules-based trading system.

At this moment, the fast track negotiating arrangement that has served this nation so well is at risk. Partisan politics from the left and the right threatens to produce legislation that would tie the hands of this President and his successors. The result will be an America negotiating with one hand tied behind its back in a world where other nations have never been tougher or smarter negotiators on behalf of their own interests.

Lawmakers who oppose fast track renewal should heed the lessons of the past two elections: the American people reject special interest politics and they dislike partisan politics even more. They want Congress and the President to work together to solve problems, seize opportunities, and expand economic freedom and political liberty. That's exactly what fast track authority does in facilitating our international trade initiatives, helping the American economy grow, and carrying our interests and values to every corner of the globe.

SPECIAL INTERESTS VS. NATIONAL INTEREST

Of course special interests, be they regions, industries, or groups, strongly oppose fast track negotiating authority: It is designed to protect against their domination of our international commercial relations—even while offering them ample input in negotiations. Approval of major trade agreements on an up or down vote allows U.S. presidents to negotiate, by assuring our trading partner that any agreement reached will not be subject to the death of a thousand unilateral amendments. Fast track procedures grew out of bitter experience: in 1967, Congress amended and repudiated a trade deal worked out by the Kennedy Administration. Other countries, not un-

naturally, became less interested in negotiating with the United States. Fast track procedures were crafted to prevent a repeat of this diplomatic and commercial disaster. They are designed to ensure that the United States never again becomes captive to industries or groups seeking protection from international competition by putting their interests above those of every American who benefits from steady growth coupled with lower unemployment, prices, and inflation.

Make no mistake about it: Further delay of fast track renewal, with all that is ahead on the international trade calendar, would be a triumph of the new protectionism and economic defeatism that would cost Americans dearly. Now that the President has made his request for renewal, the world is watching. Legislative rejection, no matter how eloquently cloaked in humanitarian or procedural terms, will send a message around the globe that the United States has abdicated international economic leadership, and worse, abandoned the pursuit of our own economic self-interest at the hour of our greatest strength. It would confirm to our trading partners that negotiations with the United States are doomed to failure in a Congress controlled by special interests.

BIPARTISAN APPROACH TO LEGISLATION

Congress needs to avoid partisan posturing and come up with a bill that can pass. Of the various positions being advanced, the one that defines the political center also makes the most sense for the long-term viability of fast track authority: "no mandates/no new restrictions." No mandates from the left on how social issues must be connected to trade talks, and no new restrictions from the right on what interests can be pursued. There should be guidance from Congress in the form of trade negotiating objectives, and active consultation as circumstances change and opportunities present themselves, but President Clinton and his successors should have the same broad negotiating authority that other presidents have had to get the best possible deals for the United States.

No mandates/no new restrictions is compatible with negotiating on labor and environmental issues directly related to trade, an important and necessary clarification that should be incorporated into the final bill. No new restrictions means the President should not be prohibited from pursuing these topics when there is a legitimate issue (such as standards). No mandates means that he should not be required to introduce them when, in his judgement, they would serve no useful purpose (as in many sectoral accords).

The decision about fast track renewal is not about what powers a Republican Congress will give a Democratic President. This is about the Congress and the President of the United States uniting to face formidable challenges from foreign trading partners and, using fast track rules of consultation and consideration as guidelines, working together to pursue enormous opportunities. This is about the long-term viability of an essential arrangement between two branches of our government that will let the United States negotiate successfully on trade as we enter the 21st century.

Congress as a body should be careful not to give the executive branch unusual powers beyond the traditional fast track procedures for trade matters. To allow the President to negotiate environmental and labor agreements not directly related to trade under fast track rules would be an expansion of presidential authority. Members should examine the legislation as it goes through mark-up and ask themselves, "How would I feel about this proposed arrangement if there were a Republican President and a Republican Congress? A Republican President and a Democratic Congress?" If Democrats in Congress faced a conservative Republican President able to bring back labor and environmental agreements for a no-amendment, yes-or-no vote, what would the attitude of liberal environmentalists be? If you are going to mandate some kind of negotiations, you should be prepared for the possibility it will be exercised by a president with whose policies you disagree. Caution is in order.

There is room in this bill for specificity, but if there is no flexibility, America will find itself at a disadvantage, whether it involves talks about agriculture, information services, or free trade with Latin America. We will not have the leverage we need because we will have told our negotiators for the next eight years to pursue only the narrowest of objectives that Congress could foresee in 1997. This is wrong. Ask Bill Brock, Robert Strauss, Carla Hills, Mickey Kantor, or Charlene Barshefsky if this is the best way to negotiate.

LABOR/ENVIRONMENT

Those genuinely committed to progress on labor and environment issues must not be distracted by the din of disinformation over fast track. There are many approaches for improving international industrial relations, labor rights, pollution prevention, and resource conservation that can and are being pursued productively by the United States. None of them besides directly trade-related measures requires the special device of fast track procedures. The President has ample executive authority to enter into agreements in these areas, most of the time not changing U.S. law and therefore not requiring congressional action.

Trade is important to improving the global environment. Trade increases wealth, and with wealth it is possible to pay for smokestack scrubbers, sewers, and other systems to clean up pollution and improve public health. Open trade facilitates the spread of innovation, such as the environmental technology that America now sells around the world. Economic growth helps increase the middle classes in developing countries who in turn will generate local demand for clean air, clean water, and the enforcement of environmental laws. Finally, trade negotiations give the United States additional leverage in other labor and environmental negotiations. Most of all, we must raise living standards here and abroad if we seek higher wages and increased protection for the environment. Trade helps us do that.

The history of trade disputes and protectionism should make us pause long and hard as we deal with the environmental issues here. At a time when we are finally making progress at a multilateral level in dismantling non-tariff trade barriers, there is legitimate concern about whether environmental standards could become a new kind of non-tariff barrier. Caution needs to be exercised both by those who wish to advance the cause of environmental protection as well as by those who wish to expand trade.

We must guard against the temptation to dictate to other nations what their laws, wages, and standards must be. It won't work and already is arousing fierce resentment abroad. We would never let other nations dictate to us in a similar manner. Instead, we must lead in multilateral and regional efforts to share expertise and technology, build necessary institutions, work out problems cooperatively, and raise standards by mutual agreement.

EXPANDING THE WINNER'S CIRCLE AT HOME

In closing, permit me to remark that one element has been oddly missing in this congressional debate: namely, how to expand the winner's circle at home. Technological progress and trade liberalization should go hand-in-hand with a domestic agenda that offers all U.S. workers lifelong access to career training; more effective public support for workers in transition; and the means to manage their career security by controlling their own health and pension resources.

These are all critical elements of a revitalized social compact to allow all Americans to compete and win. Now that the budget is balanced, Congress must turn its attention to this unfinished business. Our paramount goal should be to make trade liberalization and economic leadership a winning proposition for all Americans.

Thank you for your consideration of these remarks. I would be happy to take questions.

Chairman CRANE. Thank you, Ms. Wilson.

Mr. Meinert.

STATEMENT OF JAMES L. MEINERT, SNIDER MOLD CO., MEQUON, WISCONSIN; ON BEHALF OF THE SOCIETY OF THE PLASTICS INDUSTRY, INC.

Mr. MEINERT. Thank you. Mr. Chairman, it is indeed a pleasure to speak before you and your distinguished panel today on behalf of the Society of the Plastics Industry and my company, especially in support of granting fast track trade negotiating authority to the President of the United States. I appreciate this opportunity to present the views of SPI, Society of the Plastics Industry, and my

company, Snider Mold, which employs 45 individuals near Milwaukee, Wisconsin. We are located in Mequon.

Over the past 30 years, I have personally been an engineer, general manager, owner, president, and now the last few years I am focusing on international marketing for my company.

We have served the plastics industry worldwide since 1966. Snider Mold combines leading edge technology with the skills of highly trained craftsmen and engineers to build quality compression and injection molds for plastics. Our customers are molding companies and end users located in the United States and in many other countries.

We serve the automobile industry. In the agriculture business, we serve John Deere, J.I. Case. Also, Harley Davidson is a real good customer of ours. We are in the construction industry, a lot of material handling containers. In fact, the chairs in this room came out of one of our molds, I noticed this morning.

But Snider Mold has been exporting for more than 30 years, and international sales have had a dramatic impact on our company, with sales to Mexico, South America, Europe and Asia. Thirty percent or more of our employees have jobs because of our exporting. Within the last few months, we have acquired a large customer in Brazil that will result in even greater growth for our company and our employees.

Among the other activities in the international field, I have had the privilege of serving as chairman of SPI's international trade Committee on plastics and have been honored by being selected the 1993 Small Business Exporter for the State of Wisconsin. I served as president of the Milwaukee World Trade Association; I have also led and been part of numerous trade missions in several countries around the world.

I have a real passion for exporting and will talk to anyone who will listen about exports and the merits of trade and my company's successes abroad, within my small business community in Wisconsin, as well as the plastics industry. I feel it is my mission to encourage small companies to be involved in export and to create an international awareness.

Not only do exports strengthen Snider Mold's employment, international business enables us to purchase more new goods and services from our local U.S. suppliers and financially support our community. Even though my company is very small, the increasing global reach of our economy has had a great impact on my company's health. While we have been successful at building Snider Mold's international presence, I strongly feel that we could have done even better, had some trade barriers in many markets been lowered.

High tariffs in South America and Asia have been a particular problem for us, as well as nontariff barriers in many countries, which prevent growth of my small company. Trade barriers hinder the ability of Snider Mold and other U.S. plastics companies to compete. Lowering these barriers should be a number one priority in this country and the U.S. Congress.

The U.S. plastics industry, as well as all American businesses and schools, must prepare workers and students not just to compete, but to lead globally as we approach the next century. I have

made literally hundreds of international business trips over the past several decades, and I know that if my company or another United States moldmaker doesn't step up to the plate, our competitors from Asia, Europe and elsewhere will. My competitors from other nations aren't waiting around for fast track; they are out there developing markets and seeking business from my possible customers.

The plastics industry's future and the future of companies like Snider Mold is in the newly industrialized and developing nations of South America, Asia and Africa. The long-term potential of these markets is huge, as you heard earlier today, and the U.S. plastics industry needs to be there. But at the same time, the trade barriers in those countries also tend to inhibit U.S. exports. In addition, while the domestic plastics industry is growing, the pace of that growth is dwarfed by the exploding growth in these developing countries.

My company is typical of the many small companies in the U.S. plastics industry. The industry has become increasingly more dependent on international trade, and in the past decade, the trend shows every sign of continuing. More than 120,000 plastics industry, good paying jobs were dependent on international trade last year, in 1996, and that is a 20-percent increase in 2 years. It is one of the few industries with a positive trade balance. We are doing well, but we still need some help. Because of this increasing dependency on international trade, the SPI board of directors gave a strong endorsement to fast track at a recent meeting.

U.S. plastic sales and employment will be enhanced by trade negotiations that remove foreign trade barriers. Trade is good for American workers and the U.S. plastics industry employment and the employees of Snider Mold Co.

Mr. Chairman, I honestly can say to you that I don't understand the political rhetoric I hear about fast track. Maybe I am very simpleminded, but simply put, I think it is a bread-and-butter issue to those of us who make our livelihood and start to depend on trade. The arguments against fast track just don't add up, and I think they are really about protectionism and protecting my company from growing or protecting my company from hiring more workers, protecting my employees from higher wages and better jobs. We do not need that kind of protectionism.

I am the guy with the "frequent flyer" miles; I am going all over the world looking for these opportunities, and all I need to know is what the ground rules are so I can play the game. I have been in hundreds of business negotiations in my business career and have been successful internationally because of my willingness to appreciate international cultural differences and to manufacture a good product that is suitable for the market. But let's face it, those negotiations would not have resulted in sales if the person sitting across from me doesn't trust my word, doesn't know where I am coming from.

The same is true for fast track. Countries that should lower their trade barriers won't negotiate with the United States if our work can't be trusted. If Congress can amend the work of our negotiators, nobody would be fool enough to enter the negotiations with us. That is why, Mr. Chairman, the country needs fast track.

Snider Mold needs fast track, and I urge Congress to pass fast track and send it to the President. We really need this commitment, and I would like to thank you very much for this opportunity, letting me present the views of Snider Mold and the plastics industry.

[The prepared statement follows:]

Statement of James L. Meinert, Snider Mold Co., Mequon, Wisconsin; on Behalf of Society of the Plastics Industry, Inc.

Mr. Chairman, it is indeed a pleasure to speak before you today on behalf of The Society of the Plastics Industry, Inc. (SPI) in support of granting fast-track trade negotiating authority to the President of the United States. I appreciate this opportunity to present the views of SPI and my company, Snider Mold Company, Inc., which employs 45 individuals in Mequon, Wisconsin.

Over the past 30 years, I have been an engineer, general manager, owner, president and now international marketing director for Snider Mold Company. We have served the plastics industry worldwide since 1966. Snider Mold Company combines leading edge technology with the skills of highly trained craftsmen and engineers to build quality compression, injection and structural foam molds. Our customers are molding companies and end users located in the United States and many other countries.

Snider Mold has been exporting for more than 30 years. International sales has had a dramatic impact on my company, with sales to Mexico, South America and Asia. Thirty percent or more of Snider Mold's 45 employees have jobs because of Snider's exporting. Within the past few months, Snider acquired a large customer in Brazil, which will result in even greater growth for our company and our employees.

Among many other activities in the international field, I have had the privilege of serving as chairman of SPI's International Trade Advisory Committee and have been honored by being named the 1993 Small Business Exporter for Wisconsin and served as President of the Milwaukee World Trade Association. I also have led and been a part of numerous trade missions to several countries around the world.

I have a real passion for exporting and will talk to anyone who will listen about the merits of trade and my company's success abroad. Within my small business community in Wisconsin, as well as within the plastics industry, I feel it is my "mission" to encourage exporting and international awareness. Not only do exports strengthen Snider Mold's employment, international business enables us to purchase more new goods and services from U.S. suppliers and financially support our community.

Even though my company is small, the increasingly global reach of the economy has a great impact on the company's health. While I have been successful at building Snider Mold's international presence, I strongly feel that Snider could have been even more successful had trade barriers in many markets been lower. High tariffs in South America and Asia, as well as other non-tariff barriers in many countries, prevent the growth of my small company. Trade barriers hinder the ability of Snider Mold and other U.S. plastics companies to compete. Lowering these barriers should be a number one priority for this country and the United States Congress. The U.S. plastics industry, as well as all American businesses and schools, must prepare workers and students not just to compete, but to lead, globally, as we approach the 21st century.

I have made literally hundreds of international business trips over the past several decades and I know that if my company or another U.S. moldmaker doesn't step up to the plate, our competitors from Asia, Europe or elsewhere will. My competitors from other nations aren't waiting around for fast-track; they are out there in developing markets seeking business.

The plastics industry's future and the future of companies like Snider Mold is in the newly industrialized and developing nations of South America, Asia and Africa. The long-term potential of those markets are huge and the U.S. plastics industry needs to be there. But, at the same time, the trade barriers in those countries also tend to inhibit U.S. exports. In addition, while the domestic plastics market is growing, the pace of that growth is dwarfed by the exploding growth in developing economies.

My company is typical of the many small companies in the U.S. plastics industry. The plastics industry has become increasingly more dependent on international trade in the past decade and that trend shows every sign of continuing. More than 120,000 U.S. plastics industry jobs were dependent on international trade in 1996,

a 20 percent increase just in 2 years!! Because of this increasing dependency on international trade, the SPI Board of Directors gave a strong endorsement of fast-track at a meeting last week. U.S. plastics sales and employment will be enhanced by trade negotiations that remove foreign trade barriers. Trade is good for American workers, U.S. plastics industry employment and the employees of Snider Mold.

Mr. Chairman, I honestly can say that I do not understand all the complicated political rhetoric that I hear about fast-track. Simply put, it is a bread and butter issue to those of us whose livelihoods depend on trade. The arguments against fast-track just don't add up and really are about "protectionism." Protecting my company from growing, protecting my company from hiring more workers, and protecting my employees from higher wages and better jobs. We do not need that kind of "protectionism."

I have been in hundreds of business negotiations in my business career and have been successful internationally because of my willingness to appreciate international cultural differences and to manufacture a good product. But face it, those negotiations would not have resulted in sales if the person sitting across the table didn't trust my word. The same is true for fast-track. Countries that should lower their trade barriers won't negotiate with the United States if our word can't be trusted. If Congress can amend the work of our own negotiators, nobody would be fool enough to even begin the negotiations. That is why, Mr. Chairman, that the country needs fast-track and why Snider Mold needs fast-track. I urge the Congress to pass fast-track and send it to the President.

Thank you for the opportunity to express the views of Snider Mold Company and The Society of the Plastics Industry.

Chairman CRANE. Thank you, Mr. Meinert.

Ms. Lee, I have a question. If the fast track language does not make significant accommodations to the AFL–CIO on labor and environmental issues, is it your organization's plan then to punish members who vote for it?

Ms. LEE. Punish is a strong word, but certainly this is an issue which is extremely important to our members, and which they have strong feelings about, so I can say that this is something we care about. And we have communicated that concern to Members of Congress, and we are doing the best job we can to let them know exactly the basis for our concerns.

Chairman CRANE. So if your language were not adopted, you would have rather have no trade negotiating authority given to the USTR.

Ms. LEE. We would rather have no fast track than a bad fast track, that is right; and we consider the proposal before us to be a bad fast track. We don't consider that to be the end of trade. Certainly the United States is exporting very well to Latin America without fast track, without a free trade area of the Americas; and we don't see any reason why trade has to stop just because we don't have a fast track bill.

Yes, maybe there might be a short period before we get new trade agreements in place, but nothing is stopping the United States from participating, even without fast track.

The point we want to make is that before we go ahead and sign this sweeping new fast track authority, we want the ground rules that Mr. Meinert was talking about to be clear, and the ground rules should be exactly what we have talked about, that companies that don't respect basic human worker rights and environmental standards should not have preferential access to the U.S. market. We feel very strongly about that.

Chairman CRANE. Well, to be sure, we are carrying on trade with non-NAFTA partners in South America, but I learned recently that there is a big difference between a similar product, manufactured here and in Canada, since Chile went forward with a free trade agreement with Canada. The difference is the Canadian product accesses the market with no tariff barriers, and the tariffs on ours are 10 to 15 percent; and that is not just confined to Chile.

Ms. LEE. Right. Well, certainly everyone would like to see lower tariffs, and I think there are probably a lot of tariff lowering agreements that can be done outside of fast track. But I think one point that is really important to make too is that the relative level of tariffs is not the only concern in terms of where products are purchased and where they are sourced. Certainly, if you don't have any way in trade agreements to take into account dramatic currency movements, as we saw with the Mexican peso, small differences in relative initial tariffs are totally swamped by the currency movement. Mexico's pre-NAFTA tariffs fell from about 10 percent down to much less than that, but the 50% currency devaluation the year after we signed the trade agreement rendered that tariff decrease irrelevant. I guess I am a little bit puzzled as to why the negotiating objectives on currency stability and exchange rates were actually taken out of this fast track bill relative to earlier fast track bills.

Chairman CRANE. Are you familiar with the peso devaluation of 1982?

Ms. LEE. Yes.

Chairman CRANE. And its impact?

Ms. LEE. Yes.

Chairman CRANE. And how long did it take us to recover from that?

Ms. LEE. Well, our exports took several years to recover, but we never had a trade deficit of $16 billion back in 1982, and one of the reasons is, the whole nature of our trading relationship with Mexico is very different in the nineties than it was in 1982. The difference is that a lot of our exports to Mexico are now composed of intermediate parts and capital goods, things that are used to produce goods which are then exported back to the United States market. So the fact the Mexican consumer market has still not recovered from the 1994 and 1995 peso crisis is sort of irrelevant because a lot of the United States exports to Mexico are fueled by consumer demand in the United States, not in Mexico. That is one of the reasons we didn't see the same kind of drop in U.S. exports that we saw back in 1982, but we did see a massive growth in the U.S. trade deficit. That was different from what we saw back in 1982, and the drop in Mexican GDP was much greater in 1995 than it was in 1982.

Chairman CRANE. Well, thanks to NAFTA, it took less than 1 year for us to get into a bigger export total to Mexico than ever in history, and it reached an alltime high.

I would like to ask you, Edie, a quick question. Congressman Visclosky testified earlier that NAFTA is being used as a weapon against labor unions. Do you agree?

Ms. WILSON. Did the Congressman refer to plant relocation, that with trade liberalization with Mexico, plants are now being able to move, which is an allegation which I would want to comment on?

Chairman CRANE. I presume it is the sucking sound argument.

Ms. WILSON. Well, if the reference was to jobs, there was no discernible sucking sound.

Chairman CRANE. Well, they did go to Texas.

Ms. WILSON. They did go to Texas. The United States economy creates, in 1 month, hundreds of thousands of jobs—at the moment, more than we have, "lost," with trade with Mexico in the 3 years since Mexico—since the agreement has been in effect. If the reference is to plant relocation and the question of whether a company goes in in a labor negotiation and says, unless you give us what we want, we are going to take this plant to Mexico, the comment that you have to make is, plants move all the time.

Plants in Illinois have labor negotiations where terms of trade and advantages in other States of this Union are frequently discussed. Terms of trade and labor situations in other countries are frequently discussed, there is no law against it; it is not the nicest kind of negotiations in the world, but it happens. The question is, have we seen a shift in actual trade of plants moving to Mexico; and we have clearly seen a movement around North America as it has become more integrated economically.

But we are also seeing this year that the three countries of North America have now got impressive economic growth, Canada is projected at 3.3 percent this year; Mexico has been upgraded to between 5 and 6 percent GDP growth this year. The United States, I believe is at 3.7 percent; we are one of the fastest growing regions in the world. It seems to me that we are benefiting from the effects of this agreement overall.

Chairman CRANE. Thank you very much.

Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

Ms. Lee, may I ask you a question. Assuming that labor and environment were a core part of an agreement, and let's say that we didn't have a free trade agreement with Mexico, what would you propose in terms of offering—putting on the table labor provisions with respect to Mexico? What are some of the things you would suggest that would be part of an agreement?

Ms. LEE. Well, actually, I think the NAFTA labor side agreement is a start in the right direction. It is not enough. Some of the problems in terms of Mexico and their labor laws is, for one, the minimum wage, which has lost about two-thirds of its purchasing power over the last decade or so. And so the question is whether Mexico is actually adhering to its own constitution, which requires a decent minimum wage.

I think we need to be able to address the problems of violation of the freedom of association and the right to bargain collectively—which are written into the NAFTA labor side agreement; but unfortunately they are written in without any enforcement provisions, no arbitration, no dispute settlement mechanism and so on. So it is possible to bring cases alleging there has been a persistent violation of the freedom of association and the right to bargain collectively in Mexico, but it is not possible to receive any kind of finan-

cial penalties or any kind of sanctions, even when that finding has been determined.

We have looked at five internationally recognized labor rights, the same ones that are in U.S. trade law in the generalized system of preferences, the Caribbean Basin Initiative and the OPIC and so on. They are the freedom of association, the right to bargain collectively, prohibition on forced labor, a minimum age for the employment of children and acceptable conditions with respect to minimum wage, hours of work and health and safety. These are core ILO conventions that are determined at an international level, that we think could be enforced through trade agreements. I guess every once in a while I feel puzzled about the vehemence with which American businesses oppose these core labor standards.

We are not asking for other countries to have the same wages as the United States or even the same labor standards; we are asking for a core set of labor standards to be respected internationally, and most American companies, I do believe—certainly they claim this is the case—pay decent wages and use environmentally responsible methods of production. This should not hurt them; it should help them.

Mr. MATSUI. And I appreciate that. We do have some basic standards on the International Labor Organization—obviously, prison labor; you know, obviously labor in sweat shops—we do have certain requirements now. But what you are suggesting is, for example, a minimum wage.

See, one of the problems with an issue like the minimum wage is, that to a large extent it is dependent on factors that are even beyond the control of the negotiators. The value exchange rate between countries, things of that nature, obviously the inflation rate, all of that comes into play here; and if you are suggesting that before we do any trading with any country, we should have at least the negotiations on collective bargaining agreements, one of the problems there is—take China for example.

China doesn't have collective bargaining; we are trying to get them to move over from state-owned industries into a private sector situation. I think they are—about 60 percent now is still state owned, and obviously we are trying to get them to move further into the private sector. And so to raise collective bargaining with the Chinese Government at this time probably would be fruitless.

And so my concern is, are we really talking about issues of labor in the environment, or is this really just a way to say, look, we are against any kind of trade agreement, because it doesn't seem to me like you are going to be able to negotiate these things?

If we try to negotiate the NAFTA all over again, and we raise a minimum wage issue, and I go all the way back to, I guess it was the late eighties, the Salinas government, I don't think they could have cut that deal. In fact, I know they couldn't have cut the deal, given the state of their economy, given the political instability that was there at the time that we found out later about, even worse than we thought at the time, I don't know how you can negotiate those kinds of things with a country. Now, maybe a country like Chile, we can do that, but I think everyone can see that the Chileans will pretty much work with us on what we want and what they want in terms of labor and environmental standards.

I think Mexico might have been a unique situation, but even there, I think it would have been difficult to get some of the items you are suggesting. You can respond.

Ms. LEE. We will never know until we try, and we won't succeed until we put labor and environmental standards at the top of our list of negotiating objectives.

I think it is true if you go to a country, particularly in the developing world, and you say, listen, we need concessions on intellectual property rights and financial services and agriculture and 17 other things, and they give you those concessions; and then you ask for concessions on labor rights, you are unlikely to achieve them. I think if this were something we could send a consistent message to our trading partners about, I think if we had done it from the beginning with Mexico, we would have succeeded, we would have prevailed; we will never know at this point. But it is not a poison pill and it is not a way of stopping trade; it is a way of saying, trade has had a disproportionate burden on working people, and there are two aspects to it. One is the development aspect, about spurring the right kind of development in Third World partners so they do have a good, growing consumer market, they do have a strong middle class; and the other thing is taking the edge off the worst kinds of competition that American workers face back home.

Mr. MATSUI. I appreciate it. Let me say this.

We were citing statistics in terms of what the value of trade is in terms of the wage disparity. Now, I understood it to be 10 percent, maybe a little higher than that. I know Ambassador Barshefsky said one-eighth was maybe related to trade, and you indicated it could be up to 50 percent.

You cited two economists; one is Bill Cline. See, now I am going to have to check that because I was under the impression that William Cline with the Institute of International Economics—I believe it is the same person we are talking about—said it was about 10 percent, but he also threw in the immigration along with the issue of trade.

Now, I could be mistaken, but I understood it to be 10 percent. Perhaps you have some——

Ms. LEE. I saw a manuscript of his book, which was from maybe 6 months ago or so, and in it he said—there were two different measures he had; one was the gross impact and the net impact. But the net impact, if you look at the 18-percent gap, the growth in the wage inequality between 1980 and the present, he said, of that gap, about half could be attributed to trade and another 15 percent could be attributed to immigration. But when you look at the gross growth in inequality, there was more than 100-percent growth in inequality.

So there were many factors that were contributing to inequality, and if you take all those factors and lay them out, then trade plus immigration came to more like one-eighth of the impact. But in terms of looking at that gap, that 18-percent growth in wage inequality, half of that gap was due to trade, according to the last numbers I saw. And if he has revised them since then, then I will stand corrected.

Mr. MATSUI. Well, I appreciate this. Obviously, this is an ongoing dialog, and I appreciate your testimony. I appreciate the testimony from the other panelists as well. Thank you.

Chairman CRANE. Mr. Herger.

Mr. HERGER. I have no questions at this time, Mr. Chairman.

Chairman CRANE. Mr. Nussle.

Mr. NUSSLE. Thank you, Mr. Chairman.

I was listening with quite a bit of interest to the last exchange with Mr. Matsui, because it is a question that I have pondered over quite a bit, and I think most everybody—you may not agree with this position, but I think most everybody has quite a bit of concern over both of the issues of the environment and labor. The question is, how do we effect that change with a foreign country over which we have no authority?

All we have is a negotiating position, and this is a negotiation, and what we are talking about here today is who best can negotiate on behalf of the United States. And I think it has been clear, certainly in our modern times, the President of the United States—regardless of party, regardless of philosophy, regardless of many of the things that get pointed out from time to time in more domestic policy, partisan discussions—is the best person to do that.

And so I guess I, too, want to know what is it—and maybe you have some experience in knowing what this would be, but what will these countries ask for in return if we go in and start with number one and number two being environment and labor? I mean, obviously we go in and we say, all right, our negotiation is this, this is what we want; and they say, OK, thank you, this is what we want. What are they going to ask for, and are we going to be able to swallow that? That is the first part.

The second part is unenforcement. If, in fact, we do get an agreement with any kinds of changes, they are under quite a bit of fear, and part of the reason they say this is a poison pill is, they don't want to have trade sanctions over some of these other issues that are not solely trade-based issues. And so part of what concerns me about this is I think there is a definite effort to try and figure out ways to improve this.

But we have seen certainly a President that your organization has supported very well over the last 5 years now has not been able to effect hardly any changes in that area, so I am wondering what it is that anyone could do to satisfy your concern, and at the same time, still get an agreement that anyone can live with?

Ms. LEE. I think the main thing we have to offer is access to our consumer market, which of course is one of the largest and richest consumer markets in the world. And whether countries would be willing to make agreements on labor and environmental provisions in order to have a trade agreement with the United States, I think is not unlikely; it is the——

Mr. NUSSLE. But they have that now, and so what we would propose is what—saying to them, if you don't fulfill that part of the bargain, we are at trade war with you.

Ms. LEE. No, we don't have a new trade agreement with you. We don't have a trade agreement, let's say, with Latin America. Let's say we are talking about a free trade area of the Americas and we think——

Mr. NUSSLE. Well, we are talking about a trade agreement and a trade negotiation. Let's assume we have been able to effect what you want, you are supporting it. Now there is a problem, and you are saying, quid pro quo is access to our consumer market; so we say to them, you can't have access any more. What do they say, you can't have access to us?

Ms. LEE. We are talking about negotiating a new trade agreement which is lowering trade barriers, let's say, to zero—as we did between the United States, Mexico, and Canada over the course of 15 years—we take our trade barriers right down to zero; and in exchange, is it reasonable to say we need some minimum standards on labor and environment, we need adherence to these minimum standards, otherwise these goods can't cross the borders with——

Mr. NUSSLE. But the exchange is, we are both bringing our barriers down to zero. That is the exchange; you bring yours down, I bring mine down, now they are both down.

Now we want also to get labor standards and we want environmental standards. How do we get that? What is the other side of the bargain on that?

Ms. LEE. As part of a negotiation to agree to bring the standards down to zero, we talk about labor and environmental provisions, and we come to a mutually agreed upon solution. And this is something the labor movement in the United States has discussed with our colleagues—labor and environmental organizations in other parts of the world. For the most part, they are not opposed to working on this kind of consensus.

They also see a problem in their countries. They would see this as something which would be welcomed, where they could help empower workers, let's say in Chile or in Brazil, to have improvements in their labor code as part of trade agreements.

But the reason to tie it to trade agreements, the reason it is important is simply, that is where the leverage is in international agreements; that is why we have tied intellectual property rights protection to trade agreements, because that is how we have leverage over another country to get them to change their own domestic laws, to bring them up to U.S. standards. That is what we did under NAFTA; we used the carrot of the trade agreement with the United States as a way of forcing or convincing Mexico and Canada to change their domestic intellectual property rights law so they looked exactly like the United States laws.

Mr. NUSSLE. That works in some instances with regard to trade barriers. But I think the concern the President has been expressing, and others, is that there is almost no way to negotiate that and then, in the final analysis, to enforce it; and that would be the concern that I have.

I would just like to go on and just—well, my time is up. But let me just, point out, you say here that lawmakers who oppose fast track renewals should heed the lessons of the past two elections. The last report I saw said that there was pretty much a vast majority of Republicans supporting the fast track, and there are only, I think, two that were willing to go on record from the Democratic side. And I guess I would just encourage you both on that; and you also mentioned further delay of fast track renewal, with all that is

ahead in the international calendar, would be a triumph for new protectionism.

The President hasn't sent up a bill for 3 years, and we have been trying to get him to send up a bill for quite a while. I guess all I am pointing out here is, it says here, Congress needs to avoid partisan posturing and come up with a bill they can pass. I would only suggest, there has been a lot of partisan posturing, and I can point out a few partisanships, even maybe within your testimony. And I would only ask that I think you have a lot of work to do with regard to many of the folks you have access to; and I would encourage you, because I know you are a strong supporter. It appears all of your membership and council is for it; I think they have a lot of work to do if we are going to get this done.

Ms. WILSON. I think your comments are very well taken, sir.

Chairman CRANE. I would just add a footnote.

The Trade Subcommittee went to the Singapore Ministerial Conference last December and thanks to Charlene Barshefsky's tireless work, we got the ITA agreement. But she did raise the question of labor, and they all totally rejected it and said, send it to the ILO. So it is not something that helps you leverage in the trade negotiation, there are other vehicles. In the next panel, we are going to have a representative from the National Wildlife Federation who will testify to environmental questions and what is the best way to proceed.

Mr. COHEN. Mr. Chairman, may I just make one comment with regard to some of the dialog on labor and environment? There seems to be an assumption here in some of the discussion that if there is going to be improvement overseas in the areas of labor and environment, it is only going to occur because the United States demands it. That assumption is mistaken when we look at the way development has occurred around the world. The historical record suggests that improvement in a country's labor and environment standards is tied to its economic development. As many have observed over the years, the improvement in the standards in the United States and Europe and, elsewhere has come about with the rise in the per capita income level. This suggests a different way of moving toward the achievement of what all Americans want: Higher standards in developing countries in the areas of the environment and labor.

Chairman CRANE. I agree wholeheartedly.

Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman, thanks for letting me participate as a Member of the Full Committee. I wish, Mr. Chairman, that there were more of us listening to this discussion in the last half hour, because I think it has probably been the most fruitful discussion—and so let me just say a couple of words hoping to further it.

I would hope, from our discussion of the last half hour, that nobody would call this a social issue, as is often done and is, I think, suggested in some of the testimony from this panel. What we have been talking about is an economic issue.

I also would hope that the people would not say it is unrelated to trade. The discussion about direct relationship to trade very

much worries me, but these are issues that are related—that are part of the economic flow between countries.

Let me just cite a column in the Wall Street Journal of 1 week ago, where it said—by Mr. Seib, who doesn't agree with my position on this, but he says—which isn't to say that labor and the environment should be ignored, they shouldn't—"Ultimately, lax labor and environmental standards become comparative advantages, which is a trade issue." And I think that is simply well put.

You can argue how much of a trade issue it is, how much of an impact that comparative advantage is, but it is a comparative advantage. And also let me suggest, when it said that we can't dictate, I have been involved with USTR now for over a decade and, Mr. Crane, what we have been doing these 10 years under Republican and Democratic administrations is to try to persuade other countries to open their markets, to create access for our goods. And you can call that dictation if you want, but what we are trying to do is to force other countries to adopt the open market system that we have in the United States—not carbon copy, but to move in that direction.

And the issue is, if we are forcing them to move in that direction in terms of capital markets and in terms of investments, why should we not do it that they move in that direction in terms of free labor markets. I think that is the issue.

And to say it is a social issue is wrong, to say that we can't dictate is wrong. With support of management and labor—some of us were over in Geneva talking at the Uruguay round about continuation of our laws on dumping. Were we trying to dictate to other countries? You're darned right, we were trying to dictate: Don't dump your goods in our country, and if you do, we want to be able to retaliate.

So this discussion of the last half hour, I think, has been useful to get at what is a basic issue here, which isn't a social issue and isn't an issue of irrelevance. I don't know if any of you want to comment on that, but I think that this is how to focus what the discussion is. It is not just a power play; there is a basic issue of concern here, and that is why the concern of the American public is——

Mr. MATSUI. Are you asking a question?

Mr. LEVIN. Yes, if anybody would like to respond.

Mr. COHEN. I was going to respond, Mr. Levin, in part by saying, I don't believe there is any disagreement with regard to the need for advancement in the area of labor and environment standards. I think, indeed, the debate, the discussion I heard all this morning and into the afternoon is how best to achieve it. A number of points have been made. Among them is one that I would subscribe to. As I mentioned 1 moment ago, perhaps the most potent tool to advance labor and environment standards is economic development.

Mr. LEVIN. OK. Let me just say a word about that as someone who has worked on it.

I don't think you should assume that economic development will automatically move up labor conditions when the structure of the country works in the opposite direction and when the national policies of that country are to suppress working conditions in order to stimulate exports. And if you want to say that it is automatic, I

think you can cite some cases where they go together, but I can cite some cases where they don't.

Mr. COHEN. I would say, over time, when you have market forces at work, they are eventually reflected not only in the economic realm, but also in the social realm. There have been many debates before you and the other Members of this Subcommittee with regard to the effect of market forces on China. One of the basic arguments of the Americans business community is that the growth of market forces in China and trade with China is subversive, that is, that it is undermining the repression of the Chinese state and increasing individual choice for Chinese citizens.

Mr. LEVIN. My time is up. Let me just say to you and to everybody else who is here, not only does that forfeit any role on human rights in terms of the bargaining process, but the bottom line is that we will accept WTO accession from China on minimal terms; that we will not insist on their moving in certain directions because, ultimately, development will move them in that direction. And I think that for the business community that is a dangerous argument, it is a developing country, so give them a free ticket.

Mr. COHEN. With all due respect, Congressman, we would not subscribe to that view. We will work with you. We want see China meeting the obligations of WTO membership, the same obligations of other countries in the WTO. I do not support China's accession on minimalist terms. It must be on commercially acceptable terms that the Chinese enter the WTO, and we commit to working with you in that regard.

Mr. LEVIN. There is an inconsistency there because what we are saying, then, is we want, in bargaining with developing countries, there also to be on terms that move them, in terms of labor markets, toward a free labor market as well as a free capital market. That is an economic issue and, I think, a reasonable position. How you do it can be legitimately argued, but don't dismiss it as irrelevant.

I appreciate your indulgence, Mr. Chairman.

Chairman CRANE. Well, I am glad to hear you do, since on that last panel you took us to less than 60 seconds before the vote, and I, unlike Sandy, did not have on my imported Nikes from China.

Mr. LEVIN. They gave us 5 minutes to spare, Mr. Chairman.

Chairman CRANE. Sure thing.

I want to thank you all very much for your thoughtful insights and observations about international trade, and we look forward to working with you, because I think it is essential that we get this fast track renewal this year, otherwise we could be hanging in limbo for 3 or 4 years, and that would be one of the greatest tragedies that I can think of in all the years I have served in this place.

So with that, we will now call our next panel, and I would like to introduce them. We will begin with Matt Destler, director of the Center of International and Security Studies, University of Maryland, and a visiting fellow at the Institute for International Economics; followed by Bob Vice, president of the California Farm Bureau, on behalf of the American Farm Bureau; Alan Tank, chief executive officer of the National Pork Producers Council, on behalf of Agriculture for Fast Track; and finally, Steve Shimberg, vice presi-

dent for Federal and International Affairs for the National Wildlife Federation.

And we will begin with Mr. Destler and proceed in the order in which you all were introduced.

STATEMENT OF I.M. DESTLER, DIRECTOR, CENTER OF INTERNATIONAL AND SECURITY STUDIES, UNIVERSITY OF MARYLAND; AND VISITING FELLOW, INSTITUTE FOR INTERNATIONAL ECONOMICS

Mr. DESTLER. Thank you very much, Mr. Chairman. I will, like others, race through my statement, referring others to my full statement for the record.

Chairman CRANE. Let me remind you that if you could just try and compress your oral presentations to 5 minutes, all of your printed statements will be made a part of the permanent record.

Mr. DESTLER. Thank you.

I also would refer people to my new study called Renewing Fast Track Legislation. Fast track is one of the great innovations of the past quarter century in the congressional process. It does for trade policy what the new budget process does for taxes and spending. Thus, my basic conclusion is a simple one. Fast track should not only be renewed, it should be made permanent.

Since the Trade Act of 1974, it has effectively bridged the division of power between the two branches. It gives the executive branch negotiators the credibility to negotiate. It guarantees a major congressional role in trade policy while reducing members' vulnerability to special interests.

Fast track is a congressional, not an executive branch, invention. It was worked out on Capitol Hill the very week President Richard Nixon was listening to White House tapes whose release would force his resignation.

As actually carried out, fast track has reinforced the congressional role, through the so-called nonmarkup process, the sessions that this Subcommittee and its Senate counterparts have had with the administration on every major fast track implementing bill. At the meetings, Members made recommendations as to the specific language of this implementing legislation, and Presidents from Carter to Clinton have honored these recommendations when they sent down the implementing legislation.

Why does the United States need fast track now? The general answer is that market-expanding trade negotiations enable our government to shape the terms of globalization to the advantage of Americans. Globalization itself is inevitable. Blocking fast track will not stop it, just as the absence of fast track has not stopped it over the past 3½ years. The specific answer to the question of why now is that there is an important negotiating agenda which requires fast track for its effective pursuit. This was spelled out this morning by USTR Charlene Barshefsky and others, so I will skip over the part of my statement dealing with that specific agenda.

What should be the content of fast track legislation? At minimum, it should give the President and USTR a negotiating mandate through the current presidential term with provision for extension. Both the President and informally this Subcommittee have

proposed such a time period. I made a more ambitious proposal in my book, which I will summarize in a second, but to make clear where I stand, I think fast track should be extended whether or not the specific refinements I suggest are adopted. I find it hard to imagine a proposal that the President and the protrade forces in Congress can agree on that would not be a major improvement on the present situation.

Let me now summarize six specific proposals. First, Congress should recognize the permanence of U.S. engagement in the global economy by making fast track permanent. Congress should write fast track into law without a time limit. Sixty-three years after the Reciprocal Trade Agreements Act of 1934, it is time to recognize that trade-expanding negotiations are the ongoing policy of the United States.

Second, Congress should assure effective oversight by providing that Congress must authorize in advance the specific negotiations to which fast track applies. This is the way the procedure worked initially. The two major laws, those of 1974 and 1988, were written for the multilateral Tokyo and Uruguay rounds. Therefore, the bill enacted this year or early next should, in my view, not only include a permanent reenactment of the fast track process, but explicit authorization for its use in a range of negotiations which would be clearly indicated in the law. The point is that the administration should make a case for what negotiations it wants to initiate under fast track, and Congress should review that case and to decide whether and to what extent to endorse it.

Third, we need to find a constructive compromise on labor and environmental issues which are important and which lack consensus to be dealt with effectively through trade negotiations. I think the suggestion by Edith Wilson, in her testimony—no mandates, no new restrictions—is an excellent formula for a compromise.

Fourth, we should develop along with fast track, a serious program to help American workers make the most of globalization. Congressman Rangel has been especially interested in this, and I think it is a vital part of the U.S. response to globalization. Many workers are helped; many workers are not helped. The latter should receive our help.

Fifth, I think the Congress should, as this Subcommittee has suggested, narrow the provision in prior legislation that fast track implementing bills can contain any provision "necessary or appropriate." But I would be reluctant to go as far as to limit it to just "necessary" or to insist on a very tight relationship between negotiating objectives and fast track implementing bills. The solution may lie in a combination of measures: A further narrowing of the administration's proposed language; perhaps adoption of the previous Ways and Means Committee proposal that the President submit an advance statement of exactly what is strictly necessary for implementing an agreement; and an additional requirement that I suggest that the President submit, when he puts in his implementing legislation, a statement listing all provisions that are not strictly necessary so that the Subcommittee and the Congress will have an idea what has been added, which may be useful, but is not strictly required.

Finally, I think the fast track timetable could be brought up to date to reflect how the process has actually operated in the 20 plus years since it was originally enacted. First, I think it could require the administration to present draft implementing legislation for comment by the Subcommittees; in other words, I think it could codify the nonmarkup process as it has existed in practice from the agreements from the Tokyo round through NAFTA and the Uruguay round.

Second, I think it would be reasonable to shorten the maximum time allowed for consideration of an implementing bill, once submitted, from 90 to 45 days, since the legislative process and the deliberative process is largely complete by the time the President's implementing bill is submitted.

Let me conclude as I began. Fast track procedures have served the Nation well. They need renewal now so that the Clinton administration, working with the Congress, can move U.S. trade policy forward once again. Thank you.

[The prepared statement follows:]

Statement of I.M. Destler, Director, Center of International and National Security Studies, Univeristy of Maryland; and Visiting Fellow, Institute for International Economics

Fast track is one of the great innovations of the past quarter-century in the Congressional process, doing for trade policy what the budget process has done for taxes and spending. Thus my basic conclusion is a simple one—*fast track is should not only be renewed; it should also be made permanent.* Since its inauguration in the Trade Act of 1974, it has effectively bridged the division of power between the two branches. It gives executive branch (USTR) negotiators needed credibility to conclude trade agreements by assuring other nations' representatives that Congress won't rework them; it guarantees a major Congressional role in trade policy while reducing members' vulnerability to special interests.

The second point is worth elaborating, for as I explain in my new study, *fast track is a Congressional, not an executive branch invention.* It was developed when Congress rejected a procedure the Nixon administration had proposed and substituted one where Congress retained the power of final up-or-down action on trade agreements which reduce non-tariff barriers.

Fast-track in practice, as actually carried out, has reinforced the Congressional role. Beginning with the Tokyo Round in 1979, members have insisted on playing an active part in the drafting of Presidential implementing bills. Your committee and its Senate counterpart participate in drafting sessions labeled "non-markups," and Presidents from Clinton to Carter have included the Congressionally-recommended language in their non-amendable implementing legislation.

But despite the efforts of this committee, President Clinton has lacked this trade-negotiating authority for three-and-a-half years—from April 15, 1994 to the present. The longest previous period since 1974 when a President lacked this authority was less than eight months, from January 3rd to August 23rd 1988. It is past time for the President and Congress to agree on a formula for fast-track extension and end this very bad situation.

Why does the United States need fast-track now? The general answer is that market-expanding trade negotiations enable our government to shape the terms of globalization to the advantage of Americans. Globalization itself is inevitable: blocking fast track will not stop it, just as the absence of fast track hasn't stopped it over the past three-and-a-half years. But in an age where the US economy depends more and more on export expansion for its dynamism, and where export jobs are especially good jobs—paying more, offering benefits superior to jobs in import-competing industries—we need to empower our trade negotiators to strike deals which bring down foreign import barriers, which in most cases are much greater than our own.

The specific answer to the "why now" question is that there is an important negotiating agenda which requires fast-track for its effective pursuit: free trade with Chile and other steps toward a Free Trade Area of the Americas (FTAA); scheduled negotiations under the World Trade Organization presenting particular opportunities for the United States (in agriculture, services, and other economic sectors); and

opportunities for market liberalization with East Asia, especially with nations in the Asia-Pacific Economic Cooperation (APEC) forum.

What should be the content of the fast-track legislation? At minimum, it should give the President and USTR a negotiating mandate through the current Presidential term, with provision for extension—both the President and this committee have proposed such a time period. I have set forth a more ambitious proposal in my book, and I will get to this in a minute. But to make it clear where I stand, I think fast track should be extended whether or not the specific refinements I propose are adopted. I find it hard to imagine a proposal that the President and the pro-trade forces in Congress can agree on that would not be a major improvement on the present situation.

That being said, I have made several specific proposals in my new book, and I will summarize them here. I believe that Congress should:

(1) *Recognize the permanence of US engagement in the global economy by making fast track permanent.* Congress should write fast-track into law without a time limit. Sixty-three years after the Reciprocal Trade Agreements Act of 1934, it is time to recognize that trade-expanding negotiations are the ongoing policy of the United States.

(2) *Assure effective Congressional oversight by providing that Congress must authorize, in advance, the specific negotiations to which fast track applies.* This was the way fast track worked initially—the two major laws, those of 1974 and 1988, were written for the multilateral Tokyo and Uruguay Rounds. Things grew more complicated, however, when the authority was broadened to include free-trade agreements. No one anticipated when Congress acted that Mexico would seek a such an agreement, and Congress didn't get a truly clean shot at that before the agreement was completed. This weakened, I believe, the legitimacy of the fast-track process. My proposal would prevent a recurrence, and buttress fast track's legitimacy.

When I say Congress should authorize in advance, I don't mean that the Clinton administration should have to come back later to get approval for its current trade agenda. *The bill enacted this year, or early next, should in my view include both a permanent reenactment of fast-track process and explicit authorization for its use for a range of negotiations, which would be clearly indicated.* This authorization could be very specific—free trade with Chile—or more general—any agreement advancing free trade with Western Hemisphere countries, if Congress wished to endorse that general policy direction. It should certainly include the sectoral negotations on the WTO's current schedule. The point is that administration should make a case for what negotiations it wants to be free to initiate under fast track, and Congress should review that case and decide whether and to what extent to endorse it.

My proposal is not without its disadvantages—there are problems, in the words of one critic, with having Congress ''vote twice on everything,'' once at each end of a negotiation. It could reduce the administration's negotiating flexibility. On the other hand, if Congress had voted explicitly to authorize NAFTA—standing alone—in 1991, and I believe it would have, the vote in 1993 would probably have been a bit easier. And if my proposed formula had been in effect since 1994, it is highly likely we'd have negotiated free trade with Chile: the administration would have proposed it, and Congress would surely have approved. So I think that, on balance, a *permanent, two-tiered* fast-track law is best for trade and for democratic process.

(3) *Find a constructive compromise on labor and environmental issues.* As stated, this may strike you as neither brilliant nor helpful. But it reflects a conviction first, that these issues are too important to be ruled out and second, that there is currently neither national nor international consensus in favor of including, in trade agreements, binding provisions on labor and environmental standards enforced by the threat of trade sanctions.

Clearly globalization affects US workers and the environment, sometimes adversely. The nation and the world need to confront these connections if workers are to win an equitable share of the gains from trade, and if trade is to reinforce, rather than undermine, steps toward a better global environment. Hence we should explore whether some problems in these spheres that are clearly trade-related can be addressed by the trade negotiating process.

But the short-term yield of any such negotiations, particularly on labor standards, is likely to be modest. Nor is it clear that trade negotiations are, in most cases, the best arena for addressing these problems. The circumstances, therefore, demand a compromise. The Clinton administration proposal represents one genuine effort in this direction; this committee has suggested another. My sense is that, in their practical impact, the two are not very far apart. If the political will is there, I am sure you can reach common ground which recognizes that first, the Clinton administration will (and, I believe, should) continue to raise these issues internationally and

second, that any viable agreements on labor and environmental standards will require bipartisan support, including some support within the business community.

(4) *Develop, along with action on fast-track, a serious program to help American workers make the most of globalization.* Many workers gain from globalization, but many do not. International agreements on labor standards, even if achievable, are unlikely to have more than minuscule impact on those who are hurt. Much more relevant to their immediate situation is actions we can take within the United States. Therefore, President Clinton and Congress should complement the enormous emphasis he has put on expanding opportunities for higher education with a broad new effort to give workers the wherewithal to engage in the marketplace even when forced to change jobs. Apprenticeship and retraining assistance should be available to all in need, specifically including those disadvantaged or displaced by trade and globalization.

(5) *Narrow the provision in prior legislation that fast-track implementing bills can contain any provision "necessary or appropriate" to carrying out a trade agreement*—it is too permissive. But I think it would be unfortunate to eliminate all flexibility here—either by confining legislation to what is clearly "necessary" or by drawing a tight connection between the implementing bill and statutory negotiating objectives. A solution may lie in a combination of measures:

- concerning what provisions can be included in implementing legislation, a further narrowing of the administration's proposed language;
- adoption of the Ways and Means proposal that the President submit an advance statement stating what statutory changes are strictly necessary to implement the agreement; and
- an additional requirement that the President submit, with the implementing bill, a statement listing all provisions not strictly "necessary," together with an argument (for each) as to why it is appropriate for fast-track rather than ordinary legislation.

I also suggest opening fast-track implementing bills to amendment on the money provisions required under Congressional rules to offset the budgetary impact of loss of tariff revenue.

(6) *Finally, bring the fast-track timetable up to date,* to reflect how the process has operated in practice. Specifically, I would suggest:

- requiring the administration to present draft implementing language for comment by the committees of jurisdiction prior to formal submission of the implementing bill (this would codify the non-markup process); and
- shortening the maximum time allowed for consideration of an implementing bill, once submitted, from ninety to forty-five days.

Let me conclude as I began. Fast track procedures have served the nation well. They have made it possible for the executive branch to negotiate credibly on complex, non-tariff trade measures that require Congressional action to implement. They have protected Congress's democratic, constitutional role. They need renewal now so that the Clinton administration, working with the Congress, can move US trade policy foward once again.

Thank you.

Mr. NUSSLE [presiding]. Thank you.

Mr. Vice, representing the American Farm Bureau, welcome.

STATEMENT OF BOB VICE, PRESIDENT, CALIFORNIA FARM BUREAU; ON BEHALF OF AMERICAN FARM BUREAU FEDERATION

Mr. VICE. Thank you, Mr. Chairman, Members of the Subcommittee who aren't here but will return, I am sure. I am President of the California Farm Bureau, but I am giving this statement today for the American Farm Bureau, on whose board of directors I serve. I want to thank the Subcommittee for having this hearing. I think our membership represents about 85 percent of all those that farm both here in the United States as well as Puerto Rico.

Higher living standards around the world depend upon mutually beneficial trade among the Nations. As living standards rise, the

demand for high-quality products grows. The transition to higher living standards depends on trade agreements that protect each nation's ability to exchange goods and services freely in an open market atmosphere with minimum disruption. Our members agree that free trade is the ultimate goal; however, there are disputes with many of our trading partners that need to be addressed as the administration moves forward in negotiating new treaties to further expand access to markets.

The Farm Bureau is pleased that President Clinton has proposed authorization of the fast track, and especially with the specific language that is included for agriculture.

We heard much testimony this afternoon about the regional trade agreements, and I won't repeat those, but we have been left out, having only signed 1 of those 30 in the last 4 years.

The Farm Bureau urges the administration to include three issues in its proposal, and we are pleased that the administration has responded to some of our concerns. However, the language does not fully encompass the concerns we expressed, and we have been very pleased with the response we have had from the administration and Members of this Subcommittee to broaden and further define these points.

Our first concern was addressed with the following language: "The principal negotiating objectives of the United States regarding trade barriers and other trade distortions are to expand competitive market opportunities for U.S. exports and obtain fairer and more open conditions of trade by reducing or eliminating tariff and nontariff barriers and policies and practices of foreign governments directly related to trade that decrease market opportunities for the U.S. exports or distort U.S. trade."

We strongly support this language and are very familiar with the section under agriculture, however, we ask you to go one step further as you refine the administration's proposal by including that tariffs must be eliminated within a specific timeframe. After 11 years of a free trade agreement with Israel, we still haven't gotten one box of citrus into Israel. We must put our trading partners on notice at the time this bill is passed by Congress that the United States is serious about reaching zero tariffs. This language would provide assurances to agriculture that the administration is serious about negotiating away tariffs and tariff inequities, such as those that are currently imposed on United States dairy and poultry products by Canada.

The Farm Bureau's second concern is all future negotiations bind our trading partners to resolving sanitary and phytosanitary issues on the basis of sound science or by using recognized specific principles as laid out in the Uruguay round agreement for agriculture. The term "unjustified" is just too vague and unfocused.

With the removal of the tariff barriers, we have experienced growing market disruptions based on health and safety claims that cannot be justified by scientific principles. The Europeans, China, Russia, many countries are very expert at this. We need to be blunt with our trading partners. All sanitary and phytosanitary barriers to trade must be based on sound scientific principles. Our trading partners should expect we will respond immediately when barriers are raised.

The third issue is directly related to this and was addressed in the overall negotiating objectives with the following language: "To further strengthen the system of international trading disciplines and procedures including dispute settlement."

Now that several of our major cases have gone through both the NAFTA, and GATT, General Agreement on Tariffs and Trade, dispute settlement processes, we know that the basic dispute resolution systems are good systems, but they were not designed to respond quickly to disputes over perishable crops. We market many perishable products that encompass a broad range of growing and harvesting seasons and processing methods. The dispute settlement system is basically well designed, but must be made more effective and time sensitive to meet the needs of perishable commodities.

We are delighted that other issues, such as intellectual property rights, transparency and state trading have been addressed, as well as a broad range of agriculture issues.

The Farm Bureau is concerned with the extent of labor and environmental issues included in this trade proposal, as well as actions by the administration that it has taken in support of international treaties that will greatly disadvantage U.S. agriculture in world markets. These include the actions taken at the Montreal Protocol recently concluded in Montreal, Canada, to speed up the ban on methyl bromide as proposed by the global climate change agreement to be concluded in Japan this December.

Banning the use of methyl bromide would take a critical export and production tool away from U.S. farmers while continuing to allow its use by our competitors. The proposed global climate change treaty will be counterproductive to our farmers who are already leading the world in conservation practices and efficient use of fuel and fertilizers, while leaving many of our competitors exempt from the terms of these agreements.

I wish to submit, by the way, a copy of our statement on the global climate change, if I could, with my testimony.

Mr. NUSSLE. It will be included in the record.

Mr. VICE. We believe these issues are best addressed in their respective international bodies and not through the World Trade Organization. WTO was not designed to address these issues, nor does it have the resources to do so. USTR's resources are needed to address the growing number of trade issues facing industrial countries around the world.

Mr. Chairman, the U.S. market is already open; many of our competitors are not. The United States is the most open major market in the world, and we must work together if we are going to continue to open our competitors' markets. To do this we must have the strongest trade agreements possible. Agreements must not jeopardize our industry, our social issues, but must move us forward to the global marketplace.

International trade can and does create significant markets for U.S. agriculture commodities. Agreements must ensure trade is both free and fair for all products. We need to continue to monitor and enforce the accords to make sure that benefits that were promised to farmers and ranchers are fully realized and move us forward in creating new and stronger markets for U.S. products. For this to be accomplished, Congress must be willing to commit nec-

essary resources to agencies that are responsible for monitoring international trading disciplines and procedures.

In conclusion, Mr. Chairman, our current trade agreements have been basically good for agriculture, but adjustments are needed for some sectors. Negotiating and modifying existing trade agreements and establishing new agreements is critical to the competitiveness of U.S. agriculture. In order to do this, the President must have the authority, with satisfactory safeguards, to go forward and negotiate with our trading partners. Without this authority our trading partners will not take our negotiations seriously, and the Americans' leadership role in the international trade arena will be greatly diminished.

Thank you again for having this hearing and us having an opportunity to testify before you. Thank you.

[The prepared statement and attachments follow:]

Statement of Bob Vice, President, California Farm Bureau; on Behalf of American Farm Bureau Federation

Mr. Chairman and members of the Committee, I am Bob Vice, president of the California Farm Bureau. I am here today representing the American Farm Bureau Federation as well as the California Farm Bureau. I want to thank you for this opportunity to testify concerning fast-track and its impact on agriculture. The American Farm Bureau represents 4.7 million member families in the United States and Puerto Rico. Our members produce every type of farm commodity grown in America and depend upon export markets for over one-third of our production.

Higher living standards around the world depend upon mutually beneficial trade among nations. As living standards rise, the demand for our high quality products grows. The transition to higher living standards depends on trade agreements that protect each nation's ability to exchange goods and services freely in an open market atmosphere with minimum disruption. Our members agree that free trade is the ultimate goal. However, there are disputes with many of our trading partners that need to be addressed as the administration moves forward in negotiating new treaties to further expand market access.

Farm Bureau is pleased that President Clinton has proposed the Export Expansion and Reciprocal Trade Agreement Act of 1997, especially with the specific language for agriculture.

We must keep in mind that the President's proposal is not a treaty or trade agreement but an authorizing document. This legislation enables this administration and the next to negotiate trade agreements in consultation with Congress.

The administration's ability to negotiate good agreements is critical to opening doors for U.S. trade. Of the 30 regional and bilateral agreements completed over the past four years, the United States is only a signatory to one. Other countries are forging ahead while the administration has not had the authority to negotiate new or renegotiate existing trade agreements.

Farm Bureau urged the administration to include three issues in its proposal and we are pleased that each of these has been addressed. However, the language does not fully encompass the concerns we expressed and we have been very pleased with the response we have had from the administration and members of this committee to broaden and further define these points.

Our first concern was addressed with the following language: "The principal negotiating objectives of the United States regarding trade barriers and other trade distortions are to expand competitive market opportunities for United States exports and obtain fairer and more open conditions of trade by reducing or eliminating tariff and non-tariff barriers and policies and practices of foreign governments directly related to trade that decrease market opportunities for United States exports or distort United States trade." We strongly support this language as well as the similar language under the section on agriculture.

However, we ask that you go one step further as you refine the administration proposal by including that tariffs be eliminated within a "specified time frame." We must put our trading partners on notice, at the time this bill is passed by Congress, that the United States is serious about reaching zero tariffs. This language would provide assurance to agriculture that the administration is serious about negotiating away tariffs and tariff inequities such as those currently imposed on U.S. dairy and poultry products by Canada.

Farm Bureau's second concern is that all future negotiations bind our trading partners to resolving sanitary and phytosanitary issues on the basis of sound science, or by using recognized scientific principles as laid out in the Uruguay Round agreement for agriculture. The term "unjustified" is too vague and unfocused.

With the removal of tariff barriers we have experienced growing market disruptions based on health and safety claims that cannot be justified on scientific principles. The Europeans, China, Russia and many other countries are expert at this. We need to be blunt with our trading partners. All sanitary and phytosanitary barriers to trade must be based on sound scientific principles, and our trading partners should expect that we will respond immediately when barriers are raised.

The third issue is directly related to this and was addressed in the overall negotiating objectives with the following language: "To further strengthen the system of international trading disciplines and procedures including dispute settlement."

Now that several major cases have gone through both the North American Free Trade Agreement (NAFTA) and the General Agree settlement processes, we know the basic dispute resolution systems are good systems, but are not designed to respond quickly to disputes over perishable products.

We market many perishable products that encompass a broad range of growing and harvesting seasons and processing methods. The dispute settlement system is basically well designed but must be made more effective and time sensitive to meet the needs of perishable commodities.

We are delighted that other issues such as intellectual property rights, transparency and state trading have been addressed, as well as the broad range of agricultural issues.

Farm Bureau is very concerned with the extent of labor and environmental issues included in this trade proposal. We believe these issues are best addressed in their respective international bodies and not through the World Trade Organization. The WTO was not designed to address these issues nor does it have the resources to do so. The Office of the United States Trade Representative was not created to resolve labor and environmental debates. USTR's resources are needed to address the growing number of trade issues facing U.S. industries around the world.

Mr. Chairman, the U.S. market is already open. Others are not. The United States is the most open major market in the world. We must work together toward continuing to open our competitors' markets. To do this we must have the strongest trade agreements possible. Agreements must not jeopardize our industry for social issues but must move us forward in the global marketplace. The administration must have the authority guided by sound trade objectives and principles to negotiate and bring to Congress trade agreements that will benefit agriculture and the nation.

International trade can and does created significant markets for U.S. agricultural commodities. Agreements must ensure that trade is both free and fair for all products. We need to continue to monitor and enforce these accords to make sure the benefits promised to farmers and ranchers are fully realized and move forward in creating new and stronger markets for all U.S. industries. For this to be accomplished, Congress must be willing to commit necessary resources to agencies responsible for monitoring international trading disciplines and procedures.

Attached to this testimony are a few specifics on why this is so critical to the nation.

Mr. Chairman, our current trade agreements have been basically good for agriculture but adjustments are needed for some sectors. Negotiating and modifying existing trade agreements and establishing new agreements is critical to the competitiveness of U.S. agriculture. In order to do this the President must have the authority to go forward and negotiate with our trading partners. Without this authority our trading partners will not take our negotiators seriously and America's leadership role in the international trade arena will be greatly diminished.

Thank you for holding this hearing and we look forward to working with you on this important issue.

ATTACHMENT

The ability to expand existing markets and open new markets will dictate the future of our industry and the well-being of the nation. I have included some points why trade and good trade agreements are critical to agriculture.

The well-being of US agriculture is tied to competitiveness in global markets. U.S. agricultural exports have more than doubled from $29 billion in 1984 to $60 billion

in 1996. Much of this growth has been attributed to efforts to open markets through trade agreements and multilateral trade negotiations, increasing per capita income in the rest of the world, production shortfalls in key regions, a weaker U.S. dollar and greater exports of value-added products. To guarantee the continuation of this trend, market expansion must be allowed to continue.

Good trade agreements are critical to opening markets. The rapidly expanding global economy presents enormous opportunities for farm families and agribusinesses. In a world where over 95 percent of the world's consumers live outside of the United States, and where U.S. agriculture already depends on exports for one third of all sales, we must have new and expanded markets.

Commercial competitiveness is critical to our position of global leadership. Europe, Canada, China, Japan and others are forging preferential commercial alliances with emerging markets, which put American exports at a disadvantage. Those trade alliances also play a vital role in defining strategic relationships between countries and regions.

Exports create American jobs. Today, more than 11 million American jobs are supported by exports, including one in every five manufacturing jobs— good jobs, paying 13–16 percent more than non-trade related jobs. Over the last four years, one quarter of our economic growth came from trade—exports created 1.4 million new jobs. Agriculture depends on exports for one-third of all sales. If we are to raise our standard of living, we must continue creating jobs through exports.

Agriculture: The next round of talks in the World Trade Organization are to begin in 1999. American agriculture must be in position to lead the renegotiation of the Uruguay Round General Agreement on Tariffs and Trade for agriculture. Some issues of importance in this round include: increased market access; resolution of state trading issues; greater transparency between trading partners; greater adherence to sound science in resolving sanitary and phytosanitary issues; rules of origin; export subsidies; internal support schemes disguised as environmental payments; clearly defined trade in genetically modified organisms and an overall trade in products of biotechnology based on sound science. Negotiations to cut trade barriers in the $526 billion global agriculture market will define the structure of American agriculture for the next decade.

Global negotiations will address other key areas such as intellectual property rights, customs and government procurement rules which will not only affect agriculture, but also the overall soundness of our economy.

Sectoral Agreements: Negotiating authority would be used to negotiate industry sectors where the U.S. is most competitive. Barriers must be reduced in areas like environmental technology, biotechnology, medical equipment and computer software, areas where America leads the world.

Regional Trade Agreements: Continuing regional initiatives presents vast opportunities, and keeps the U.S. on a competitive basis with our neighbors and trading partners who, in some cases, have moved forward with agreements that would be disadvantageous to the U.S.

Latin America and the Caribbean: This area was the fastest growing market for U.S. exports in 1996. If trends continue, Latin America and the Caribbean will exceed the EU as a destination for U.S. exports by 2000 and exceed Japan and the EU combined by 2010.

Asia: Contains the fastest growing economies in the world, with nearly 3 billion people. Independent forecasters put 1996 GDP for the region at $2.8 trillion and expect real growth of 6 to 7 percent annually for the next 15 years.

Other countries are breaking down barriers for their producers. Since 1992, our competitors have negotiated 30 regional trade pacts without us. In every region of the world, this process continues. MERCOSUR is a developing customs union with ambitions to expand to all of South America; the EU has begun a process to reach free trade with MERCOSUR; China's "strategic priorities" include Mexico, Argentina, Brazil, Chile, and Venezuela; Japan has undertaken high-level efforts in Asia and Latin America. Canada has reached a trade agreement with Chile that will provide an 11 percent tariff reduction on Canadian products. Every time an American company competes to sell to Chile, it will face an immediate 11 percent disadvantage. Canada also negotiated to exempt its supply managed dairy and poultry sectors from the agreement, allowing it to at any time in the future impose tariffs similar to those keeping U.S. dairy and poultry products out. This sets a very bad precedent for Canada to use during the 1999 WTO negotiations for exempting sectors of the industry.

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Statement
of the
American Farm Bureau Federation
on
Global Climate Change

Farm Bureau is very concerned that the proposed climate agreement threatens U.S. agriculture. U.S. and international negotiators are pressing for legally binding reductions in greenhouse gas emissions. New regulatory controls for agriculture have been proposed. They include new taxes on fuel and fertilizer, forced mileage requirements for light trucks and other motor vehicles, controls on planting, cultivation and harvesting and production of crops and livestock.

These new regulations may be counter-productive. U.S. farmers are already leading the world in conservation tillage and efficient use of fuel and fertilizer--practices which significantly reduce greenhouse gases. Imposition of new, heavy-handed, "one size fits all" regulations will interfere with these economically efficient and environmentally advanced farm management plans--production practices which have significantly reduced greenhouse gas emissions when compared to practices in other countries.

Fuel cost increases imposed by the treaty mean big hardships for family farms like mine. A sixty cent-per-gallon increase in diesel and gasoline and 50 percent hike in electricity costs are possible, according to some analysts. More conservative estimates by the Commerce Department say that a 26 cent per gallon increase in motor fuel costs is likely. Fuel and energy-related inputs such as fertilizer and pesticides account for about one-fourth of farm operation expenses.

Farmers will be dealt a double-blow overseas. No controls would be placed on some of our strongest competitors in international agricultural markets. More than 130 countries, including Mexico, China, South Korea, Chile, India and Argentina, are exempt. Some of these developing countries have lower labor and production costs and would be given a major competitive advantage.

The agreement makes no sense. It won't help the environment and it will hurt the economy. By the administration's own projections, carbon dioxide emission increases from developing countries will soon out pace those of the United States or other developed nations. Such measures would create a giant cloud over the future viability and competitiveness of U.S. agriculture.

As it currently stands, the climate agreement will impose major new production costs on U.S. agricultural producers, severely disadvantage farmers in international markets and disrupt family farm and ranch operations. Farm Bureau welcomes this unprecedented opportunity to join with industry, labor and consumer interests in opposing the proposed climate agreement.

Mr. NUSSLE. Thank you, Mr. Vice.

It is now my personal pleasure to introduce a friend of mine and a fellow Iowan, Alan Tank, the chief executive officer of the Pork Producers.

STATEMENT OF ALAN TANK, CHIEF EXECUTIVE OFFICER, NATIONAL PORK PRODUCERS COUNCIL; ON BEHALF OF AGRICULTURE FOR FAST TRACK

Mr. TANK. Congressman, thank you very much, and I certainly appreciate the opportunity to be here today. I am appearing here today on behalf of a coalition of 46 agricultural organizations, ranging from farmers and ranchers to processors. I have attached a list of that coalition to my testimony.

I suspect many people who are listening today are wondering why American agriculture has two people on this very important panel and more importantly with regard to this hearing. I think it is important to put into perspective, American agriculture is the largest employer, both directly and indirectly, in the United States, employing about 18 percent of the work force, a significant portion of that coming from exports.

Second, the U.S. agriculture industry is generally the lowest cost, highest quality producer in the world and without fast track will not be able to add economic comparative advantage to its fullest extent.

Third, the value of U.S. agriculture exports have grown to about $60 billion in 1996, of which 23 billion is a positive trade balance that benefited the citizens of the United States. It is the single largest sector of our positive balance of trade.

World food and fiber demand is expected to double in the next 35 years. Clearly, we believe that the future growth and profitability of American agriculture depends on trade expansion, and the only real vehicle to achieve that trade expansion is through fast track negotiating authority.

There are many, many reasons why fast track is extremely important to American agriculture, and I will try to outline five of them because I think those are the ones that are extremely relevant to this discussion.

First of all, as Congressman Dooley pointed out earlier this morning, there has been a proliferation of new trade agreements between our agricultural competitors and our world customers. In fact, American agriculture is very concerned about that. Mr. Vice referenced that in his testimony as well. There have been more than 100 bilateral and regional trade deals that have been signed in the last 5 years, and to put this into perspective, yesterday's Japan Times, of which a colleague of mine is in Tokyo at the present time, he had a copy of a paper showing the economic ministers of Asia and Europe were meeting to talk about a number of things, and one of those is securing foodstuffs for the Asian community, and clearly without fast track we can't be at the negotiating table with our Asian trading partners, and the European Union actually will be repositioning itself.

Second, from the Chicago Tribune, and if the Chairman were here today, I would point out last Friday they pointed out the trade between MERCOSUR, the regional trading bloc made up of Argentina, Brazil, Uruguay and Paraguay and Europe, now exceeds $40 billion, exceeding that of the United States with that very same trading bloc, and so fast track negotiating authority is going to be extremely important.

For American agriculture, it is important to realize that our failure to act, Congress' failure to act, or the administration's failure to act is actually fostering growth in agricultural competitors throughout the world, whether they be in Canada, whether they be in South America, in any region that we compete with. It is important to understand that American agriculture will be the single largest beneficiary of any of these trade agreements. We will gain additional market access, we will reduce export subsidies, we will reduce internal supports, of which most of American agriculture has eliminated at the present time, and as a result we are going to be a very significant beneficiary, and we believe that as a result of that, it is very, very imperative to move forward.

Third, there are some very strong provisions within the administration's agricultural section of the fast track negotiating authority, particularly pertaining to market access, the sanitary and phytosanitary issues, dispute resolution of biotechnology and state trading. I think it is very important that this administration and this Congress recognize there are serious challenges facing American agriculture internationally. We all know that if we export products, we generate significant economic growth, we generate significant new jobs, significant new revenues, and we really are talking about the future of American agriculture. If we are going to have growth, if we are going to have profitability, if we are going to provide food and fiber for the world's populations, we have to have fast track negotiating authority. We have to have access to the world's population.

It has been said many, many times that 95 percent of the world's population lives outside our borders. This is a very mature market in the United States for U.S. agricultural producers. We have to exploit the potential of the international marketplace. You can only do that through fast track.

We very much appreciate the leadership of this Subcommittee and of the administration in moving forward on this very critical issue. On behalf of the coalition of 46 agriculture and commodity organizations, I want to thank you, Mr. Nussle, for the opportunity to be here this afternoon. Thank you.

[The prepared statement and attachment follow:]

Statement of Alan Tank, Chief Executive Officer, National Pork Producers Council; on Behalf of Agriculture for Fast Track

Good morning, Mr. Chairman, and Members of the Subcommittee. I am Al Tank, Chief Executive Officer of the National Pork Producers Council. We represent more than 80,000 pork producers in 44 affliated states. I am appearing before you on behalf of 46 organizations representing every sector of production agriculture in the United States—from farmers and ranchers to commodity traders and processors to end product manufacturers. A list of these organizations is provided on the front page of my written statement. We compliment you on holding this hearing, Mr. Chairman, and appreciate the opportunity to testify before you today.

As we prepare to enter the 21st century, U.S. agriculture is facing a tremendous challenge and responsibility—to supply world demand for food and fiber which is expected to more than double in the next 35 years. Meeting this challenge will require flexibility in crop management to maximize production. It will require more sophisticated technologies to enhance yields and reduce input costs while protecting the environment. And it will require fair and enforceable rules for international trade that ensure greater access to growing markets.

We have taken the first step by adopting the "Freedom to Farm" concept in the Federal Agricultural Improvement and Reform Act of 1996. Under Freedom to Farm, government no longer directs production of basic commodities and idling of

productive farmland. In exchange, farmers must rely increasingly on the marketplace to support their income. As world demand and exports increase, our ability to access and compete for foreign markets will be vital to the success of this new farm program.

We are taking the second step toward meeting future world demand by adopting new technologies that make agriculture more efficient. These innovations include Global Positioning Satellite (GPS) systems that adjust the amount of fertilizer and crop protection chemicals applied to particular "grids" of each field. They include no till crop rotation and integrated pest management practices. And they include the rapid acceptance of genetically enhanced crops that reduce input costs and diversify markets. Each of these new technologies is making U.S. agriculture more productive and more sustainable, which are both necessary to meet future demand.

The third step—providing fair and enforceable trading rules—requires leadership by our government to require other countries to further open their markets to agricultural trade. The North American Free Trade Agreement and the Uruguay Round Agreement made progress toward greater trade liberalization in our sector. But the job is by no means complete. Without U.S. leadership in preparing for the next round of negotiations, which is scheduled to begin in 1999, the world will slide toward restrictive import policies and into bilateral and regional trading arrangements. And the ability of U.S. agriculture to meet global demand will be diminished rather than enhanced.

Mr. Chairman, opponents of Fast Track argue there is no reason to move forward with this legislation at this time. Some suggest we can wait until next year. Or, if next Fall's elections make consideration of Fast Track too great a political risk, we can wait until 1999. Or even 2001. I can assure you that U.S. agriculture literally cannot wait for new trade negotiations to begin. Simply stated, with 95 percent of the world's population living outside the borders of the United States, Fast Track is the only real avenue we have to opening the global market for U.S. agricultural products.

Let me offer three good reasons why we need Fast Track now. First, existing rules for resolving disputes and enforcing settlements on sanitary and phytosanitary issues are inadequate. The number and severity of import restrictions based on food safety concerns are growing out of control. In recent years, the European Union has restricted U.S. pork imports because of differences in our processing methods, U.S. beef because we use growth hormones to maximize feed efficiency, and U.S. tallow because of unsubstantiated reports of BSE. The U.S. has considered restricting imports of Mexican avocadoes because of potential insect infestation, and strawberries because they may be responsible for a hepatitus outbreak in California. Other countries are imposing their own restrictions on these and other products.

While a step in the right direction, the Sanitary and Phytosanitary agreement negotiated in the Uruguay Round, resolving complaints is extremely time consuming. By the time a case is concluded, the industry involved has lost years of exports and market share, and consumer acceptance of its product has been seriously impaired. Even after a case is decided, enforcement procedures are unable to ensure reversal of an unfair SPS action. In addition, global concerns about food safety have grown incrementally with each incident. Unless the SPS rules are strengthened in the near future, there could be a major meltdown in consumer confidence in the ability of government agencies to protect the safety of the world's food supply.

A second and related reason for immediate action on Fast Track authority is the lack of accepted standards and rules governing international trade in the products of biotechnology. The scientific evidence is clear that, with limited and defined exceptions, genetically modified and conventional varieties of the same crops are identical in terms of composition, nutritional value, and end use characteristics. As one might expect, this has not deterred anti-technology activists from inflaming public opinion in Europe and elsewhere with unsubstantiated safety concerns to the point where governments are beginning to abuse existing WTO safeguards in order to restrict imports of biotech crops and products.

Production of biotech varieties of soybeans, corn, and cotton in the U.S. is expanding almost exponentially—from 3.6 million acres in 1996 to 18.5 million acres this year. The total for 1998 for these three crops alone will exceed 40 million acres. With the European Union moving to mandate labels on all products containing ingredients from biotech crops, and other countries likely to follow suit, the potential for significant trade disruptions is already great. Add the fact that the biotech varieties now on the market are only the beginning—many more in the regulatory pipeline will soon be commercialized—and we see the makings of a major train wreck in world trade.

The third, and possibly most important reason for immediate action on Fast Track is the proliferation of new trade agreements between U.S. customers and competi-

tors. In the three years since expiration of the last Fast Track authority, over 100 bilateral and regional trade deals have been signed by nearly every country except the United States. These include agreements between the EU and Canada—both major U.S. competitors for agricultural markets—with countries in South America. It is clear that, not only is the rest of the world not waiting for the U.S. to negotiate on trade, our rivals are actively exploiting our current inability to sit at the table. If Fast Track authority is delayed, we may find ourselves locked out of some key trading relationships, with our trading partners much less interested in opening new talks.

With few exceptions, the U.S. agricultural industry has traditionally been very supportive of trade and trade agreements. Exports have driven our crop production and processing sectors since the 1970's. In the last 15 years, we have seen an explosion in world demand for high value products, including fruits and vegetables, and value-added products, including processed meats and poultry, eggs, dairy products, protein meal, and vegetable oil. Since 1990, U.S. farm exports have increased 50%—from $40 to $60 billion. Including food product manufacturing and merchandising, agriculture employs 18% of the U.S. workforce—by far the largest U.S. industry. We make the largest positive contribution to the U.S. balance of trade—over $23 billion in 1996. Ironically, some of the very groups that oppose Fast Track today owe their livelihood to the growth of agricultural exports—which are occurring because of the extension of Fast Track negotiating authority, which established the trade agreements that are currently benefiting agriculture.

Our greatest concern during past trade negotiations was whether our own negotiators understood the critical importance of trade to agriculture, or the importance of agricultural trade to the national economy. It has sometimes appeared that agricultural interests have been traded off for concessions in other sectors—that we have not been recognized as a priority in U.S. trade.

The Fast Track legislation proposed by the Administration lays these concerns to rest. Agriculture is clearly identified as a key priority for future trade negotiations. The specific issues identified in the agriculture section and among the general provisions of the proposal reflect a clear understanding of current problems that need to be resolved and of other areas that need to be addressed. These include:

- The need to strengthen the Sanitary and Phytosanitary provisions included in the Uruguay Round Agreement;
- The need to strengthen the enforcement procedures for dispute resolution;
- The need to address unfair trade practices, including those affecting the products of biotechnology;
- The need to discipline trade distorting activities of State Trading Enterprises.

These objectives encompass many of the concerns and goals shared by a strong majority of U.S. agricultural interests. There are other more specific objectives which nearly every sector in our industry would add to their own "wish list" for future trade negotiations. However, none of the organizations represented here today would endanger renewal of trade negotiating authority by conditioning support for Fast Track authority on receiving specific guarantees on these issues.

Mr. Chairman, the U.S. has led the world in the 20th century by being bold, taking initiative, and innovating to overcome challenges. U.S. agriculture has played an important role in building this record of leadership. We have had our share of bad times and low prices, lost more than our share of workers, and adapted to changes as rapid and profound as any industry has faced. But throughout this century, the need to expand trade with the rest of the world has been a constant and increasingly important priority. This fact will not change, for agriculture or for any other industry, as we prepare to begin a new century. The U.S. has no alternative to moving forward on trade. We cannot do so, and cannot begin to address our trade problems and priorities, until Congress grants Fast Track negotiating authority. On behalf of U.S. agriculture, we ask this Subcommittee and the Congress to squarely meet this challenge and responsibility, just as we are preparing to meet ours.

Thank you again, Mr. Chairman. I will be happy to respond to any questions you or other Members of the Subcommittee may have.

AGRICULTURE ORGANIZATIONS SUPPORTING FAST-TRACK

As of September 29, 1997

Agricultural Retailers Association
American Crop Protection Association
American Feed Industry Association
American Horse Council
American Meat Institute
American Soybean Association
Blue Diamond Growers
Bunge Corporation
Cargill, Inc.
Cerestar USA
Central Soya Company Inc.
Chocolate Manufacturers Association
ConAgra, Inc.
Continental Grain Company
Corn Refiners Association, Inc.
Farmland Industries, Inc.
The Fertilizer Institute
International Dairy Foods Association
Louis Dreyfus Corporation
Miller's National Federation
National Broiler Council
National Cattleman's Beef Association
National Confectioners Association
National Corn Growers Association
National Cotton Council
National Food Processors Association
National Dry Bean Council
National Grange
National Grain and Feed Association
National Grain Sorghum Producers
National Grain Trade Council
National Pork Producers Council
National Oilseed Processors Association
National Sunflower Association
Nestle USA, Inc.
North American Export Grain Association
Northwest Horticultural Council
United Egg Association
United Egg Producers
U.S. Apple Association
U.S. Dairy Export Council
U.S. Feed Grains Council
U.S. Meat Export Federation
U.S. Wheat Associates, Inc.
USA Poultry & Egg Export Council
USA Rice Federation

Mr. NUSSLE. Thank you, Mr. Tank.

Our final witness today is Mr. Shimberg, Vice President for Federal and International Affairs for the National Wildlife Federation.

STATEMENT OF STEVEN J. SHIMBERG, VICE PRESIDENT, FEDERAL AND INTERNATIONAL AFFAIRS, NATIONAL WILDLIFE FEDERATION

Mr. SHIMBERG. Thank you, Mr. Chairman. I know how difficult it is to sit through over 5 hours of testimony. I appreciate your patience and your attention. On behalf of the National Wildlife Federation, I want to thank you for inviting us here to present our testimony and our views on fast track.

At the outset, in an attempt to establish some credibility on the issue, I want to highlight the fact that the National Wildlife Federation did in fact support NAFTA in 1993 as well as fast track authorization in 1991. We did so because we believed then, and we continue to believe, that trade and the environment are two sides of the same coin. The issues are inextricably linked and they can either operate in concert with each other, each working to enhance the other, or they can work against each other.

We recognized in 1993 that NAFTA's environmental provisions were not perfect. But they were a step in the right direction. For that reason we supported it. We were hopeful that the implementation of NAFTA and trade-related agreements negotiated since NAFTA would have continued to build on a solid foundation that we saw in 1993. Unfortunately, although we still believe trade and the environment are linked and can be used to enhance each other, the record since NAFTA has in our view been a disappointing one. We have repeatedly voiced to the administration our concern over the absence of U.S. leadership on trade and environmental issues, disappointment with the inattention paid to NAFTA's environmental institutions and frustration with the secret and multilateral agreement on investment. After reviewing President Clinton's draft bill for fast track authority, we have concluded that the administration's request for fast track authority falls well below our expectations for at least two reasons. I will briefly touch upon those now.

First, NAFTA taught us that the negotiators at future trade agreements must be instructed to bring home agreements that level the playingfield. Otherwise U.S. businesses that are operating in this country in compliance with our domestic environmental laws will lose out. In countries where basic environmental laws are absent or are not enforced, foreign manufacturers are able to gain a competitive advantage by polluting or abusing natural resources. That situation is not fair and correcting that situation must be a principal objective of any new fast track authority.

There has been a lot of discussion throughout today about whether or not the interest in labor and environmental issues are meant to be a mandate in the fast track authority. Our position is that they are not a mandate. That is not what we are looking for. We are looking for, however, that they be a principal negotiating objective on a par with the other principal negotiating objectives. They are meant to be guidance to our negotiators. They are meant to give our negotiators leverage when they are at the table.

During the previous panel, Mr. Nussle, you asked how can one guarantee we are going to get what we want in negotiations? The fact is there may be a chance that we won't get what we want. That is fair. We don't know that. But at least we should try. Principal negotiating objectives that include the environment should be on the table and be a guiding principle. If the agreement comes back and it does not have the provisions we think are adequate, we will look at the agreement as a whole and judge it on its merits. We will not prejudge it.

The second point about the administration's proposal is that it fails to ensure that all international trade bodies are open, democratic institutions. The inclusion of negotiating objectives that are focused on creating procedural transparency at just the WTO is too

little and too late, as some of the other witnesses have suggested. This issue is bigger than the WTO.

Mr. Chairman, while reading the newspaper this past weekend, I was struck by several articles about fast track authority and in particular three quotes that I saw from administration officials who are working on fast track. First, the administration wants us to believe that this is a fight between pro free traders and antifree traders. It is either black or white, you are with us or you are against us.

That approach, I would suggest, does a disservice to all of you and to all of the witnesses who are here today. The issue before us is much more complex than that. It is not a question of for or against.

Second, the administration officials suggested in the newspapers that President Clinton has earned our trust, so we should not worry about the details of the legislative language. We are told to support broad, vague authority and trust him to do the right thing. Again, that approach misses the point. Congress must avoid the trap of legislating by personality. Fast track authorization is not about trusting or not trusting President Clinton. It is about recognizing the integral link between trade and the environment. It is about using environmental concerns to promote trade in appropriate circumstances and not using trade concerns to undermine the environment.

The third quote that the administration officials had suggested that this debate is all about, "the politics of the moment." And speaking from one large conservation organization, I can assure you that this is not about politics with a small "p" or with a capital "P." We have gone through the proposed text with painstaking detail. We have reviewed our experience since 1993. For us this is about a fundamental, substantive policy disagreement.

Mr. Chairman, Americans care when they feel they cannot trust in the safety of imported food. Our members get angry when an anonymous trade panel in Geneva tells them they have no right to control access to our markets as a tool to protect endangered sea turtles. These two examples illustrate the point that I started out with. Trade and the environment are linked. Trade patterns have environmental consequences and trade rules can affect environmental policies. The question is no longer whether U.S. trade policies should recognize these linkages but how to respond to them.

We stand ready to work with the Members of this Subcommittee and with the administration to make this fast track legislation a tool to help negotiators bring home trade and investment agreements that promote both environmental protection and trade. On the other hand, we stand ready to oppose fast track legislation if it does not accomplish these goals. Thank you.

[The prepared statement follows:]

Statement of Steven J. Shimberg, Vice President, Federal and International Affairs, National Wildlife Federation

Thank you, Mr. Chairman and members of the committee for inviting me to testify before you today. I am Steven J. Shimberg, Vice President for Federal and International Affairs at the National Wildlife Federation. NWF is America's largest not-for-profit conservation education organization with over 4 million members and supporters. Our members are America's mainstream and main street conservation

activists who understand the link between sustainable economic development and environmental protection.

At the outset of this testimony it is critical to note that NWF supported NAFTA in 1993 and fast track re-authorization in 1991. We made those decisions because we recognized the potential of trade as an instrument to enhance environmental protection, and believed that NAFTA was a good first step toward the integration of trade and environment. We knew that NAFTA's environmental provisions were not perfect, but we believed we would continue our work with the Administration and with Congress to improve upon them. Based on our experience with NAFTA, and with other trade and investment agreements, we now know we can no longer rely solely on side agreements to achieve our environmental objectives, or on fast track rules which do not state explicit goals for environmental protection. Future trade agreements must recognize that increased trade can have both positive and negative implications for the environment, and they should actively promote sustainable development.

We still believe in trade as an important component of national and international efforts to better peoples' lives, but we have learned that lives are made better only when trade rules and environmental protection go hand in hand. Over the past four years we have grown disillusioned at the treatment of environmental interests in trade and investment negotiations. Along with other environmental organizations, NWF has voiced repeatedly our concern over the absence of U.S. leadership on trade and the environment, disappointment with the inattention paid to NAFTA's environmental institutions, and our frustration with the secret Multilateral Agreement on Investment. Unfortunately, our appeals for a more responsible agenda for environment in trade have been met with silence from the Administration.

The National Wildlife Federation opposes the fast track proposal offered by President Clinton because it fails to learn from past experiences which show us that trade and the environment are inexorably linked. Americans care when they feel they cannot trust in the safety of imported foods. Our members get angry when an anonymous trade panel tells them we have no right to try to protect endangered sea turtles. The point of these two examples is that trade patterns have environmental consequences and trade rules can affect environmental policies. The question is no longer whether U.S. trade policy should recognize these linkages, but how to respond to them. We stand ready to work with Congress and the Administration to make this fast track a tool to help negotiators bring home trade and investment agreements that promote environmental protection. We also stand ready to oppose fast track if it does not.

FAST TRACK AUTHORITY *is not* ABOUT TRUSTING THE PRESIDENT

Fast track authority should not be negotiated on the basis of trust in the Administration, but on specific negotiating guidelines designed to guide U.S. negotiators to bring home trade and investment agreements that promote the national interest. Fast track authority designed to promote the national interest will ensure that companies play on a field made level by promoting high environmental standards. U.S. based businesses should not be forced to compete with foreign companies that pollute the water, soil, and air to secure a competitive advantage. The national interest is also served when fast track rules guide negotiators to produce agreements that promote global competition that requires green technology. This creates incentives for companies around the world to purchase U.S. environmental technologies. And certainly the national interest is served when negotiators make certain that food products imported under liberal trade rules don't poison our citizens. These objectives have nothing to do with trust; they have everything to do with promoting the national interest by articulating concrete negotiating guidelines.

FAST TRACK AUTHORITY *is* ABOUT SUBSTANTIVE ANALYSIS OF NEGOTIATING OBJECTIVES AND PROCEDURES

Granting fast track authority is also not about the politics of the moment. The Administration is trying to shape the fast track vote as either being "for" or "against" trade. This is not what the debate is about. Taking a position on fast track authority requires conducting a substantive analysis of the negotiating goals, rules and procedures outlined in the proposal. When this is done, we believe President Clinton's fast track request fails to ensure that U.S. interests are served.

Trade Rules Must Promote Green Competition: If trade agreements are to benefit from the NAFTA experience, then negotiators must be instructed to bring home agreements that level the playing field for businesses in compliance with environmental laws. In countries where basic environmental laws are absent or not enforced, manufacturers are able to develop a competitive advantage by polluting or

abusing their natural resources. To ask domestic producers, operating in compliance with national environmental laws, to compete against foreign-based companies that compete by polluting the environment or destroying natural resources is simply not fair.

To promote a level playing field, NWF asked the Administration to do two things. First, we asked them to assure that environmental policies regulating Production Process Methods are preserved from challenge by trade dispute. Second, we asked the Administration to make non-enforcement of environmental laws that have competitive implications actionable under trade rules. We believe protecting the environment should be given the same level of concern that is shown to individuals or companies whose investments are jeopardized by a violation of property rights or investment laws. The proposed fast track language does not accomplish this.

The Proposed Fast Track Contains Only Weak Environmental Objectives. Both the overall and principal negotiating objectives (Sections 2(a) and 2(b)) are inadequate guides for negotiators on environmental matters. First, the "Overall Trade Negotiating Objectives" outlined in Section 2(a) have no mechanism to hold negotiators accountable. The mechanism for accountability is found in Section 3(b)(2), which applies only to the "Principal Trade Negotiating Objectives" outlined in Section 2(b). Second, the phrase "directly related to trade" (Section 2(a)(5)) is meant to "limit the President's discretion to negotiate trade agreements that include areas that are not specified in the fast-track authorization.[1] If this language achieves that purpose, it will limit negotiations only to those specific environmental issues outlined in Section 2(b). Unfortunately, the only specific negotiating objectives for the environment outlined in this section are: to "promote sustainable development" and "to seek to ensure that trade and environmental protection are mutually supportive, including through further clarification of the relationship between them." (Section 2(b)(7)(D&E)). These two objectives do not accomplish the goals outlined in the previous section.

Instead, to ensure that U.S. negotiations on trade and investment agreements benefit from the lessons of NAFTA we believe specific negotiating guidelines must include a commitment to:

(a) Create a level playing to ensure that trading partners compete fairly by enforcing environmental laws;

(b) To insulate from trade challenge non-discriminatory, procedurally transparent, constitutionally consistent environmental laws which might incidentally have negative implications for trade;

(c) Leave in the hands of national legislators the ability to set and enforce appropriate levels of risk; and

(d) Assure trade and investment agreements support the Polluter Pays and Precautionary Principle(s) as accepted by customary international law.

Focus on the WTO is too Narrow: We applaud the Clinton Administration's explicit commitment to greater transparency at the WTO (Section 2(b)(5)). Environmentalists agree unanimously that the WTO and its Committee on Trade and the Environment are hostile fora for environmental dialogue.[2] Exposing the WTO to the spotlight of moral suasion through expanded public involvement is an important step toward greener trade. But while we agree that WTO reform should be a component of any agenda for the environment in trade, negotiating objectives focused solely on attaining procedural transparencies at the WTO are too narrow. There are other trade and investment agreements that demand our immediate attention. Under the proposed fast track the Administration plans to: complete the Multilateral Agreement on Investment; negotiate a bilateral agreement with Chile; complete FTAA negotiations by the year 2005; and make substantial progress in trade negotiations at the Asian Pacific Economic Cooperation forum. Each of these agreements will likely lead to the creation of new and powerful international institutions that will have great influence on the behavior of local, state and federal governments. Despite this ambitious agenda for trade and investment negotiations the Administration will only commit to greater transparency at the WTO.

We believe that this narrow agenda for transparency in trade runs counter to our goals as a democratic nation. We urge Congress to insist that the Administration produce trade agreements that ensure all trade institutions operate in an open and democratic fashion. Preferential access to trade institutions for big corporations capable of maintaining lobbying offices in Geneva or Paris is contrary to the interests of ordinary citizens and small businesses whose lives are affected by the decisions

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[1] Congressional Research Service, Fast Track Authority: Objectives for Future Trade Negotiations. (Washington, DC: The United States Congress, Updated May 27, 1997).

[2] International Institute for Sustainable Development. GATT, the WTO and Sustainable Development. (Winnepeg, Canada: IISD, no date).

made by these bureaucrats. Preferential access to FTAA negotiations afforded to big business is not fair. Citizens have a right to know that a particular rule is under consideration. They have a right to know what the U.S. government is doing to protect legitimate environmental laws from challenge by trade dispute panels.

The Administration has committed to expanding public access to negotiations, and to better avenues for accountability through committees in Congress (Section 3©(3); Section 4(a)(b)(c); Section 5(a)(b); and Section 7). This is promising, but we have not had sufficient time to fully analyze the implications for public participation of the proposed changes to fast track. We urge the Congress to request from the Administration a narrative explaining how these proposed changes will affect public access and accountability.

CONCLUSION

Trade and the environment are linked. Trade patterns have environmental consequences and trade rules can affect environmental policies. The question is no longer whether US trade policy should recognize these linkages, but how to respond to them.

We stand ready to work with members of this Committee and the Administration to make this fast track legislation a tool to help negotiators bring home trade and investment agreements that promote environmental protection and trade. We stand ready to oppose fast track if it does not.

Mr. NUSSLE. Thank you. I appreciate your testimony. I want to thank the entire panel for their testimony.

One of the issues that came up, has come up a number of times today, and particularly for Mr. Vice and Mr. Tank, I would like to get their input on this and that is the issue of our food supply and whether or not trade agreements, as opponents have suggested, undermine our ability to protect our food and food safety.

I would first to Mr. Vice, just a jump ball, would you care to comment on whether or not that is the fact, and if you don't agree with that, what you would say to argue against that. I will give that as a jump ball to both of you. First, Mr. Vice.

Mr. VICE. Thank you. I believe that our food quality inspection and criteria for determining things like pesticide residues are basically pretty sound and are followed by our trading partners. For example, in NAFTA, I grow avocados and citrus. I have been to Mexico in many of their regions and I ask them questions about the kind of cultural practices and by and large they mirror almost exactly what our practices are in this country. The reason is that those products are designed to be imported, or exported into our market. If they are found to be outside of the criteria that is used by our inspections for our own domestic products, they are turned down at the border.

Does that mean that everything that is coming across is inspected? Absolutely not. I don't think there is any way in the world that we could do that regardless of what country it is from. But I think the system that we have and the criteria that we placed on our trading partners as it relates to food safety issues and pesticide residues is a pretty good system. That is not one of my biggest fears. We are dealing with an end product when it comes into this country and our trading partners know the criteria that they have to meet.

Mr. NUSSLE. Mr. Tank.

Mr. TANK. I would largely agree with Mr. Vice with regard to many of the points he raised regarding food safety. I truly believe

that one of the benefits of fast track negotiating authority and the NAFTA as well as the WTO is that we have been able to enhance food safety standards.

Why is that? Because for the first time in the history of American agriculture, and actually world agriculture, we included agriculture into the NAFTA as well as to the WTO without an escape clause. As a result, we established a set of rules, whether they are perfect or imperfect is another point. We established a set of rules that allowed us to require food safety standards to be imposed upon importers into this country. The critical component is going to be enforcement. It always has been, it always will be. As a result, we have to work with other Committees and other Subcommittees to make sure the proper funding levels are available as well as that enforcement is occurring on products being imported into this country.

But as regard to food safety standards, I truly believe that we have actually enhanced worldwide food safety standards, particularly on products being brought into this country because of the trading rules associated with sanitary and phytosanitary measures that are included both in the NAFTA as well as the WTO.

Mr. DESTLER. May I say something briefly in response to that? I am certainly not an expert on the details of this issue but it seems to me that this is one where there is clearly a very strong common interest between those who export this food and those who eat it. The last thing any food producer overseas wants is any question at all about the safety or edibility of their product. There may very well be some problems of transition in our own food inspection system as more imports come in and to the degree they exist, these problems need to be dealt with. I understand the President has announced some measures in that regard.

My sense is that unlike some trade negotiating issues, where you have to watch people like a hawk because it is in their interest to deceive you, here it seems to me their interest is totally, 100 percent, to provide safe, effective food because that is the only way they are going to get a larger market.

Mr. NUSSLE. I would agree with your observation. There is no question. All I have to do is look back to a recent scare with regard to frozen hamburger patties or to what is happening right now in the Chesapeake Bay with regard to fish to see what it does, if there is any question of what that has on the marketplace.

One other question I just wanted to pose to our agriculture folks, our ''aggies'' as we call ourselves, what if we wait? What happens if this does get mired, whether it is in politics or in an inability to move legislation or lack of support? Give me your thumbnail sketch of what that means vis-a-vis agriculture in particular if this is not passed and if it waits until next year or beyond?

Mr. TANK. Mr. Nussle, let me try to answer that first. I would say that fast track negotiating authority is the single most important issue facing American agriculture today and the ability to sit down and negotiate with our trading partners and our customers in the world. If we wait, I think it is important for us to understand that it took us 7 years to negotiate the Uruguay round and most likely American agriculture will be the single largest loser, not the single largest beneficiary, of that activity.

Why is that? Because what is going to happen, whether it is in the pork industry or every other sector of American agriculture, we are going to force investment offshore, whether that be in Canada or Brazil or Argentina or anywhere else where they can produce agricultural products, you are going to force people to take a look at investing in foreign countries, largely because of the reason that they are going to invest in technology, they are going to invest capital into those places that can be reliable suppliers of products, and today the U.S. agricultural industry cannot be that reliable supplier if we don't have negotiating authority to enter into trade agreements with customers and competitors all over the world.

Mr. VICE. I would agree entirely with Mr. Tank. I think we have already gotten ourselves in a hole, quite frankly. We are missing out today in the Latin American market, as well as the Asian market, in billions of dollars' worth of trade because we haven't been a part over the last 2, 3, or 4 years of some of the trade pacts that are going on. To some extent, we can make up some ground if we move ahead with fast track authority. Again, this is assuming, as I said in my statement earlier, that we give one that has some safeguards in it because, quite frankly, we don't want to move forward with agreements that actually hurt us over the long run. So with the thought in mind that the Subcommittee is going to make sure we come up with a good, clean piece of legislation with some safeguards in it, I think we must move forward or we will pay the price for years and years to come.

Mr. NUSSLE. Thank you. Mr. Herger.

Mr. HERGER. Thank you, Mr. Chairman.

I want to thank our members of the panel, particularly for the most recent comments that were made by you, Mr. Vice and Mr. Tank, on how essential it is that we be able to move forward with a good and fair and equitable agreement and allow us to not be losing out to our competitors. So I appreciate that.

Mr. Vice, I understand you just—I think you mentioned in your testimony and in our own conversations that you have recently been down to South America, to Chile and to several other countries. Would you mind telling us a little more about what you saw there in respect to fast track?

Mr. VICE. Yes, I just returned, took an industry group from California, farmers down to Chile, Argentina, and Brazil, was there 2½ weeks, returned about 1 week ago.

The thing that impressed me the most, and one of the reasons I went down there, to take a good firsthand look to assess not only their ability to export more than they are presently, and they are big exporters into this country, but also to see what the market looked like for our ability to export down there.

I can tell you that their ability to expand beyond what they are currently growing and exporting is just tremendous in all three countries. They have a great deal of undeveloped land. They have adequate water at almost free cost. Their infrastructure is good. The investment is great; both North American as well as European investment is pouring into the country.

We saw lots and lots of new stone fruit orchards being put in, a lot of table grapes, a lot of wine grapes. So we need to get this one right, because they are going to be tremendous competitors.

And, quite frankly, they come into this country pretty trouble free and pretty tariff free right now and so we need to get access to that market. Chile is probably the smaller of the three markets, but certainly Argentina and Brazil hold great promise for us as agricultural producers in this country.

But one of the things that I mentioned just briefly in passing in my statement was the fact that we need to make sure that the resources are sent to the right place. One of the things that we certainly discovered in all three countries is that we do not have the capabilities in our Embassies in those three countries to answer the questions that are being posed by the governments of those three countries as it relates to phytosanitary questions. We were told on more than one occasion that they had answered questions that we had posed to them about bringing product in several months ago and we hadn't gotten back to answering the question. So to some degree our inability to move product in this country is our own problem, not having enough resources that our personnel can answer the questions for them. That has to be corrected.

Mr. HERGER. I thank you.

On that same issue of sanitary and phytosanitary barriers to U.S. exports, let me just ask, is the use of sanitary and phytosanitary barriers to U.S. exports on the rise by U.S. trading partners and how great of a threat are these to the agricultural community's ability to export?

Mr. VICE. I think they are on the rise. I think Mr. Tank had it in his testimony, and I said it in mine also, as we get these regional trade agreements and we are successful in moving more product in, the natural barrier becomes phytosanitary barriers when the other barriers are taken down. So we have seen an increase in that. In fact, you might be—I know you would be interested in this coming from California. We were just told on Friday, we need to get these phytosanitary things in place because we are being told as of last Friday we can't send table grapes into Chile anymore because of the oriental fruit fly in Los Angeles which hasn't had anything to do with Kern County. It is the only trading partner we have in the world that is not taking a product from a county where there has been no evidences of that pest being in the county. Those are the kind of phytosanitary barriers that we must get torn down and must have rectified.

Mr. HERGER. Thank you very much.

Mr. NUSSLE. Thank you, Mr. Herger.

Ms. Thurman.

Ms. THURMAN. Good afternoon, gentlemen. I am sorry that I missed some of your testimony, but this place for some reason does not allow us to get to all of that all the time for some reason. I think we ought to do something about the scheduling around this place.

Mr. Tank, I am interested in something here, because the agriculture issues from Florida are, as you may know, we are very skeptical of what is going on right now with fast track. It is my understanding, though, in the Canadian agreement with NAFTA, that you all are having a problem as well because they actually took pork and dairy off the table so you can't even discuss that or we can't get pork and dairy in there; is that correct?

Mr. TANK. That is not correct. Actually it is poultry and dairy.

Ms. THURMAN. Excuse me, poultry and dairy. Nonetheless, there are items that we are not even able to negotiate on that have been pulled off the table with some of our trading partners.

Mr. TANK. That is correct.

Ms. THURMAN. That causes a problem; doesn't it?

Mr. TANK. It causes a problem to all of us, absolutely.

Ms. THURMAN. So Mr. Vice, let me then ask you from the American Farm Bureau and from California, is that not a problem or do you see us maybe doing some of those very things in some trade agreements from our side?

Mr. VICE. I think some of the inequities in trade, we like to cite the things that are keeping us out of markets. I think to some degree we have been maybe guilty of that in the past ourselves. And so I think as we—and it is a natural occurrence, I think, for a retaliation kind of measure. I think that is what we see with a lot of phytosanitary problems that we have. It doesn't mean that we can't work through those. It is just that it has to be a priority as we start to negotiate this agreement.

I am very pleased, and I think the growers in Florida, I have spoken to many growers in Florida, I think we are all a lot more pleased with this agreement and the way it is starting in terms of it being a key element in negotiation being agriculture and the consultation that would be a part of the process. We didn't have that during NAFTA. I think that is going to be a lot of help. That doesn't mean—I don't think you can design a trade agreement anywhere in the world that is going to benefit every single person at every single commodity on both sides. That is impossible.

Ms. THURMAN. But, and given the actions taken by Canada, would it be to our advantage, then, to look at taking some of our own products off that might be adversely affected because of the competition?

Mr. VICE. I think a lot of times the way things are done is that one side will start retaliating, you have taken ours off so we are going to take something off. That usually leads to the first party putting something else on and the first thing you know, we are in a trade dispute. I think the way we have tried to work those out, and we are working presently with Canada on poultry and dairy to try to get beyond it. We also have a wheat problem with them. We need to get through that problem. But what we have tried to do in negotiation is not retaliate but try to work through those. I am confident that we will resolve the wheat and the poultry and the dairy issue, and we will do it in a manner which doesn't make us have to get in a tit for tat with them.

Ms. THURMAN. Mr. Vice, you spoke about the phytosanitary, while I understand where the potential problem of that might be in Mexico because of tomatoes or whatever, as far as Florida citrus goes, but on the other side of that, we all face that issue in China today where we are not getting anything going in there. So I wonder, is there a retaliation there that you can tell me about? Help me here. Because my farmers are not—I have to be honest with you. They are not seeing this as retaliation as much as the fact that they are losing their businesses.

Mr. VICE. It is a very tough situation. We also have growers of a lot of commodities and we are sitting right on the Pacific rim, a lot of our growers are saying the same thing, how come we can't get product in? As you probably know, we just achieved table grapes to China in the last 2 weeks. That is going to be a big boon to our table grapegrowers. We would like to have citrus, a lot of other things in. We have apples from Washington.

Ms. THURMAN. But you are getting citrus from California into China, or into Mexico.

Mr. VICE. Into Mexico, but not into China.

Ms. THURMAN. Where Florida is not at this point.

Mr. VICE. Right. Those trade agreements, going back to China, it is always difficult when you see China being such a great market for some of our goods. Take Boeing Aircraft, for example, a tremendous customer of China. So is that good for all concerns? Yes. Is it particularly good for tomato growers in Florida or citrus growers in California? Not exactly. But I think we need to keep moving toward opening that trade and not saying no more—we are not going to sell you any more airplanes unless you buy grapes, too. It just doesn't work well that way. I know it is a struggle.

My heart goes out to growers in Florida, but I am confident that we are going to get some things in this agreement that will alleviate some of that that we did not have in NAFTA.

Ms. THURMAN. I will give you the fact that I think that this administration has seemed to have opened up some dialog with us on agriculture, there is no question. I will tell you, though, trying to pull the right language together that gives them the comfort is, I think, going to be much harder than what any of us might think could happen in this short period of time, if in fact we are looking at another couple of days or 1 week or so.

I really am very concerned and I am going to say it in a way, when I look at Florida agriculture, and probably similar to how you feel about California agriculture, and the fact that Florida raises about 50 percent of the winter vegetables for this country alone, when you look at the figures for hunger across this world by the year 2025, my biggest concern in these trade issues, and I can assure you that in Florida if you damage any more so the agriculture conditions there, those lands will in fact be developed. We will never have the opportunity to have food production in Florida, and if we lose that, we lose a very large interest in this country and something to this entire world. I think it is something that we all have to be considerate of when we are looking at these agreements.

Mr. NUSSLE. Thank you, Ms. Thurman.

I want to thank our panelists for their testimony today. I want to thank our other witnesses. The record of this hearing will remain open until October 7.

That concludes the hearing of the Trade Subcommittee and the Subcommittee stands adjourned.

[Whereupon, at 3:45 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

Statement of California Cling Peach Growers Advisory Board

I. Introduction

The following written statement is submitted on behalf of the California Cling Peach Growers Advisory Board and its clingstone peach grower and processor members in connection with the Subcommittee on Trade's September 30, 1997, hearing on the extension of fast-track trade negotiating authority.

The California Cling Peach Growers Advisory Board is a non-profit quasi-governmental association representing all 750 cling peach producers and 5 cling peach processors in the State of California. Virtually all of the United States' production of cling peaches occurs in California. Over ninety-five percent of that production is used for processing—the primary product is canned peaches. California canned peaches are sold domestically, our largest single market, and to export markets in the Pacific Rim, Canada, and elsewhere. The Board's primary role is to assist the U.S. industry in the development of these domestic and export markets.

The California cling peach industry is deeply concerned about the application of fast-track negotiating authority to trade agreements, especially as that authority would pertain to the negotiation of a free-trade agreement with Chile. More than most U.S. agricultural sectors, the California cling peach industry stands to lose considerably from the elimination of U.S. tariffs in favor of Chile. First, our industry has faced several decades of unfair competition from illegally subsidized Greek canned peaches, which competition has eliminated our EU market, reduced our exports to all other markets, and in recent years, begun to displace sales in our own U.S. market, leaving our industry extremely vulnerable to imports. Second, Chile is already a competitive exporter of canned fruit to the U.S. market even with U.S. tariff rates of 18.5% on canned peaches and 16.2% on canned fruit mixtures. Lower U.S. tariffs in favor of Chile is certain to trigger additional canned fruit imports that will enter the U.S. market only by displacing one-for-one higher-priced U.S. canned fruit sales.

Because of our industry's demonstrable import-sensitivity, the U.S. cling peach industry is asking that fast-track authority contain specific language to protect U.S. tariffs on canned peaches (H.S. 2008.70.00), canned fruit mixtures (H.S. 2008.92), and other cling peach products from any reductions below the tariff levels at which the products were bound in the Uruguay Round Agreements where a determination is made by the Office of the United States Trade Representative that foreign trade-distortive subsidies on such products are decreasing market opportunities for United States exports or distorting agricultural markets to the detriment of the United States. The unfairness of the EU subsidies distorting our canned fruit markets is particularly objectionable, since these subsidies are in violation of a GATT panel ruling and a bilateral trade agreement. The U.S. industry urges the support of this Subcommittee for protecting U.S. cling peach tariffs at current tariff rates if the Office of the United States Trade Representative has made a determination that EU or other foreign trade-distorting subsidies are decreasing marketing opportunities for U.S. cling peach exports or distorting our markets to the detriment of our industry. Without this commitment, California growers and processors are certain to be irreparably harmed.

II. The California Cling Peach Industry Is Particularly Sensitive To Imports, Largely The Consequence of Trade-Distortive Foreign Subsidies That Have Upset The Competitive World Market For Canned Peaches.

The import-sensitivity of California cling peaches has consistently been upheld by the U.S. government in prior trade-related determinations, including in reviews under the Generalized System of Preferences, NAFTA, the Uruguay Round, and other bilateral matters involving canned fruit. The reasons are uncontested: nearly two decades of domestic oversupply, little or no growth in U.S. consumer demand for canned fruit, growing competition and market access barriers in export markets, and growing U.S. imports of low-cost and often unfairly subsidized canned fruit from Greece, Chile, and South Africa, and more recently from Spain and Italy.

The California industry's fragile state is largely a consequence of global forces beyond its control. The most egregious of these has been the massive subsidization of canned peach production in Greece, which has led to years of global oversupply, market displacement and depressed world prices. This illegal subsidization has continued and even increased in violation of a favorable GATT panel ruling and a bilateral agreement that was to eliminate the illegal aids. Because the GATT ruling and bilateral agreement have not been upheld, and because U.S. government efforts to enforce compliance with these agreements have had inadequate results, our growers and processors need assurances that U.S. tariffs on canned peach products will be

protected until compliance with these obligations and the elimination of trade-distortive subsidies is achieved.

All economic indicators—global oversupply, decreasing U.S. exports, and sharply increasing imports into an already oversupplied U.S. market—point to a U.S. industry that is import-sensitive and cannot withstand increased U.S. imports of low-priced canned peaches from Chile or elsewhere triggered by U.S. tariff reductions.

A. Rapidly Expanding Foreign Cling Peach Production Has Led to Global Oversupply, Forcing the U.S. Cling Peach Industry Into Retraction.

Between 1970 and 1997, U.S. production of canned cling peaches declined by 36%, while canned cling peach production in Greece and Chile rose by roughly 540% and 340%, respectively.

Global Canned Peach Production (Annual Basis)
1,000 Cases 24/2½ Equivalent

	U.S.	% Increase	Greece	% Increase	Chile	% Increase	Others	% Increase	Total
1970–73	25,968		2,869		478		13,305		42,610
1990–93	18,197	(30%)	15,050	425%	1,512	220%	15,347	15%	50,106
1994–97	16,630	(36%)	18,437	540%	2,115	340%	18,158	36%	55,777

Source: USDA/FAS Horticultural Products Review
U.S. data for 1990/93, 1994–97 California Canning Peach Association, Almanac, 1997

In Greece alone over the last decade, annual production of raw cling peaches has soared from 170,000 metric tons in 1986 to 750,000 metric tons in recent years, accounting for half of world production. This surge in production, encouraged by massive illegal processor and grower subsidies, has led to 15 successive years of global oversupply. With no such subsidies available to U.S. growers for their oversupply, California growers and processors have had no choice but to take radical measures to reduce production.

B. As U.S. Exports Have Fallen, Greece, Chile and Other Low-Cost Suppliers Have Significantly Increased Their Exports, Flooding the Global Market.

Canned peach exports have followed a similar pattern to global production trends. As U.S. exports dropped by nearly 70% between the early 1970's and 1996, exports of Greek and Chilean canned peaches increased by as much as 10-fold. During this period the U.S. share of global exports fell from 22.7% to 3%, while Greece increased its export share from 10% to nearly 66%. Chile went from virtually no exports in 1970 to surpassing U.S. export volumes in the early 1990's.

Global Canned Peach Exports (Annual Basis)
1,000 Cases 24/2½ Equivalent

	U.S.	% Increase	Greece	% Increase	Chile	% Increase
1970–73	2,955		1,431		130	.....
1990–93	943	(70%)	14,309	900%	1,042	700%
1994–96	981	(66%)	17,457	1,120%	1,645	1,165%

Source: USDA/FAS Horticultural Products Review
U.S. data for 1990/93 from California Canning Peach Association, Almanac, 1994

The surge of low-priced, subsidized Greek exports onto the global market in the mid-to late 1980's forced California canned peaches out of the EU market (at one time the California industry's leading export outlet) and substantially displaced California product in Japan, Canada and elsewhere. More recently, Chile and South Africa—with increasing exports of low-priced canned peaches—have joined Greece in displacing U.S. product in global markets.

C. As U.S. Exports Have Declined, U.S. Imports Have Increased Sharply.

Despite relatively good U.S. tariff protection of 20% on canned peaches and 17.5% on fruit mixtures (18.5% and 16.2% respectively as of January 1, 1997, with Uruguay Round reductions), U.S. imports of canned peaches increased significantly, from 23,000 cases in the early 1970's to up to 2 million cases in the 1990's. In 1996/97, U.S. imports from Greece alone reached record-high levels of nearly 1 million cases. Imports also continue to enter from Spain, Chile and South Africa.

D. With Global Canned Peach Production and Exports Increasing, the U.S. Industry Had No Choice But to Retrench.

Faced with massive global oversupply, increased U.S. imports, declining U.S. exports, and a declining U.S. consumer base, the California industry was forced into severe contraction and consolidation. Between the early 1970's and 1990's, the number of California canned peach processors declined from 17 to 5. Over the same period, acreage of cling peach production dropped from 52,000 acres to 30,000 acres as growers pulled out orchards to meet a smaller U.S. market. This past year again, California growers have turned to a tree pull program to remove an additional 4,000 acres from production.

Self-help measures such as acreage reduction alone have not been enough to keep supplies in line with market demand. The U.S. industry has also relied on extensive U.S. government school lunch and other federal purchase programs to purchase excess supply and to help keep prices at minimally sustainable levels. Government purchases have been significant, averaging a million cases annually in the 1970's and 1980's. Although these purchases dropped by some 500,000 cases between the early 1980's and 1990's as the effects of industry tree pull programs kicked-in, in 1995 U.S. government purchases again increased to over a million cases per year.

II. CHILE IS A COMPETITIVE PRODUCER AND EXPORTER OF CANNED PEACHES AND IS POISED *for Massive Expansion to the U.S. Market if U.S. Tariff Preferences are Granted.*

In the context of the hearings held in 1995 on Chile's accession to NAFTA, the California cling peach industry made clear at that time that granting Chilean canned fruit producers preferential tariff access to the U.S. market would be a lose-lose situation for U.S. growers and processors. What we demonstrated was that under a free trade agreement that did not protect U.S. tariffs, Chilean canned peach exports to the U.S. market would increase without any reciprocal opportunities for U.S. exports to Chile. As described below, the Chilean canned peach industry is poised to increase production targeted for the U.S. market. U.S. tariff reductions will put that plan in motion.

A. Chilean Canned Peach Producers Enjoy Significant Cost Advantages Over California Producers.

Chile is among the lowest cost producers of canned peaches in the world. Largely because of low labor ($1.00 per hour), raw product, and agricultural land costs, Chile's cost of production for a standard case of peaches is roughly $1.50 less than the average cost of production for California processors.

Chilean canned peach processors also benefit from two forms of export rebates available under Chile's duty drawback system. One of the rebate programs pays processors for import duties paid on imported sugar and tin plate that are used as inputs in canned peaches. These rebates, which are obtained upon export of the finished product, are believed to amount to a subsidy of $.50 a case. The other program is an automatic rebate of 10% of the FOB value of the finished product under Chile's "simplified duty drawback" system. Chilean processors are believed to receive this rebate for almost all of their production.

Chilean exporters also enjoy transportation cost advantages over California shippers when sending product to east coast U.S. markets. Shipping rates from California to New York for a standard case of peaches are roughly one-third higher than rates from Chile to New York. These lower transportation rates are available to Chilean exporters because of the high frequency with which ships transporting large volumes of fresh fruit travel between Chile and the United States.

Chile's cost advantages are expected to increase as Chile's cling peach sector increases its production (see below) and Chilean processors become more efficient through economies of scale. Chile's raw product costs are expected to drop as orchard productivity is improved through the introduction of new California varieties (some of which were obtained illegally in violation of U.S. patents) and better production practices; processing costs will also come down with production of the new varieties that are more suitable for processing. All told, the Chilean industry's emerging advantages will result in an additional cost differential of $1.20 per case, for a total cost advantage of $3.20 per case. This nets to a 20% price advantage over the U.S. cling peach product cost of $15.25 to $15.65 per case.

B. The Chilean Cling Peach Industry is Anticipating Significant Expansion in the Near-Term—Precisely Targeted for the U.S. Market.

There is evidence that the Chilean cling peach industry is engaged in measures to increase its canned peach production for the U.S. market in anticipation of preferential access. Much of the new production will come from increased yields resulting from newer, more productive California varieties that are now coming on line.

Several years ago during a Fruit and Vegetable ATAC Committee visit to Chile, U.S. industry and U.S. government representatives saw first-hand the significant expansion efforts. What was evident was that Chile had ample processing capacity and raw product availability to meet its increased production targets.

This increased raw product availability and rapidly expanding capacity is already being targeted for the U.S. market. Chile now exports significant volumes of canned peaches to the U.S. market at prices $2 to $3 a case below California prices even paying the 18.5% U.S. duty. Any relaxation of this duty will provide additional impetus and advantage to Chilean processors to increase canned peach production exclusively for the U.S. market.

C. Increased U.S. Imports From Chile Will Wreak Havoc on an Already Mature and Oversupplied U.S. Market.

With U.S. consumer demand for canned peaches stable at best and U.S. processors already losing sales to lower-priced Greek and Chilean product, any increase in imports from Chile will be at the direct and immediate expense of California processors and growers. Substantial jobs will be lost and U.S. grower and processor profitability severely eroded.

Price/purchase relationship data on canned peaches show that in the mature U.S. market, imports of low-priced Chilean canned peaches will cause the U.S. market price for canned peaches to drop, but without a corresponding increase in consumer demand for peaches. With no market expansion, lower-priced imports will net a one-for-one displacement of higher-priced California canned peaches. It has been calculated that a 50% increase in Chilean imports will displace some 625,000 cases of U.S. canned peaches, causing grower revenues to decline by some $2.5 million and U.S. processor revenues to drop by $10 million. The higher quality of California product and U.S. brand recognition will have little if any effect on salvaging this displacement. In part, this is because a large percentage of canned peach and fruit mixture sales are sold to the institutional and food service sector where brand loyalty means little and price alone is the controlling purchasing factor.

IV. *Conclusion*

Over the past two decades the California cling peach industry has been successful in keeping its tariff protection despite efforts from foreign producers to gain GSP-eligibility or to gain tariff cuts through multilateral or bilateral trade negotiations.

The viability of the California industry depends on the continued commitment of the U.S. government to maintain U.S. cling peach tariffs until such time as foreign trade-distortive subsidies that have destroyed the competitive market for U.S. cling peaches are eliminated.

The extension of fast-track negotiating authority raises particular concerns for the California cling peach industry especially as that authority would apply to a free trade agreement with Chile. As Congress considers renewal of fast-track authority, we ask this Subcommittee to support language to protect U.S. cling peach tariffs from further reductions during negotiations with Chile or in other bilateral or multilateral context, until trade commitments in this sector are honored and foreign trade-distortive practices are removed.

Statement of Cargill, Inc.

Cargill, Incorporated, strongly supports prompt consideration and enactment of fast track trade negotiating authority. The United States is already losing ground in bilateral and regional trade. More importantly, the United States must not abandon its historic leadership role in setting the agenda for, and carrying out, important trade negotiations.

Cargill is an international marketer, processor and distributor of agricultural, food, financial and industrial products. The company employs some 79,000 people in more than 1,000 locations in 72 countries and does business in 100 more.

Fast track is of particular importance to American agriculture. Without fast track, the United States will not have the means to enter into market-opening negotiations

with other countries that will pave the way for additional growth in U.S. agricultural exports. In addition, the United States needs fast track to enter into negotiations to resolve a variety of outstanding trade problems.

U.S. agriculture has benefited from trade liberalization made possible by previous fast track authorities. Agricultural exports hit an all-time high of $60.3 billion in 1996; U.S. agriculture has contributed a consistent trade surplus, which last year climbed to $27 billion. The United States is an efficient and competitive producer of a wide range of agricultural commodities that are in demand around the world. U.S. agriculture is poised to make additional export gains from upcoming trade negotiations that can only be conducted with appropriately crafted fast track legislation.

NEGOTIATIONS AHEAD

Many developing countries are experiencing robust economic growth. This is providing rapidly rising incomes for their citizens, which is allowing them to seek to upgrade their diets by consuming more livestock products, vegetable oil, fruits and vegetables. Imports from the United States can serve much of the increased food needs in developing countries more economically, but there is no guarantee that those countries will grant market access to food and agricultural products from our country.

U.S. agriculture needs additional trade agreements to lower import barriers, constrain domestic subsidies and eliminate the use of trade-distorting export practices. Fast track negotiating authority is the key to realizing these goals, and there are several opportunities here now and on the horizon that we should not miss:

• *Free trade with Chile*—Chile has negotiated preferential trading arrangements with Canada, Mexico, Colombia, Venezuela and Mercosur (Argentina, Brazil, Paraguay and Uruguay). Because Chile has no such agreement with the United States, U.S. agricultural exports to Chile still face an 11-percent blanket tariff, while tariffs on food and agricultural exports from other nations have been reduced or eliminated. The absence of fast track authority also has left the United States unable to negotiate reductions in Chile's sanitary and phytosanitary restrictions, which have, among other things, cut U.S. wheat exports to that country from around 300,000 tons a year to zero.

• *Free Trade of the Americas (FTAA)*—Western Hemisphere leaders have committed to completing negotiations on the FTAA by 2005. Talks are expected to get under way in earnest next year. Without fast track authority, the United States will not be able to engage effectively in the FTAA process.

• *Free trade agreements in the Asia-Pacific region*—Similarly, the United States should not take a back seat during talks to create a free trade area among members of the Asia Pacific Economic Cooperation (APEC) forum. Developed nations in APEC have agreed to establish free and open trade by 2010; developing nations by 2020.

• *1999 World Trade Organization agricultural negotiations*—WTO members will convene negotiations in 1999 to continue the process of agricultural trade liberalization begun in the Uruguay Round. Preliminary work involving information gathering and analysis is already under way. The United States should not sacrifice its leadership role and opportunity in forming the agenda for these critical talks.

Broad, clean and permanent

The United States needs broad, clean and permanent fast track negotiating authority to address these several challenges ahead. Many members of this committee have participated in the process of developing implementing legislation for previous trade negotiations and are well aware that the term "fast track" is not an accurate characterization of the process.

Congressional consideration of a trade agreement is thorough and deliberate. Before even getting to the point of drafting implementing legislation, the administration consults actively with Congress before and during the actual negotiations. Once a negotiation is concluded, Congress and the administration engage in an extensive discourse on all aspects of the agreement and the implementing legislation. In effect, this comprehensive exchange of views constitutes an informal mark-up of the legislation that addresses all pertinent issues before the implementing bill is introduced formally in Congress. Only then are time-tables under fast track authority triggered; only then does Congress face the prospect of an up or down vote.

Trade negotiating authority must be broad. It must enable the United States to negotiate bilateral, plurilateral and global trade liberalizing agreements. Trade occurs in a complex world of evolving and intertwining relationships. Sometimes it may be beneficial to negotiate bilateral free trade agreements—as with Israel or, prospectively, with Chile. The United States must also be able to advance its inter-

ests in emerging regional free trade areas. The FTAA and APEC do not just loom large on the horizon; they are upon us. The WTO needs to revisit the unfinished agenda of the Uruguay Round of multilateral trade talks; negotiations on agriculture and services are scheduled to begin in 1999. It was the United States that put agriculture on the table in the Uruguay Round; it is the United States that must pave the way for additional reforms and market-opening discussions in the 1999 talks.

Trade negotiating authority must be clean. Trade negotiating authority should be free from requirements to address nontrade issues. Trade negotiations are difficult enough to conclude in and of themselves. Adding extraneous issues—whose promoters seek leverage that denying trade benefits might provide—will only weigh down trade negotiations to the point that everyone loses.

Environmental and social issues are important and difficult in their own right. They should be addressed in other international fora. Trade talks may appear to provide appealing leverage, but in fact trade is a much weaker engine, especially when unilateral action is threatened in a global economy, than advocates for environmental and social issues have recognized.

People who are concerned with feeding themselves turn first to putting food on the table. Only when they have developed and prospered enough from the benefits that more liberalized trade can provide will they turn their attention to improving their environment or addressing labor and human rights concerns. Unfortunately, these very real concerns are considered luxuries in many poorer areas of the world. Trade should not be used as a weapon but as a means to improve peoples' wealth, exchange ideas and transfer the technology needed to realize social and environmental progress.

Trade negotiating authority should be permanent. The Constitution provides Congress with authority to regulate the foreign commerce of the United States. The responsibility for negotiating with other countries is delegated to the executive branch. Fast track authority is merely an arrangement between these two branches to coordinate this allocation of power and strengthen U.S. leverage in international trade negotiations. Given the constraints imposed on the executive branch by the consultative process described above, enough safeguards can be included in fast track authorities to ensure that open-ended authority will not be abused.

Permanent authority should include a mechanism to allow the establishment of deadlines for specific negotiations. Without deadlines, it is often difficult to bring talks to conclusion. Congress, of course, would retain the right to vote on any trade agreements reached by the administration.

Permanent negotiating authority provides the administration with the ongoing ability to offer tariff reductions or other policy changes—with ultimate approval to be determined by Congress on an up or down vote—in exchange for critical concessions from other countries. Permanent authority will ensure that the executive branch is ever poised to take advantage of negotiating opportunities to further U.S. interests. The delay in adopting fast track authority since it expired last in 1994 has meant that U.S. exports, especially agricultural exports, have lost significant ground in Chile. Moreover, the delay has meant that our trading partners do not take U.S. assertion of a trade negotiating agenda seriously, undermining any U.S. advocacy positions in regional talks such as the FTAA or APEC and in the WTO.

Congressional approval will still apply under permanent, uncluttered, broad-ranging trade negotiating authority. The up or down process works because it is subject to such intensive, thorough negotiations between the two branches before it gets to the floor for that critical final vote. And, if Congress is still not satisfied with the final package, it may vote against individual agreements, just as efforts to pass a U.S.-Canada Free Trade Agreement were defeated a number of times before the final agreement took effect in 1989.

AGRICULTURE SHOULD BE TOP PRIORITY

Finally, once all these other hurdles are cleared, and the United States enters into trade negotiations under new, permanent fast track authority, agricultural trade liberalization should be made a top priority. U.S. agriculture will certainly benefit from improved market access around the world. Moreover, policy reforms in agriculture around the world will lead to improved trade and exports for other sectors of the U.S. economy.

It is an unfortunate fact of life that the poorest countries frequently have the highest food costs. Many developing nations tax their farmers by keeping input prices high and providing artificially low commodity prices in the export market due to inconsistent and unreliable export practices, or they force their consumers to pay above world prices by restricting imports. Even small reforms in these areas could

lead to significant improvement in disposable income—additional income that could be used to purchase other, non-food commodities to better the lives of the people in these countries. Reform of food and agriculture policies in these countries will free up income that will provide a strong demand base for the many other goods and services that U.S. firms could provide.

Trade liberalization for agriculture should also be comprehensive. The focus of agricultural trade negotiations should be to remove all government distortions to trade, including, but not limited to, market access barriers, unfair trade practices, domestic policies linked to production or marketing; and supply access barriers. Countries around the world employ a diverse range of policies and practices to protect and support their domestic agricultural interests. The only way to create truly equal competitive status is to put all trade-distorting practices on the negotiating table.

Without fast track negotiating authority, agriculture would never have been included in the Uruguay Round as one of the top negotiation objectives. Fast track negotiating authority provides assurances to our trading partners that the U.S. government speaks with one voice during the deliberations that lead up to production of a final trade agreement. Fast track authority provides assurances to our trading partners that they can enter into negotiations with the U.S. government to resolve trade problems, and the final settlement will be approved or rejected, but it will not be second-guessed or picked apart by the U.S. Congress.

CONCLUSION

Fast track negotiating authority can and should be used to help resolve outstanding trade disputes. Previous trade negotiations have disciplined many trade practices but have left others relatively untouched. The result is a global trading system for agriculture that is rife with inequities, many of which work against U.S. exports. Fast track can provide the leverage necessary to address our concerns. Fast track will also enable the United States to participate early and fully in bilateral, regional and global negotiations to improve the world's trading environment.

A vote for fast track is also a vote in favor of addressing the various trade problems that afflict U.S. agricultural interests and other sectors. A vote against fast track is a vote in favor of continuing the status quo and perpetuating those problems. With fast track, our trade negotiators can begin to address and correct many of these problems. With fast track, our trade negotiators can move to expand trade opportunities to help U.S. agriculture to grow and serve rising demand in all parts of the world.

Statement of Bob Crawford, Commissioner of Agriculture, State of Florida

Increasing international trade is an admirable goal. Increasing international trade in a manner that decreases U.S. food production and increases food safety concerns are outcome measurements of a system gone awry.

When the language of the North American Free Trade Agreement was negotiated, safeguards recognizing the fragile interdependent system of perishable food production in this country were to be included. To assuage fears and achieve the necessary votes for passage, promises were made to provide resolutions for conflicts, equal phase-outs with trading partners for essential chemicals, and safeguards from damaging trade surges. Regrettably, the test of time has shown the intentions of the past were not met by the language constructed in the agreement or implementing legislation.

So, should we rush down the fast track highway into new agreements based on the same flawed language? Florida agriculture and the Florida Congressional Delegation answer this question with a resounding vote of concern and caution.

While fast track language may smooth the road in efficient trade negotiations, fair treatment for agriculture is critical to insure continued production of perishable commodities in our nation. The vulnerability of perishable commodities and the processed products made from them was recognized by President Clinton in 1993 when he pledged his support and commitment to insure fair treatment for the unique nature of these crops.

The other nations in the Southern Hemisphere also recognize the vulnerability of their perishable agriculture production. In the recent Business Forum in Belo Horizonte, focusing on the upcoming Free Trade Area of the Americas, country after country cited similar agricultural concerns due to perishable agriculture's strong position in their individual economies.

Despite reports of positive trade effects, recent Florida production statistics show a 24% reduction in all fruits and vegetables over the past three years. Tomato production declined 53.5% since 1992. Other agriculture sectors face continuing threats through unequal and totally divergent requirements for sanitation, field worker safety, water quality, labor restrictions and environmental compliance. Yet, we find ourselves at a place in time, when some are proposing to require more restrictions on the domestic farming industry before requiring even basic sanitation compliance by our trading partners.

Fast track needs to be placed on a "slow track" until differences can be dealt with constructively. Trade talks can go forward, a new round for WTO can begin, and we can do so with a concurrent commitment to fix the flaws before fast track authority is given.

Globalization and concentration in our food supply today are showing that the foodsafety rules developed for yesterday's world are not adequate for today. Our food supply is either being imported from abroad or handled and processed in the hands of fewer and fewer companies in the U.S. Foodborne illness sickens between 33 to 81 million Americans each year with an estimated 9,000 deaths and $5 to 15 billion dollar strain in preventable health care costs. Increasing outbreaks involving imported strawberries, cantaloupe, raspberries, lettuce, basil, canned mushrooms, coconut juice, and green onions alarm us. Today we have a global food supply and one that is sickening us more frequently. As a recent Atlanta Constitution article quoted, "We have the world's food, and it's as safe as the environment it comes from." Consumers have the right to know where their food comes from and to demand it be produced under clean conditions or not imported. As Dr. David Kessler, former Commissioner of the Food and Drug Administration stated, "We built a system back 100 years ago that served us very well for a world within our border. We didn't build a system for the global market place."

Increased trade will go forward. Trade should not increase at the expense of human health and U.S. food production. Fast track needs to be put on a "slow track"until sanitation and food safety concerns as well as basic rules affecting the trade in perishable and sensitive crops can be worked out.

Statement of Hon. Byron L. Dorgan, a U.S. Senator from the State of North Dakota

Mr. Chairman: As a former member of this committee, I particularly appreciate this opportunity to outline my concerns about fast track and our nation's trade policies.

Normally before a vehicle is allowed on a track, it first must be inspected to determine if it is roadworthy. The issue of fast track presupposes that we have a roadworthy vehicle that can properly negotiate the curves of today's global trade track.

Unfortunately, the reality is that our nation's trade policies in modern times have been a dismal failure. We have had 21 consecutive years of chronic, escalating merchandise trade deficits. A whole generation of Americans have grown up and become legal age since the last time this country has seen a merchandise trade surplus. In that time we have accumulated trade deficits totaling almost $2 trillion.

While this nation has opened its doors to trade, we do not have reciprocal access to the markets of our major trading partners. Year after year, the annual trade barriers report compiled by the Office of U.S. Trade Representative documents that a series of tariff and nontariff barriers continue as persistent major problems with our trading partners. It also documents that the little progress which has been achieved with our trading partners has come with great resistance, retrenchment, and constant renegotiation.

Since 1974 when fast-track was first authorized it has been used five times. Since the first agreement under the fast track procedure (the Tokyo Round of GATT talks) took effect in 1981 our nation's trade deficit has mushroomed from $28 billion to a record $191 billion this past year. In the last three years, we have had accumulated three successively higher trade deficit records. Fast track has not moved us to the right trade track.

The bulk of our trade deficits continue to be abiding, structural deficits with a handful of trading partners. In fact, 92 percent of our trade deficits result from trade with six trading partners: Japan, China, Canada, Mexico, Germany and Taiwan.

To assume that our trade policies are roadworthy and ready for another fast track is simply not credible. It is not good enough to simply make a pit stop and slap on a new set of tires and make a few adjustments to get ready for a new fast track.

Not only does our trade vehicle need a major overhaul, it also needs fundamental design changes.

We have to begin to identify and diagnose the various symptoms that make up our nation's failed trade policy syndrome.

First and foremost among the symptoms is that our trade agreements are either not enforced or they are not enforceable.

Our enforcement problems are compounded by the fact that the mechanisms for dispute resolution with our trading partners do not function very effectively. Nor do we have reliable trade remedies for our own domestic industries when they are adversely affected by unfair trading practices. The ongoing dispute over Canadian grain exports to the United States is a prime example of these difficulties. Too often, between our bilateral and multilateral agreements we have painted ourselves into a corner, and left our own citizens with little recourse to address the trade problems they face.

Other symptoms include the lack of full reciprocity for American agricultural and manufactured goods; the growth and persistenceeficits; and, the hemorrhaging within our nation's manufacturing sector as American production and jobs have been outsourced to our trading partners.

Rather than fixing the underlying systemic problems in our trade policies, we seem to be in a never-ending rush to achieve new agreements. We have been measuring our success in trade policy by the number of agreements we have reached, rather than on the performance of those agreements.

We are suffering from the logical consequences of fast track which is defined by Webster's dictionary as "a building method in which construction begins even before plans and designs are completed."

We don't even do a good job of keeping track of the multitude of agreements that we do make. In fact, a study released earlier this year by the American Chamber of Commerce in Japan indicated that tracking down and compiling a list of the recent bilateral trade agreements was an enormous task in itself.

The American Chamber's report stated: "Indeed, the American Chamber of Commerce in Japan was astonished to learn that no U.S. government agency has a readily accessible list of all U.S.-Japan agreements or their complete texts. This may indicate that it has often been more important for the two governments to reach agreements and declare victory than to undertake the difficult task of monitoring the agreements to ensure that their implementation produces results."

This same study concluded that of the 45 major bilateral U.S.-Japan trade agreements that were reached between 1980 and 1996, only thirteen were deemed successful. The remainder were rated as being only marginally successful or failures. Unfortunately, this study is representative of most of our trade relationships.

With the myriad of problems we face in international trade it is time for a thorough examination of where we are at and where we should be going. We can now longer rely on our post-World War II design and model trade policy to work for the 21st century. We need a more thoughtful and considered trade policy agenda.

I would like to suggest how we might begin building the right trade track for American trade policy. I believe a United States trade policy for the 21st century must:

1. End chronic, escalating trade deficits by increasing U.S. net exports.
2. Result in real growth in the U.S. economy, provide more and better jobs, and improve living standards.
3. Provide mandatory performance standards for trade agreements together with enforcement to ensure full reciprocity in market access, the lowering of tariffs, and the reduction of export subsidies.
4. Include adjustment mechanisms to prevent currency exchange rate fluctuations or manipulation from distorting trade flows or voiding tariff reductions.
5. Maintain and strengthen U.S. defense and security capabilities.

Before we rush headlong into another debate about the intricacies of fast track procedures within Congress, this Congress needs to have a serious debate on what we want to achieve through our nation's trade policies.

The bottom line is that we need to get on the right trade track before we take another ride on fast track.

Thank you.

Statement of National Milk Producers Federation, International Dairy Foods Association, U.S. Dairy Export Council

The National Milk Producers Federation (NMPF), the International Dairy Foods Association (IDFA) and the U.S. Dairy Export Council (USDEC) are jointly submitting this statement in support of the renewal of fast track trade negotiating authority. Our organizations together represent U.S. producers, processors, manufacturers and exporters of a wide range of dairy products, including beverage milk and milk products, yogurt, sour cream, cheese, ice cream and frozen novelties, butter, milk powders and other dairy-based food ingredients.

NMPF's 31 member cooperatives, through their 70,000 dairy producer owners, market 70 percent of the milk produced in the United States. IDFA's members include more than 650 companies and organizations accounting for approximately 85 percent of the $70 billion worth of dairy foods annually consumed in the United States. USDEC's members account for over 85 percent of the more than $740 million of dairy products exported last year. Collectively members of these three organizations reside in all 50 states.

The reason we are supporting renewal of fast track trade negotiating authority is very simple—the future growth and prosperity of the U.S. dairy industry largely depends on foreign market opportunities. Fast track authority provides the best vehicle for breaking down foreign trade barriers and negotiating market-opening agreements to benefit the U.S. dairy industry.

The fact that we are jointly submitting this statement is evidence of the broad consensus within the U.S. dairy industry over the importance of foreign market development, and the critical role of fast track in helping us achieve our goals.

Historically, the U.S. dairy industry has concentrated on the U.S. domestic market. That focus, however, is changing. New international trade rules in the World Trade Organization (WTO) coupled with greater market orientation in U.S. domestic dairy policy provide new incentives and opportunities for the dairy industry to supply international markets. U.S. dairy price supports will be eliminated at the end of 1999, and world market conditions will have a much greater influence on our profitability and sales opportunities. With 96% of the world's consumers living outside of our borders, the greatest prospects for our industry's growth and prosperity lie in international markets.

The United States is the largest single-country producer of dairy products in the world. Our industry is cost efficient and has the potential to be a major global supplier of dairy products. Due, however, to market barriers and extensive use of subsidies by some foreign competitors, the U.S. share of world dairy trade has been very limited. For example, the United States produces 27 percent of the world's cheese, but accounts for only 3 percent of world cheese exports. The European Union, on the other hand, a heavy subsidizer of dairy products, accounts for 47 percent of world cheese production but 57 percent of world cheese exports.

The GATT Uruguay Round Agreements were an historic first step toward free and open trade in agriculture on a multilateral basis. Export subsidies by WTO members, a significant impediment to the international competitiveness of U.S. dairy products, are now subject to maximum caps and annual reductions. Minimum import access commitments also represent progress in opening markets to agricultural trade. These changes, albeit modest in size, are an extremely important discipline on international behavior, and must be rigorously implemented and enforced.

We cannot tolerate the efforts of certain WTO members, such as the European Union and Canada, to sustain protection to their dairy industries in circumvention of their WTO obligations. The European Union is skirting around its limits on export subsidies for processed cheese through creative allocation methods under an inward processing program. Canada's recent conversion to a price-pooling export subsidy scheme is clearly designed to maintain export subsidies without regard to the limits and reductions required under the WTO. The Clinton Administration shares our concern over these practices, and we appreciate its commitment to take forceful action to ensure full enforcement of existing WTO obligations.

Although the Uruguay Round Agreements represent an important step forward, it did not eliminate all inequities in world trading conditions or every barrier to dairy trade. Much more remains to be done to improve world trade opportunities in the dairy sector. That is why renewal of fast track authority is so important.

The next stage of WTO negotiations on agricultural trade rules will begin in late 1999. Prompt renewal of fast track authority is imperative if U.S. trade negotiators are to participate in any meaningful way in the upcoming multilateral negotiations. Continuing the multilateral reforms in agricultural trade is critical, and requires strong, bold leadership by the United States. This can only come about, however, if U.S. negotiators have the authority and mandate which comes from fast track.

Moreover, improved access to growing regional markets requires fast track authority. Since fast track negotiating authority lapsed in 1994, the United States has been virtually on the sidelines as bilateral and regional trade agreements were negotiated among trading partners in Latin America and Asia. With rapidly growing populations, rising incomes, and increasing popularity of western-style foods, these regions provide the greatest opportunities for expanded exports of U.S. dairy products. In the past five years, however, more than 20 new trade agreements have been concluded without U.S. participation in Latin America and Asia. Important opportunities for U.S. exporters are being missed due largely to lack of fast track authority.

We also have unfinished business on opening markets for dairy trade in North America. Although Mexico opened up new opportunities for U.S. dairy exports, Canada continues to block access to its dairy market through exorbitant tariffs. We must continue to seek ways to remove impediments to U.S.-Canada dairy trade. The geographic proximity of our markets and of our dairy industries makes free and open dairy trade a logical objective.

Our organizations understand that we will not achieve our international trade goals by renewal of fast track authority alone. Strong leadership by our trade negotiators will be needed to ensure that trade agreements result in meaningful, tangible benefits to the U.S. dairy industry. Trading partners reluctant to open up their dairy markets at home must not be allowed to keep dairy "off the table." Subsidies must be attacked in whatever form they appear, and market access must be substantially improved. Moreover, once trade negotiations are concluded and agreements are signed, they must be vigorously implemented and enforced.

Much work lies ahead if international market opportunities for U.S. dairy products are truly to be improved. But none of it is possible unless Congress renews fast track trade negotiating authority. President Clinton's legislative proposal would renew fast track authority until 2005 and includes significant improvements to the notification and consultation procedures, thus ensuring continuing dialogue with the Congress and the private sector. We also applaud the President's recognition of the importance of agricultural trade liberalization in the specific identification of agricultural trade negotiating objectives.

NMPF, IDFA, and USDEC urge the Congress to work constructively with the President to swiftly enact fast track negotiating authority, so that the United States can improve opportunities for the U.S. dairy industry to grow and prosper as an active, competitive supplier to international markets.

Statement of Edward Fire, President, International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers (IUE), AFL–CIO

On behalf of the 130,000 members of the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers (IUE), AFL–CIO, I appreciate this opportunity to comment on the proposed extension of fast-track negotiating authority to the Clinton administration for use in negotiating trade agreements, and on the report required under Section 108 of the North American Free Trade Agreement (NAFTA).

IUE represents production and maintenance workers throughout a broad spectrum of trade-sensitive industries including electrical-electronics, automobiles and parts, aircraft engines and aerospace, power-generating equipment and furniture manufacture. Our members work for some of the largest export and import corporations in the United States, including General Electric (GE), General Motors (GM), Lockheed Martin, United Technologies, North American Phillips, Whirlpool, ITT and Boeing, as well as for many smaller companies.

While these corporations are diverse, they share an investment and subcontracting strategy that continually threatens not only the living standards of the working men and women of this country but the economic well-being of workers globally. The extension of a U.S. trade policy that lacks fundamental labor rights and environmental protections would act only to further accelerate the deterioration of the environment and economic equality. The preferential treatment allowed by fast track should apply *only* to agreements that contain enforceable provisions on labor and the environment. Such provisions would ensure that workers share in the benefits of international trade and the global economy.

President Clinton and other proponents of fast track want to persuade the American public to think that such negotiating authority would be beneficial to American workers and the domestic economy. They suggest that, by providing incentives to companies to move basic manufacturing to low-wage nations, that free-trade agreements without labor standards will help to maintain higher-paying jobs in the

United States. This specious argument, obscures the real reason that this specific fast-track proposal has such avid supporters: The companies supporting this proposal expect to benefit economically from the exploitation of workers and the nonexistence of meaningful governmental regulations. While extension of NAFTA surely would boost further the profits of many American-based companies, it would cause irreparable harm to millions of American workers.

Four years ago, President Clinton requested similar authority from Congress. U.S. Trade Representative Mickey Kantor, echoing the administration's refrain, assured Congress that the North American Free Trade Agreement (NAFTA) would "generate high-paying jobs that will have a huge impact on this country." Contrary to Mr. Kantor's predictions, more than 133,000 American workers already have lost their jobs and qualified for NAFTA Trade Adjustment Assistance (TAA). As many as 500,000 more American workers have felt NAFTA's sting with the loss of their jobs, too.

Our experience with NAFTA offers just a sample of what American workers can expect from fast-track negotiating authority. Just last week, 240 members of IUE Local 417 became the latest trade victims when Allied Signal announced it was exporting 240 jobs to various locations—including Mexicali, Mexico. These highly skilled workers produce generators and transformers for military and commercial aircraft at the company's Eatontown, N.J., facility. In a July 31, 1997, open letter to these workers, Allied Signal President Daniel Burnham lauded their performance, calling the Eatontown site "a pace setter in the area of Quality Systems. Recent letters received congratulating us on our accomplishments are a testament to the quality of your efforts." A handwritten note accompanying the letter concluded by praising their performance on a Boeing project: "Eatowntown is the best in the company in this critical measure [quality]. I'm proud of all of you."

Apparently, being "the best in the company" in the post-NAFTA world is not enough to protect your job from low-wage competition. Neither is working at a profitable plant or making the Blackhawk helicopters that "serve an essential role in increasing the preparedness our armed forces." Each of these descriptions applies to the members of IUE Local 417—yet, their jobs are headed for Mexico.

Highly compensated workers also are vulnerable to exploitation when the United States enters into trade accords bereft of even minimal labor standards. This year, 245 workers at the Motor Coils facility outside Pittsburgh also were victimized by NAFTA. Workers at this plant, members of IUE Local 606, earned an average of $14.30 an hour, or roughly $30,000 annually—approximately 7 percent above the industry average. Including employee pension and health care benefits, the Motor Coils workers earned a total compensation package worth roughly $26 per hour.

Despite the fact that the plant was both productive and profitable, Motor Coils workers recently were told their jobs would be moved to Mexico. IUE officers met with company officials in an effort to coordinate meetings with regional economic development agencies, to seek assistance from state and federal representatives and to negotiate wage and benefits concessions. The company told us not to bother trying—unless the workers were willing to work for less than what Motor Coils would be paying its Mexican workers. The company claimed, and a review of the company's books confirmed, that Motor Coils plans to pay the Mexican workforce $3.37 an hour—a figure that included *both* wages and benefits.

Highly productive and well-compensated workers at such large corporations like as ITT especially are susceptible to the ramifications of trade agreements containing no labor provisions.

Highly productive and well-compensated workers at such large corporations as ITT especially are susceptible to the ramifications of trade agreements containing no labor provisions. With the closing of Steelworker-represented plant in Canada, members of IUE Local 509 employed at ITT Automotive in Rochester, NY., are working at the last remaining North American facility outside of Mexico. How long will it be before their jobs move south, too?

The administration has said that fast-track trade accords would bring jobs to states along the Mexican border. Again, the reality for IUE workers is much different than administration's rhetoric. IUE represents 1,500 highly skilled workers at the Trane Co., facility in Tyler, Texas,—just miles from the Mexican border. A few weeks ago, Trane announced it would export nearly 200 jobs that pay IUE members $13.21 an hour from Tyler across the border to a new facility in Mexico.

In a pattern that has become all to familiar to NAFTA victims, Trane implied during recent contract negotiations that unless substantial concessions were forthcoming, the plant would become "uncompetitive" and eventually would close. After pillaging worker benefits at the negotiating table and forcing workers to increase their already record productivity, the company moved the 200 jobs anyway.

In closing, I would like to address an assumption that underlies each of the administration's arguments for fast track. President Clinton says that congressional amendments addressing labor standards would preclude the U.S. from negotiating trade accords. The administration essentially is saying that despite the fact that fragile, developing economies all over the world are desperate to gain access to the lucrative U.S. market, our country has no leverage at the "new world economy" bargaining table.

The problem is not leverage. The problem is the Administration's unwillingness to demand improved labor standards as a precondition for access to U.S. consumers. Such demands would enhance worldwide labor standards and end the exploitation of low-wage earners in foreign countries—and also would inhibit corporations from threatening to move U.S. jobs to countries with inferior labor laws. The administration and congressional free-trade adherents foresee a trade war with the use of such tactics, but the Clinton administration, with the full support of *lassiez-faire* proponents, already has threatened to close access to the U.S. market as a bargaining tool—on behalf of *corporate America*.

Recently, China—a country with 20 times as many potential customers for U.S. goods as Chile—refused to crack down on the rampant pirating of U.S. software and other intellectual property within its borders. When the Clinton administration threatened to restrict China's access to lucrative American markets, China agreed to reign in illegal pirating. As this example illustrates, countries desire access to the U.S. market and are willing to negotiate to achieve success. Clearly, President Clinton has all the leverage he needs to negotiate a trade agreement that respects worker dignity. Congress doesn't need to give President Clinton any more negotiating authority.

Our members are outraged that the Clinton administration is forging ahead with such fast-track proposals against the backdrop of growing economic inequality and increasing demands from employees that workers moderate their expectations of wage and benefit improvements. The ramifications of free-trade agreements are far too broad and serious to be negotiated without the full involvement and input of the Congress. Thus, we urge you to deny President Clinton the authority to negotiate trade agreements that preclude Congress from sending such accords to address labor standards and environmental concerns.

Statement of Steve Beckman, International Economist, International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)

Mr. Chairman, my name is Steve Beckman. I am an international economist for the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America. The UAW represents 1.3 million active and retired members in the automotive and other industries. The UAW appreciates the opportunity to present its views to the Subcommittee on fast track trade negotiating authority.

The UAW believes strongly that the Administration's fast track proposal goes in precisely the wrong direction. It clearly does not require that labor and environmental protections must be included in the core of any new trade agreements, enforceable through trade sanctions, in order for those agreements to be subject to fast track procedures. Instead, it actually prohibits fast track consideration of labor and environmental issues in bilateral and regional trade agreements.

The Administration's proposal includes negotiating objectives that limit fast track coverage of worker rights and the environment to negotiations in the World Trade Organization (WTO). Fast track procedures, thus, would not apply to labor and environment provisions that might be negotiated in any bilateral, regional or other trade agreements. Yet, it is in these non-WTO negotiations that the U.S. has the most leverage to ensure that these matters are addressed in a meaningful way.

In defining the provisions that can be included in legislation eligible for fast track treatment by Congress, the Administration proposal would apply to provisions that are "necessary or appropriate" to implement the trade agreement "and which are related to trade." The meaning of this last phrase has been made clear by Chairman Archer—it is to be a barrier to the inclusion of provisions on labor and environmental issues in trade agreements that are subject to fast track procedures. Practically, this provision would ensure that provisions covering the enhancement and enforcement of internationally-recognized core labor standards, such as the right to freedom of association, the right to organize and bargain collectively, child and prison labor prohibitions and minimum standards on wages, hours and workplace safety and health are *not* included in fast track legislation. This provision betrays the

decades-long efforts of the UAW, the American labor movement and unions of workers around the globe to establish a constructive discussion of the need for the interests of workers to be incorporated into international trade agreements in equal measure with the interests of multinational corporations.

The bill reported by the Senate Finance Committee is a further step in the wrong direction. It eliminates fast track consideration of labor and environmental enforcement and improvement by the WTO, and makes it clear that these issues cannot be included in any fast track deals. The Administration's positive response to the Finance Committee bill demonstrates its decision to pursue trade negotiating authority that does not address the need for worker rights and environmental protections in trade agreements.

The Senate Finance Committee bill excludes "promoting respect for workers' rights" from fast track coverage completely. Along with "seeking to protect and preserve the environment," improving worker rights and standards is included in a section called "International Economic Policy Objectives Designed to Reinforce the Trade Agreements Process." The bill precludes the use of fast track procedures to advance these objectives by leaving them out of the list of principal trade negotiating objectives. Even there, safe from fast track consideration, the Senate Finance Committee bill sets no specific objectives in the area of worker rights. Instead, it defines U.S. policy as "reviewing" and "seeking" worker rights progress. After more than 20 years of efforts to win provisions in international trade agreements concerning worker rights, the absence of a requirement to make progress in this area is an insult to workers in the U.S. and around the world.

The Senate Finance Committee bill takes this restrictive language one step further by limiting implementing legislation to provisions that are "directly related to trade." Again, the goal is to prevent the inclusion of labor and environment provisions from being covered in fast track legislation. The intent is the same as in the Administration proposal; the Senate Finance Committee's language is more explicit.

In its list of principal trade negotiating objectives, the Senate Finance Committee bill competes with the Administration proposal for disingenuous intent. While the Administration limited a broad objective ("to promote respect for internationally recognized worker rights") just to the forum provided by the WTO (where progress on labor and environment issues has been stymied for years and no change is in sight), the Senate Finance Committee bill does not limit the forum but sharply circumscribes the subject of discussion. Only changes in foreign government regulation and practices, including the areas of labor and environment, that have as their purpose attracting investment or inhibiting U.S. exports are considered to be principal negotiating objectives to be covered under fast track legislation. This language would prevent including in trade agreements subject to fast track consideration provisions that promote respect for internationally-recognized worker rights or the environment. Under this formulation, even the weak and ineffective NAFTA side agreements could not be negotiated. They cover broader issues and include obligations on the U.S. (which is proscribed by the Senate bill) as well as on foreign governments.

Like the Administration bill, the Senate Finance Committee bill requires that labor and environmental provisions be "trade related" to be considered "necessary" for fast track implementing legislation. As Chairman Archer has indicated, this would restrict coverage to measures adopted specifically to influence international trade. Thus, the inadequacy of protections for workers and the environment in numerous countries and the need for improved standards could not be remedied in fast track trade legislation under these limitations, even when the undermining of international norms provides an advantage in the international economy. As a result, the Administration proposal and the Senate Finance Committee bill are dismissive of our concern that fundamental worker and environmental rights and standards are being eroded by international trade and investment agreements.

In contrast to both the Administration proposal and the Senate Finance Committee bill, the promotion of respect for internationally recognized worker rights was a principal negotiating objective in the 1988 trade act that gave President Bush the authority to negotiate NAFTA and the Uruguay Round of GATT. In the 1988 authority, there was no restriction on the forum in which the promotion of these rights could be negotiated, no limitation on examining only the diminution of those rights for specific purposes and no requirement that these issues be trade related or directly trade related, as defined by those outspokenly antagonistic to including worker rights in trade agreements. Both the Administration and Senate Finance Committee proposals on worker rights depart from, and seriously restrict, previous fast track negotiating authority. The inadequate NAFTA side agreements are the results of negotiations that took place under the broader 1988 fast track authority. It is

clear that the results of negotiations under the fast track proposals before us today will be even more unsatisfactory.

The bill prepared by Chairman Archer contains the same deficiencies as the Administration and Senate Finance proposals. It limits the consideration of labor and environment in fast track legislation to those aspects that are directly trade related and limit market access. The promotion of respect for internationally recognized workers rights and standards in international trade, which the UAW believes must be the goal of U.S. trade policy, would be excluded from fast track consideration by Chairman Archer's proposal. The inadequacy of the Archer bill on the issues of labor and the environment is shown by its exclusion of fast track treatment for protections such as the NAFTA side agreements, which have been acknowledged to be weak and ineffective.

For these reasons, the Archer bill, the Administration proposal and the Senate Finance bill all represent major steps backward in the treatment of worker rights and standards in U.S. fast track trade negotiating authority. On these grounds alone, the UAW urges the rejection of legislation granting the President fast track authority at this time.

In addition to this fundamental shortcoming, the UAW opposes fast track legislation because the trade agreements negotiated under this model of international trade and investment have undermined workers' living standards in the U.S. and abroad. NAFTA is the result of negotiations based on these objectives. The staggering growth of the U.S. trade deficit with Canada and Mexico since NAFTA went into effect, from $9 billion in 1993 to $36 billion in 1996, provides a strong argument against extending badly flawed trade negotiating authority. NAFTA trade in automotive products, which accounts for one-fourth of all U.S. trade with Mexico and Canada, produced a U.S. deficit of $26.6 billion in 1996, more than twice the pre-NAFTA 1993 deficit of $13.1 billion. American auto workers have missed out on hundreds of thousands of jobs producing vehicles and parts for the North American market as a result of the growth in this trade imbalance.

The loss of American workers' job opportunities caused by the widening trade deficit and the downward pressure on their wages and benefits stimulated by the international competition for investment has reinforced the resolve of American workers to oppose the extension of the NAFTA model. Broader authority to reach agreement on worker and environmental provisions in trade agreements is needed, not greater restriction on the Administration's ability to negotiate in these areas as is being proposed.

The importance of fast track trade negotiating authority has been misrepresented by advocates of renewing this authority. The Administration claims to have negotiated two hundred trade agreements during the period in which fast track authority has not been in effect. Clearly, it is possible to negotiate with U.S. trading partners and reach agreements without fast track authority. Contrary to the scare tactics of fast track proponents, U.S. trade balances have been improving with Chile and other Latin American countries that are considered to be next in line for NAFTA-expansion negotiations if fast track authority is extended. U.S. exporters are not being swept aside in these countries by producers abroad. At the same time, the U.S. trade balance with Mexico and Canada has deteriorated sharply since NAFTA became effective in 1994. Given the fact that trade agreements have been negotiated without fast track authority, the serious adverse consequences for Americans of the fast track-negotiated NAFTA and the recent gains in trade with Latin American countries, Congress should be considering how to use its Constitutional authority over U.S. international commerce to ensure that American workers and the environment benefit from growing international trade and investment. It will not serve the public interest to grant the Administration the authority to build on the faulty foundation of the NAFTA model with additional agreements that cannot be amended or improved by Congress.

Without progress in the areas of most concern to our members, we must oppose the extension of fast track trade negotiating authority. The Archer bill, the Administration proposal and the Senate Finance Committee bill fail to address the deficiencies of past trade agreements and the negotiating authority that led to them. We urge the members of the Subcommittee to reject these proposals and the NAFTA model of trade agreements that they represent.

Thank you.

NATIONAL ASSOCIATION
OF MANUFACTURERS
October 3, 1997

The Honorable Bill Archer
Chairman, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

As you know from our previous testimony, the National Association of Manufacturers ("NAM"), on behalf of 14,000 US manufacturers—large and small—and approximately 18 million workers, supports trade liberalization. International commerce has become an important mainstay of our companies' livelihoods, and is simply irreversible.

The NAM believes that extension of the executive branch's trade negotiating authority must be achieved. We have already been too long without "fast track" authority and welcome a speedy resolution of the issue.

We commend you for your hard work in forcing the necessary compromises on the complex and controversial issues that are the crux of the fast track debate. It is due to you and your staff's hard work that this bill is moving forward.

The NAM has always been clear that while this matter is a top priority, we would not accept "fast track" at any cost. We have stated repeatedly, as have you, that we disagree with the inclusion of broad authority for the negotiation of non-trade provisions in a trade agreement. The linkage of labor and environmental provisions is inappropriate if it exceeds a direct relationship to trade. We are not pushing for a statutory definition of "directly related to trade" however: that is likely to sink the whole process. Guiding language in the legislative history regarding this matter might be useful, if language could be agreed upon.

The matter that is of most pressing concern to US manufacturers is the use of trade sanctions to enforce non-trade provisions or agreements. The NAFTA side agreements exercise showed that the executive branch is willing to include sanctions as enforcement mechanisms for non-trade issues. While the enforcement mechanisms in the NAFTA side agreements have been characterized as minimal, a precedent has been set. It also is argued that Congress has already agreed to the cede some trade sanctions authority through the "section 301" process. However, 301 trade sanctions are for trade policy purposes only. It is our strong recommendation that the fast track legislative package include some guiding language suggesting the inappropriate nature of using unilateral sanctions for non-trade purposes.

Finally, the NAM member companies note that an earlier draft proposal for the extension of fast track procedures included a provision requiring consultations with industry sector advisory groups regarding specific trade barriers that the Administration is intending to address in any proposed negotiations. That provision was omitted in the Administration's current proposal.

The NAM member companies would like to see that provision, or a similarly appropriate one, included in the proposal your Committee marks up next week. Provision again for briefing of the appropriate industry sector advisory groups by the Administration before an agreement is entered into would also be helpful. This would ensure that those industries with a particular stake in the negotiations would provide additional input to Congress and the Administration regarding a proposed trade agreement. Enclosed please find a copy of the legislative language that was included in the prior proposal. I would be happy to discuss this with your staff further.

Again, the NAM member companies thank you for your commitment to extending the procedures for a consultative and expedited process for the negotiation of trade agreements. The US manufacturing community cannot overemphasize the importance of continuing momentum and US leadership in the pursuit of trade liberalization and market access. We want to continue to be able grow the economy and jobs!

Sincerely,

M. DIANNE SULLIVAN
Director, Trade Policy

Enclosure

1 (C) The provisions of sections 152(d) and (e) of
2 the Trade Act of 1974 (19 U.S.C. 2192(d) and (e))
3 (relating to the floor consideration of certain resolu-
4 tions in the House and Senate) apply to extension
5 disapproval resolutions.
6 (D) It is not in order for—
7 (i) the Senate to consider any extension
8 disapproval resolution not reported by the Com-
9 mittee on Finance;
10 (ii) the House of Representatives to con-
11 sider any extension disapproval resolution not
12 reported by the Committee on Ways and Means
13 and the Committee on Rules; or
14 (iii) either House of the Congress to con-
15 sider an extension disapproval resolution after
16 March 1, 2001.
17 SEC. 4. CONSULTATIONS.
18 (a) NOTICE AND CONSULTATION BEFORE NEGOTIA-
19 TION.—
20 (1) IN GENERAL.—The President, at least 90
21 calendar days before initiating negotiations on any
22 agreement that is subject to the provisions of section
23 3(b), shall—
24 (A) provide written notice to the Congress
25 of the President's intention to enter into the ne-

1 gotiations and set forth therein the date the
2 President intends to initiate such negotiations,
3 the specific United States objectives for the ne-
4 gotiations, and whether the President intends to
5 seek an agreement, or changes to an existing
6 agreement; and
7 (B) before and after submission of the no-
8 tice, consult regarding the negotiations with the
9 Committee on Finance of the Senate and the
10 Committee on Ways and Means of the House of
11 Representatives and such other committees of
12 the House and Senate as the President deems
13 appropriate.
14 (2) CONSULTATIONS ON SPECIFIC TRADE BAR-
15 RIERS.—
16 (A) CONSULTATION.—In addition to the
17 requirements set forth in paragraph (1), before
18 initiating negotiations with respect to a trade
19 agreement entered into under section 3(b) in
20 which any provision is directly related to the
21 principal trade negotiating objective set forth in
22 section 2(b)(1), the President shall consult with
23 the Committee on Ways and Means of the
24 House of Representatives and the Committee
25 on Finance of the Senate and with the industry

1 sector advisory groups established under section
2 135 of the Trade Act of 1974 with respect to
3 such negotiations.
4 (B) SCOPE.—The consultations described
5 in subparagraph (A) shall concern how the ne-
6 gotiation meets the objective of reducing or
7 eliminating a specific tariff or nontariff barrier
8 or foreign government policy or practice specifi-
9 cally related to trade that distorts or impedes
10 United States imports or exports.
11 (b) CONSULTATION WITH CONGRESS BEFORE
12 AGREEMENTS ENTERED INTO.—
13 (1) CONSULTATION.—Before entering into any
14 trade agreement under section 3(b), the President
15 shall consult with—
16 (A) the Committee on Ways and Means of
17 the House of Representatives and the Commit-
18 tee on Finance of the Senate; and
19 (B) each other committee of the House
20 and the Senate, and each joint committee of the
21 Congress, which has jurisdiction over legislation
22 involving subject matters which would be af-
23 fected by the trade agreement.

Table 1
The Employment Impacts of NAFTA on U.S. Industries
Aggregated Industry totals
Change, 1993 to 1996, Mexico and Canada aggregated

Industry number		Trade Impacts (millions of $1987) Domestic Exports	Imports for Consumption	Net Exports	Employment Impacts (Job opportunities) Domestic Exports	Imports for Consumption	Net Exports
1-3	Agriculture, forestry, fisheries	1,881	1,602	279	31,683	38,813	(7,131)
4-8	Mining	719	7,722	(7,002)	5,913	33,648	(27,735)
9	Construction	0	0	0	3,921	7,393	(3,472)
10-107	Manufacturing	39,961	70,734	(30,772)	281,952	565,282	(283,329)
10-14	Lumber and wood products	(81)	2,618	(2,700)	872	34,379	(33,507)
15-17	Furniture and fixtures	(69)	1,844	(1,912)	(1,206)	15,837	(17,043)
18-21	Stone, clay, and glass products	366	872	(506)	4,921	10,615	(5,694)
22-27	Primary metal industries	2,069	4,460	(2,391)	17,019	30,042	(13,022)
28-36	Fabricated metal products	855	2,134	(1,280)	18,501	38,498	(19,997)
37-45	Industrial machinery and equipment	6,814	6,756	58	41,559	52,062	(10,503)
46-53	Electronic and other electrical equipment	7,605	11,357	(3,752)	63,107	101,167	(38,060)
54-58	Transportation equipment	8,335	19,182	(10,847)	27,687	69,092	(41,405)
59-64	Instruments and related products	734	1,671	(937)	5,826	15,210	(9,384)
65-67	Miscellaneous manufacturing industries	1,970	4,842	(2,872)	15,509	40,885	(25,376)
68-75	Food and kindred products	802	1,938	(1,136)	2,857	8,886	(6,028)
76	Tobacco products	26	(356)	382	53	(518)	572
77-80	Textile mill products	826	792	34	14,734	26,037	(11,303)
81-82	Apparel and other textile products	1,112	2,788	(1,676)	15,335	41,080	(25,745)
83-85	Paper and allied products	1,343	2,972	(1,629)	7,720	13,377	(5,657)
86-93	Printing and publishing	308	351	(43)	6,891	14,758	(7,867)
94-100	Chemicals and allied products	4,397	3,475	922	17,101	21,083	(3,983)
101-102	Petroleum and coal products	600	1,331	(730)	849	1,721	(873)
103-105	Rubber and miscellaneous plastics produc	1,860	1,479	381	21,924	28,138	(6,214)
106-107	Leather and leather products	89	227	(138)	692	2,933	(2,240)
108-115	Transportation	0	0	0	15,979	31,091	(15,112)
116	Communications	0	0	0	2,633	5,169	(2,536)
117-119	Utilities	0	0	0	3,598	6,936	(3,338)
120-122	Trade	0	0	0	44,283	86,779	(42,496)
123-130	FIRE	0	0	0	9,379	17,038	(7,659)
131-169	Services	0	0	0	39,191	75,998	(36,808)
170-179	Government	0	0	0	3,759	7,495	(3,736)
180-183	Special Industries	241	399	(158)	0	0	0
1-183	subtotal	42,803	80,456	(37,653)	442,291	875,642	(433,351)
	Less:						
Adjustments to remove Retail/Wholesale Trade and Advertising:							
120,122	Trade, no retail/wholesale	0	0	0	6,044	11,701	(5,658)
131-135, 137	Services, no advertising	0	0	0	37,620	72,749	(35,130)
	Adjusted Total, no retail/wholesale/advertising	**42,803**	**80,456**	**(37,653)**	**402,481**	**797,315**	**(394,835)**

Source: Economic Policy Institute Analysis of Commerce Dept. data.

Table 2
The Employment Impacts of NAFTA on U.S. Industries
Detailed Industry totals
Change, 1993 to 1996, Mexico and Canada aggregated

number		Trade Impacts (millions of $1987) Domestic Exports	Imports for Consumption	Net Exports	Employment Impacts (Job opportunities) Domestic Exports	Imports for Consumption	Net Exports
1	Agricultural production	1,777.54	1,480.82	296.72	24,934	27,370	(2,437)
2	Agricultural services	0.00	0.00	0.00	5,784	8,009	(2,225)
3	Forestry, fishing, hunting, & trapping	103.42	121.16	(17.74)	965	3,434	(2,469)
4	Metal mining	130.53	191.64	(61.11)	1,111	3,193	(2,083)
5	Coal mining	148.85	23.58	125.27	1,523	1,247	277
6	Crude petroleum, natural gas, and gas liquids	384.08	7,427.76	(7,043.69)	2,008	23,573	(21,566)
7	Oil and gas field services	0.00	0.00	0.00	353	4,160	(3,807)
8	Nonmetallic minerals, except fuels	55.95	78.54	(22.59)	918	1,475	(557)
9	Construction	0.00	0.00	0.00	3,921	7,393	(3,472)
10	Logging	94.81	17.49	77.31	717	7,010	(6,294)
11	Sawmills and planing mills	(114.21)	1,645.48	(1,759.70)	(175)	15,365	(15,540)
12	Millwork, plywood, and structural members	(67.31)	407.30	(474.60)	(321)	5,416	(5,737)
13	Wood containers and misc	10.27	517.74	(507.47)	662	6,287	(5,625)
14	Wood buildings and mobile homes	(4.88)	30.16	(35.04)	(11)	301	(311)
15	Household furniture	(10.46)	90.59	(101.05)	9	2,452	(2,444)
16	Partitions and fixtures	7.64	53.13	(45.49)	62	772	(710)
17	Office and misc. furniture and fixtures	(65.72)	1,700.07	(1,765.79)	(1,277)	12,613	(13,890)
18	Glass and glass products	228.06	355.37	(127.31)	2,899	4,913	(2,015)
19	Hydraulic cement	7.17	119.71	(112.54)	31	480	(449)
20	Stone, clay, and misc. mineral products	126.38	265.32	(138.94)	1,668	3,741	(2,073)
21	Concrete, gypsum, & plaster products	4.37	131.70	(127.33)	323	1,480	(1,157)
22	Blast furnaces and basic steel products	740.56	1,129.22	(388.66)	4,949	10,375	(5,426)
23	Iron and steel foundries	80.07	77.08	2.99	3,487	3,900	(413)
24	Primary nonferrous smelting & refining	60.29	2,053.67	(1,993.38)	648	3,112	(2,464)
25	All other primary metals	16.77	144.15	(127.38)	776	2,625	(1,848)
26	Nonferrous rolling and drawing	1,157.41	1,052.12	105.28	5,263	7,350	(2,087)
27	Nonferrous foundries	14.00	3.99	10.01	1,896	2,680	(784)
28	Metal cans and shipping containers	(55.45)	97.69	(153.14)	(49)	653	(702)
29	Cutlery, hand tools, and hardware	276.41	493.05	(216.64)	2,049	5,111	(3,062)
30	Plumbing and nonelectric heating equipment	2.44	64.45	(62.01)	30	700	(670)
31	Fabricated structural metal products	150.26	637.66	(487.41)	2,739	8,070	(5,331)
32	Screw machine products, bolts, rivets, etc	518.40	54.01	464.39	6,032	3,370	2,662
33	Metal forgings and stampings	(1,380.58)	(38.05)	(1,342.53)	(4,998)	7,664	(12,662)
34	Metal coating, engraving, and allied services	0.00	0.00	0.00	4,030	4,760	(729)
35	Ordnance and ammunition	16.58	(6.22)	22.80	104	73	31
36	Miscellaneous fabricated metal products	1,326.80	831.85	494.95	8,564	8,097	467
37	Engines and turbines	1,295.72	240.70	1,055.02	5,779	2,174	3,604
38	Farm and garden machinery and equipment	375.18	343.88	31.30	1,942	2,163	(220)
39	Construction and related machinery	619.36	224.30	395.06	3,483	1,255	2,228
40	Metalworking machinery and equipment	541.42	769.99	(228.57)	5,686	10,283	(4,597)
41	Special industry machinery	301.27	377.85	(76.58)	2,002	2,943	(941)
42	General industrial machinery and equipment	852.10	999.95	(147.85)	5,507	8,764	(3,257)
43	Computer and office equipment	2,093.50	3,174.58	(1,081.08)	7,625	11,234	(3,609)
44	Refrigeration and service industry machinery	424.99	528.81	(103.83)	3,070	5,444	(2,374)
45	Industrial machinery, nec	310.44	96.16	214.28	6,464	7,801	(1,337)
46	Electric distribution equipment	176.21	210.15	(33.94)	2,060	2,658	(598)
47	Electrical industrial apparatus	752.52	1,048.02	(295.50)	6,458	9,902	(3,444)
48	Household appliances	(3.05)	512.26	(515.32)	(42)	3,034	(3,075)
49	Electric lighting and wiring equipment	874.94	344.07	530.87	6,456	3,566	2,890
50	Household audio and video equipment	146.14	2,523.08	(2,376.94)	2,007	26,210	(24,202)
51	Communications equipment	898.50	2,848.67	(1,950.16)	4,464	13,581	(9,117)
52	Electronic components and accessories	4,705.15	1,903.33	2,801.83	40,810	29,048	11,762
53	Miscellaneous electrical equipment	54.08	1,967.06	(1,912.98)	893	13,169	(12,276)
54	Motor vehicles and equipment	7,534.99	16,962.67	(9,427.68)	22,495	53,569	(31,074)
55	Aerospace	515.14	1,191.00	(675.86)	3,563	8,055	(4,492)
56	Ship and boat building and repairing	20.04	396.51	(376.47)	155	3,747	(3,593)
57	Railroad equipment	169.45	484.06	(314.61)	970	2,677	(1,707)
58	Miscellaneous transportation equipment	95.11	147.85	(52.73)	504	1,044	(540)
59	Search and navigation equipment	193.69	125.75	67.94	1,365	1,765	(400)
60	Measuring and controlling devices	368.89	1,035.00	(666.11)	3,237	9,631	(6,394)
61	Medical equipment, instruments, and supplies	45.82	344.08	(298.26)	498	2,761	(2,263)
62	Ophthalmic goods	14.07	1.17	12.90	262	188	74
63	Photographic equipment and supplies	116.39	171.79	(55.41)	513	906	(393)
64	Watches, clocks, and parts	(5.14)	(6.98)	1.84	(48)	(41)	(7)
65	Jewelry, silverware, and plated ware	51.73	106.70	(54.97)	556	1,224	(668)
66	Toys and sporting goods	151.59	577.81	(426.22)	1,230	5,167	(3,938)
67	Manufactured products, nec	1,766.84	4,157.52	(2,390.68)	13,723	34,493	(20,770)
68	Meat products	79.74	272.89	(193.14)	677	2,034	(1,357)
69	Dairy products	(105.63)	38.23	(143.85)	(367)	259	(627)
70	Preserved fruits and vegetables	162.15	247.97	(85.81)	678	1,277	(599)
71	Grain mill products and fats and oils	471.92	568.03	(96.11)	1,271	1,963	(692)
72	Bakery products	18.14	129.63	(111.49)	105	804	(699)

Table 2
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number		Trade Impacts (millions of $1987) Domestic Exports	Imports for Consumption	Net Exports	Employment Impacts (Job opportunities) Domestic Exports	Imports for Consumption	Net Exports
73	Sugar and confectionery products	4.13	181.92	(177.80)	(98)	872	(971)
74	Beverages	37.81	330.48	(292.66)	125	912	(787)
75	Miscellaneous food and kindred products	133.35	168.91	(35.57)	466	764	(298)
76	Tobacco products	26.48	(355.76)	382.24	53	(518)	572
77	Weaving, finishing, yarn, and thread mills	501.01	399.78	101.22	9,664	14,311	(4,646)
78	Knitting mills	115.91	203.91	(88.00)	3,748	9,519	(5,771)
79	Carpets and rugs	34.52	72.79	(38.27)	201	555	(353)
80	Miscellaneous textile goods	174.06	115.02	59.04	1,121	1,653	(533)
81	Apparel	944.53	2,846.75	(1,902.22)	12,845	38,711	(25,866)
82	Miscellaneous fabricated textile products	167.75	(58.54)	226.30	2,490	2,370	120
83	Pulp, paper, and paperboard mills	491.10	2,188.77	(1,697.67)	2,238	5,283	(3,045)
84	Paperboard containers and boxes	293.68	200.09	93.59	2,717	4,359	(1,642)
85	Converted paper products except containers	558.63	583.46	(24.82)	2,765	3,735	(970)
86	Newspapers	5.82	(41.07)	46.89	2,290	4,182	(1,891)
87	Periodicals	54.50	19.50	35.00	489	1,035	(545)
88	Books	32.13	52.22	(20.09)	(321)	395	(716)
89	Miscellaneous publishing	(10.32)	10.44	(20.76)	288	828	(540)
90	Commercial printing and business forms	97.10	157.39	(60.29)	2,715	5,909	(3,194)
91	Greeting cards	80.91	63.40	17.51	590	542	48
92	Blankbooks and bookbinding	40.38	89.38	(49.00)	550	1,386	(836)
93	Service industries for the printing trade	7.61	(0.32)	7.94	289	481	(191)
94	Industrial chemicals	1,475.51	1,245.15	230.36	5,322	6,956	(1,634)
95	Plastics materials and synthetics	1,730.22	1,300.49	429.73	6,347	7,009	(662)
96	Drugs	259.73	269.11	(9.38)	1,137	1,604	(467)
97	Soap, cleaners, and toilet goods	352.58	315.43	37.15	1,306	1,423	(117)
98	Paints and allied products	150.84	123.38	27.46	896	1,641	(745)
99	Agricultural chemicals	217.89	200.98	16.90	646	742	(96)
100	Miscellaneous chemical products	210.67	20.58	190.09	1,447	1,708	(261)
101	Petroleum refining	553.74	1,283.15	(729.41)	597	1,297	(700)
102	Miscellaneous petroleum and coal products	46.47	47.39	(0.92)	252	425	(173)
103	Tires and inner tubes	231.50	212.84	18.67	2,573	3,212	(639)
104	Rubber products and plastic hose and footwear	428.76	365.46	63.29	4,796	6,443	(1,647)
105	Miscellaneous plastics products, nec	1,199.64	900.85	298.79	14,554	18,482	(3,928)
106	Footwear, except rubber and plastic	(11.31)	111.36	(122.67)	(274)	1,545	(1,819)
107	Luggage, handbags, and leather products, nec	100.29	115.59	(15.30)	966	1,387	(421)
108	Railroad transportation	0.00	0.00	0.00	1,685	3,388	(1,703)
109	Local and interurban passenger transit	0.00	0.00	0.00	399	771	(372)
110	Trucking and warehousing	0.00	0.00	0.00	10,585	20,660	(10,094)
111	Water transportation	0.00	0.00	0.00	363	743	(380)
112	Air transportation	0.00	0.00	0.00	1,708	3,105	(1,397)
113	Pipelines, except natural gas	0.00	0.00	0.00	77	163	(85)
114	Passenger transportation arrangement	0.00	0.00	0.00	368	671	(303)
115	Miscellaneous transportation services	0.00	0.00	0.00	814	1,591	(777)
116	Communications	0.00	0.00	0.00	2,633	5,169	(2,536)
117	Electric utilities	0.00	0.00	0.00	1,972	3,785	(1,813)
118	Gas utilities	0.00	0.00	0.00	902	1,742	(839)
119	Water and sanitation	0.00	0.00	0.00	724	1,409	(685)
120	Wholesale trade	0.00	0.00	0.00	33,637	64,995	(31,358)
121	Retail trade exc. eating and drinking places	0.00	0.00	0.00	4,603	10,083	(5,480)
122	Eating and drinking places	0.00	0.00	0.00	6,044	11,701	(5,658)
123	Depository institutions	0.00	0.00	0.00	3,363	6,128	(2,765)
124	Nondepository; holding and investment offices	0.00	0.00	0.00	844	1,602	(758)
125	Security and commodity brokers	0.00	0.00	0.00	515	985	(470)
126	Insurance carriers	0.00	0.00	0.00	1,629	3,008	(1,379)
127	Insurance agents, brokers, and service	0.00	0.00	0.00	907	1,675	(768)
128	Real estate	0.00	0.00	0.00	2,121	3,640	(1,519)
129	Royalties	0.00	0.00	0.00	0	0	0
130	Owner-occupied dwellings	0.00	0.00	0.00	0	0	0
131	Hotels and other lodging places	0.00	0.00	0.00	2,134	3,782	(1,648)
132	Laundry, cleaning, and shoe repair	0.00	0.00	0.00	789	1,577	(788)
133	Personal services, nec	0.00	0.00	0.00	172	330	(158)
134	Beauty and barber shops	0.00	0.00	0.00	1	2	(1)
135	Funeral service and crematories	0.00	0.00	0.00	2	4	(2)
136	Advertising	0.00	0.00	0.00	1,571	3,249	(1,678)
137	Services to buildings	0.00	0.00	0.00	1,515	2,800	(1,285)
138	Miscellaneous equipment rental and leasing	0.00	0.00	0.00	1,113	2,008	(895)
139	Personnel supply services	0.00	0.00	0.00	4,733	9,132	(4,399)
140	Computer and data processing services	0.00	0.00	0.00	2,135	4,045	(1,910)
141	Miscellaneous business services	0.00	0.00	0.00	7,597	14,877	(7,180)
142	Automotive rentals, without drivers	0.00	0.00	0.00	593	1,245	(652)
143	Automobile parking, repair, and services	0.00	0.00	0.00	1,426	3,202	(1,776)
144	Electrical repair shops	0.00	0.00	0.00	388	906	(518)
145	Watch, jewelry, & furniture repair	0.00	0.00	0.00	0	1	(0)

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number		Trade Impacts (millions of $1987) Domestic Exports	Imports for Consumption	Net Exports	Employment Impacts (Job opportunities) Domestic Exports	Imports for Consumption	Net Exports
146	Miscellaneous repair services	0.00	0.00	0.00	1,690	2,859	(1,170)
147	Motion pictures	0.00	0.00	0.00	336	654	(318)
148	Video tape rental	0.00	0.00	0.00	5	9	(4)
149	Producers, orchestras, and entertainers	0.00	0.00	0.00	424	817	(393)
150	Bowling centers	0.00	0.00	0.00	32	61	(30)
151	Commercial sports	0.00	0.00	0.00	57	87	(30)
152	Amusement and recreation services, nec	0.00	0.00	0.00	248	463	(216)
153	Offices of health practitioners	0.00	0.00	0.00	1	2	(1)
154	Nursing and personal care facilities	0.00	0.00	0.00	32	60	(28)
155	Hospitals	0.00	0.00	0.00	56	103	(47)
156	Health services, nec	0.00	0.00	0.00	0	0	(0)
157	Legal services	0.00	0.00	0.00	1,807	3,424	(1,617)
158	Educational services	0.00	0.00	0.00	1,080	2,107	(1,027)
159	Individual and miscellaneous social services	0.00	0.00	0.00	0	0	(0)
160	Job training and related services	0.00	0.00	0.00	808	1,305	(497)
161	Child day care services	0.00	0.00	0.00	0	0	(0)
162	Residential care	0.00	0.00	0.00	0	0	(0)
163	Museums, botanical, zoological gardens	0.00	0.00	0.00	5	9	(4)
164	Membership organizations	0.00	0.00	0.00	945	1,850	(905)
165	Engineering and architectural services	0.00	0.00	0.00	1,979	3,491	(1,512)
166	Research and testing services	0.00	0.00	0.00	619	1,171	(552)
167	Management and public relations	0.00	0.00	0.00	2,250	4,328	(2,079)
168	Accounting, auditing, and other services	0.00	0.00	0.00	2,549	6,039	(3,490)
169	Private households	0.00	0.00	0.00	0	0	0
170	U.S. Postal Service	0.00	0.00	0.00	1,701	3,542	(1,841)
171	Federal electric utilities	0.00	0.00	0.00	110	210	(101)
172	Federal government enterprises, nec	0.00	0.00	0.00	167	311	(144)
173	Federal general government	0.00	0.00	0.00	0	0	0
174	Local government passenger transit	0.00	0.00	0.00	195	377	(182)
175	State and local electric utilities	0.00	0.00	0.00	330	635	(304)
176	State and local government enterprises, nec	0.00	0.00	0.00	1,256	2,420	(1,164)
177	State and local government hospitals	0.00	0.00	0.00	0	0	0
178	State and local government education	0.00	0.00	0.00	0	0	0
179	State and local general government, nec	0.00	0.00	0.00	0	0	0
180	Noncomparable imports	0.00	0.00	0.00	0	0	0
181	Scrap, used and secondhand goods	241.24	399.09	(157.85)	0	0	0
182	Rest of the world industry	0.00	0.00	0.00	0	0	0
183	Inventory valuation adjustment	0.00	0.00	0.00	0	0	0

Source: Economic Policy Institute Analysis of Commerce Dept. data.

UNITED STATES
BUSINESS AND INDUSTRIAL COUNCIL

Median Wages, All Workers 1979-96 (96 dollars)

U.S.	11.20	10.93	10.35	-2.4	-5.3
State	**1979**	**1989**	**1996**	**1979-1989**	**1989-1996**
Alabama	10.25	9.37	8.73	-8.6	-6.8
Alaska	17.76	14.18	13.44	-20.2	-5.2
Arizona	10.90	10.65	9.60	-2.3	-9.9
Arkansas	8.77	8.38	8.32	-4.4	-0.8
California	12.49	12.47	11.34	-0.2	-9.1
Colorado	12.01	10.98	11.28	-8.6	-2.7
Connecticut	11.65	13.33	13.11	14.4	-1.6
Delaware	11.44	11.26	11.24	-1.5	-0.2
Florida	9.51	9.86	9.71	3.7	-1.6
Georgia	10.05	10.23	10.11	1.9	-1.2
Hawaii	11.27	11.66	10.85	3.5	-7.0
Idaho	10.71	9.11	9.43	-14.9	3.5
Illinois	12.55	11.69	11.11	-6.9	-4.9
Indiana	11.10	9.91	9.95	-10.7	0.4
Iowa	10.92	9.68	9.80	-11.4	1.3
Kansas	10.68	10.29	9.85	-3.7	-4.2
Kentucky	10.83	9.78	9.73	-9.8	-0.5

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State	1979	1989	1996	1979-1989	1989-1996
Louisiana	10.56	9.12	8.85	-13.7	-3.0
Maine	9.13	10.11	9.64	10.7	-4.7
Maryland	12.32	12.38	12.20	0.5	-1.4
Massachusetts	10.95	12.79	12.19	16.8	-4.7
Michigan	13.07	11.57	11.50	-11.4	-0.6
Minnesota	11.67	11.14	11.24	-4.6	0.9
Missouri	10.87	9.78	10.10	-10.0	3.2
Mississippi	8.67	8.00	8.42	-7.7	5.2
Montana	11.16	9.27	9.03	-17.0	-2.6
No. Carolina	9.32	9.52	9.81	2.1	3.0
No. Dakota	10.21	8.67	8.68	-15.0	0.0
Nebraska	10.26	9.08	9.16	-11.5	0.9
N. H.	10.39	11.85	11.12	14.2	-6.2
New Jersey	11.99	13.23	12.55	10.3	-5.1
New Mexico	10.75	9.04	9.33	-15.9	3.2
New York	11.70	12.50	11.68	6.8	-6.5
Nevada	11.24	11.12	10.56	-1.1	-5.1
Ohio	12.17	10.96	10.52	-9.9	-4.0
Oklahoma	11.01	9.77	8.98	-11.3	-8.1
Oregon	12.44	11.61	10.35	-6.6	-10.9
Penn.	11.63	10.90	10.86	-6.3	-0.4
R.I.	10.50	11.05	10.61	5.2	-4.0

State	1979	1989	1996	1979-1989	1989-1996
So. Carolina	9.02	9.48	9.42	5.1	-0.6
So. Dakota	8.99	8.26	8.89	-8.1	7.6
Tennessee	9.88	9.10	9.23	-7.9	1.4
Texas	10.62	9.80	9.42	-7.7	-3.9
Utah	11.39	10.20	9.96	-10.4	-2.3
Vermont	9.75	10.41	10.24	6.8	-1.6
Virginia	10.83	11.48	10.16	6.0	-11.5
Washington	13.10	12.06	11.22	-7.9	-7.0
Wash. DC	12.76	11.70	12.08	-8.3	3.2
W. Virginia	11.97	9.15	9.22	-23.6	0.8
Wisconsin	11.71	10.37	10.56	-11.4	1.8
Wyoming	12.60	10.19	9.32	-19.1	-8.5

Source: Economic Policy Institute

Statement of Bryan McCanless, President, National Business Association

The membership of the National Business Association strongly opposes fast-track legislation because they have already been economically hurt by NAFTA which was approved by Congress under the fast-track process.

Many of our members work in the service industry whose businesses have suffered because they have lost customers who cannot afford the services of our membership because these customers have either lost their jobs or their earnings have declined.

I am submitting into the record two tables illustrating the employment and trade impact of NAFTA on U.S. industries from the Economy Policy Institute analysis of Commerce Department data. It demonstrates the growing U.S. trade deficit and job loss from 1993–1996.

Also included is the U.S. Business and Industrial Council's table of the median wages of all U.S. workers from 1979–1996. This provides state-by-state statistics showing that workers' wages in 36 states have dropped while wage growth in the remaining 14 states and the District of Columbia has been minimal. Overall, the median wages of workers in the U.S. has declined 5.3 percent during this period.

I am including these tables because the NBA represents small businesses in the service industry who are not usually counted in official statistics because we do not engage in international trade. In figures that show closed factories and job losses, we do not get counted, but we still feel an indirect impact because our customers are the people who work in communities whose economies depend on industry.

When they suffer we suffer. The service industry only expands in an affluent society. If you cut the core of that affluence—jobs for people in the industrial sector—you cannot support that service.

I surveyed the NBA's members on their views of NAFTA's impact. Here are some of their opinions:

The owner of Pitts Towing and Service Center of St. Waynesville, North Carolina told me, "We were against NAFTA from the start. Now we are realizing all the effects—lost jobs everywhere! But the GATT (now the World Trade Organization) scares us even more. We are very much against one world trade, government and money."

From Whitcomb's Forest Harvesting, Inc.: "(NAFTA) seems to be having an adverse effect on many states, in particular states that produce produce for a living. Also the tainted food coming into this country is getting to be a big problem. States that are more factory-oriented are being hurt."

An NBA member from Rioux Electric in Medway, Maine is concerned that NAFTA's passage is helping the U.S. feed drug lords and their crimes.

"My home town has been affected by (NAFTA) in more than one way."—Roller Palace (Gentry Investments).

"NAFTA was passed by Congress to benefit big business and a corrupt Mexican government and to provide a way for Big Banks in the USA to receive interest on loans made to Mexico which could not be serviced, all at the expense of American jobs and taxpayers. It was blatantly unconstitutional."—contractors Horongolo-Davis, Inc.

According to Carpenter's Nursery, NAFTA has caused much havoc in the United States.

"NAFTA is hurting all of the small businesses in the USA," says Pearson Electronics in Belton, South Carolina.

In Irwinton, Georgia, Howell's Body Shop says, "NAFTA was the biggest mistake our Congress has made. It undermines everything we have worked for. Imports come into Mexico and then flood the U.S. uncontrolled. That alone is very wrong."

The owner of Custom Paving, Inc. in Waynesville, North Carolina says that his county has lost over 700 jobs as a result of NAFTA.

One member thinks that Ross Perot, who heard the sucking sound of jobs going to Mexico, was right after all.

"I have opposed NAFTA since long before it was law," says the owner of B & L Mechanical. "I strongly disagree with the 'open-borders' situation created by NAFTA. I am against allowing manufacturing in any foreign country (not controlled by the same laws, regulations and codes as our own) to unfairly compete with no equalizing tariffs when brought into our country."

The owner of Clarence's Friendly Lunch notes that Singer Furniture, located one mile from him, just closed down as a result of NAFTA.

"NAFTA is just another government sell-out."—CountryStyle in Dover-Foxcroft, Maine.

"NAFTA is another huge step in selling out the sovereignty of the United States."—Financial Security Alliance.

"Because of NAFTA many jobs have been lost in the U.S.."—Irish Auto Service.

"Last July some of my former friends told me about an electrical plant closing in a city in New York which left 160 highly-skilled people out of work to move to Mexico for the cheap labor there. The company found out the people down there could not do the work, and they asked their former employees to move to Mexico because they needed them."—Philann Farms.

"My beef cows have dropped from $1.00 a pound to 50 cents a pound."—Stonebridge Farm.

"Canadian Seafood products that come into the U.S. without tariffs effects our U.S. markets for own our products and thus hold down wages and fishermen's prices. It is hard enough to compete with the cheaper Canadian dollar."—John W. Dunbar Co.

"It is my understanding that President Clinton made concessions with some states so they would vote for NAFTA which should have been illegal. I wonder if the hepatitis strawberries would be here if NAFTA (had been) shot down."—Bradford Auto Sales.

Fast-track legislation unconstitutionally ties the hands of Congress—the people's elected representatives—by forbidding it to amend or change any trade pact or treaty or agreement negotiated by the executive branch. Only two of the three million workers in this branch—the president and the vice president—are elected. Therefore, the individuals in and out of government who negotiate and write these massive trade treaties like NAFTA are unelected. We need to return authority over trade back to Congress as the Constitution states.

Enough time has passed to measure the destructive impact NAFTA has had on America's small business community. It is doubtful Congress would have approved NAFTA if its members had had the time to study NAFTA's pork-filled 1,000 page implementing legislation which was made available to lawmakers just a week before they were expected to vote on it.

What kind of a representative government do Americans have if the people's elected representatives don't even have the opportunity to study what they are voting on?

The World Trade Organization, which gives global bureaucrats in Geneva, Switzerland authority over U.S. trade matters, was approved through the fast-track process.

In 1996, Renato Ruggerio, the WTO Director General, made it clear he understood that a revolutionary transfer of power from the United States to him and his international bureaucrats was occurring when he said, "We are writing the constitution of a single global economy."

The NBA's opposition to fast-track echoes the strong sentiments of the majority of small businessmen, the grassroots, and hard-working Americans who are feeling the devastating aftermath of NAFTA and the World Trade Organization and the fast-track process now sought by President Clinton.

Major polls clearly show the majority of Americans don't like fast track or NAFTA:

- 61 percent of Americans oppose "having Congress grant the President fast-track authority" (Hart and Teeter for The Wall Street Journal/NBC, July 26–28, 1997).
- 57 percent of Americans oppose "new trade pacts with Latin American countries (Wirthlin Worldwide for Bank of Boston, November 1996).
- 56 percent of Americans believe "expanded trade leads to a decrease in the number of U.S. jobs (Louis Harris and Associates for Business Week, September 3–7, 1997).
- 64 percent of Americans believe world trade pulls down U.S. wages (Market Strategies for the Committee for Free Trade and Economic Growth, June 1996).
- 64 percent believe trade agreements between the U.S. and other nations cost more jobs than they create (Greenberg Research for Campaign for America's Future, November 1996).
- 51 percent of Americans believe "America's integration in global markets mainly benefits multinational corporations at the expense of average working families (Penn, Schoen and Berland Associates for the Democratic Leadership Council, July 1997).

The trade policies pursued by the leaders of both major political parties have been disastrous. The U.S. trade deficit has increased every year, doubling between 1992 and 1996. According to the Commerce Department's own figures, increased deficits have wiped out 1.3 millon jobs in high-wage, goods-producing industries.

The Federal Reserve Bank of St. Louis has calculated that the net effect of trade in the first quarter of 1997 was to slow the U.S. economy by 1.27 percent of GDP on an annualized basis.

Fast-track means Congress must agree before it sees a trade agreement that when that agreement is finished it will vote on it and all required changes to domestic law operating under these conditions: a closed rule with no amendments or changes allowed; a maximum of 20 hours of debate per chamber; an up or down vote; and no committee mark-up.

The NBA urges that Congress vote down fast-track and take back its authority over trade as authorized in the Constitution.

Statement of the National Farmers Union

On behalf of its 300,000 farm and ranch family members, the National Farmers Union (NFU) appreciates the opportunity to present testimony to this panel. NFU is pleased the House Ways and Means Subcommittee on Trade is holding a hearing on fast-track negotiating authority, because this process has profoundly and directly affected our nation's farmers, ranchers and rural communities.

The Canadian-U.S. Free Trade Agreement (Canada-U.S. FTA), the North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT) were all passed in Congress according to fast-track procedures. All three agreements directly affected not only American farmers, but U.S. health, safety, domestic investment, environmental, labor and consumer standards and laws. Future agreements are expected to affect U.S. citizens in much the same way. Prior to the ratification of these agreements, we, as well as many members of Congress, observed severe inadequacies in these agreements; many have yet to be addressed to this day. We believe a large reason behind the passage of these agreements, despite the serious concern members of Congress and the public raised during the debate, was due to the fact that fast-track rules were in effect.

National Farmers Union is opposed to fast-track legislation because it prevents Congress from having enough direct involvement in the negotiation of trade agreements. NFU believes the U.S. Congress should be a full partner in any international trade agreement because of the direct, domestic impact trade agreements have on all U.S. citizens. Under the Constitution, Congress has exclusive authority to regulate foreign commerce. We do not believe it should delegate this important responsibility to the executive branch under the restrictive fast-track rules.

FAST-TRACK AUTHORITY IS TOO BROAD

The bill put forward by President Clinton titled, the "Export Expansion and Reciprocal Trade Agreements Act of 1997," would enable the ongoing negotiations to bring Chile and other Latin American countries into the NAFTA, create a Free Trade Area of the Americas (FTAA) by 2005, sign an Asia Pacific Economic Cooperation agreement to achieve free trade by 2010/2020, a second agreement to eliminate import tariffs on information technologies and the World Trade Organization negotiations scheduled for 1999 to further open up agriculture markets.

One of the most far reaching impacts of fast-track has received the least attention. The sweeping Multilateral Agreement on Investment (MAI) which greatly expands the rights of private investors at the expense of governments and municipalities in international trade agreements could be considered by Congress under fast-track rules. Only a limited number of officials from the U.S. State Department and the U.S. Trade Representative office, and others representing private interests were allowed to participate in the 2-year negotiations on behalf of the United States.

With respect to the overall trade-negotiating objectives set forth in the president's bill, Farmers Union was encouraged to see that agriculture, labor and environment were included as separate provisions in the document. The U.S. government should adhere to certain principles when it enters into trade agreements with other countries that do not have the same standards and laws as we do in this country. Throughout its history, NFU has focused on international development programs in impoverished countries. For this reason, we urge that environmental and labor issues be addressed in the core text of trade agreements to ensure people in these countries receive a fair wage for their labor in a safe working environment, natural resources are protected and no exploitation of these growing countries occurs. Properly crafted trade agreements could work to achieve those goals.

However, the language in the president's bill limits labor and the environment negotiations to those that are "directly related" to trade. We object to this language because it is actually more restrictive than the fast-track legislation that was used to negotiate and pass the Canada-U.S. FTA, NAFTA and GATT. As the world leader, the U.S. can play a crucial role in setting the parameters for international trade agreements. Trade agreements have far reaching implications on U.S. health, safety, labor, environmental and other laws that we believe must be fully considered, individually and directly.

We were encouraged that the Clinton administration chose to address agricultural priorities as a distinct and separate issue to work to correct unfair trade practices in the agriculture sector. The primary agricultural goal of the U.S. in trade negotiations has long been to reduce agricultural import tariffs and export subsidies around the world. National Farmers Union has long held that internal economic, social and political imperatives will result in other nations pursuing ways to protect their agricultural producers and other basic industries. We believe the United States should do the same.

The president's bill calls for the reform of "state trading enterprises," such as the Canadian Wheat Board (CWB), which have not previously been a major focus in international trade negotiations. It is evident that the CWB is able to provide a fair return for producers. While state trading enterprises should be monitored to ensure they are trading fairly, we urge lawmakers to realize the benefit that this type of structure could provide to U.S. farmers. National Farmers Union supports the creation of an American Marketing Board (AMB) which producers throughout the country could use to enhance their marketing power.

FIVE CONCERNS THAT MUST BE ADDRESSED

Since the North American Free Trade Agreement was enacted, National Farmers Union has urged members of Congress and the Clinton administration to make improvements on the agreement due to the problems it created. NAFTA should be improved in four categories, which affect our members not only as family farmers, but as consumers and taxpayers as well. Farmers Union urges Congress to renegotiate NAFTA because the agreement does not adequately address country of origin labeling, dispute resolution, currency fluctuations, proper reporting of agricultural im-

ports and exports, and food safety standards. We urged members of this committee to act to correct these problems when we testified here in April.

(1) Country of Origin Labeling. All imported foods, feeds, and fibers should be labeled to disclose country of origin, actual contents, and additives. Public awareness of the country of origin issue has been greatly increased since E. coli contaminated beef was found in Colorado and strawberries which caused Hepatitis-A where discovered in Michigan. Regardless of whether the contamination occurred in the U.S. or abroad, the public is beginning to ask where food sold in the U.S. originates. Many countries already require country of origin labeling for U.S. products. If the goal is to create a truly level playing field, all products should be labeled to indicate their country of origin.

(2) Dispute Resolution. Canada-U.S. FTA, NAFTA, and GATT have indeed increased trade, but the enormous influxes of agricultural products into the U.S. at times have had a devastating impact on U.S. producers. Last year, when there was a surge in Mexican tomato and pepper imports, the U.S. winter vegetable industry was injured irreparably when produce was imported at far below U.S. production costs, which forced market prices down and left U.S. growers unable to compete. When this occurred, many U.S. farmers quickly went out of business. The tomato farmers filed a Section 201 petition with the U. S. International Trade Commission (USITC), to stem the flow of produce into U.S. markets; however, months later the commission failed to find sufficient evidence of injury and did not rule in favor of the U.S. industry. The damage to the U.S. tomato industry by that time was irreparable.

U.S. Trade Representative Charlene Barshefksy continues to debate Canadian Agriculture Minister Ralph Goodale over whether Canada should limit the amount of wheat and barley it exports to the U.S. One-way trade of Canadian grain exports of wheat, durum wheat and barley to the U.S. has filled U.S. grain elevators and disrupted U.S. markets and marketing channels. Canada has flatly maintained it will not limit the amount of grain it exports, yet the dispute continues to the great detriment of U.S. farmers. While lawmakers engage in debates over trade flows, U.S. farmers watch as their prices decline for grains, livestock, produce and other agricultural products.

(3) Currency Fluctuations. We are very proud that the bail-out of the Mexican financial infrastructure was a success and that the funds, with interest, were returned the U.S. ahead of schedule. Had NAFTA included a provision to address currency fluctuations, we would have avoided the entire escapade. Until there is the establishment of a common measure of currency, to prevent unstable, dramatic fluctuations of currency, whether natural or manipulated by central banks, we will never have fair trade agreements. This is true with our GATT trading partners as well. We must address fluctuating currency exchange rates in the Canada-U.S. FTA, NAFTA, GATT or any existing or future trade agreements.

(4) Reporting. Many changes over the past decade, including the new farm law and reform of the crop insurance/disaster programs, have saddled U.S. producers with an ever-growing burden of risk management. In order to be efficient managers and marketers, and in order to survive in an ever-deregulated business environment, U.S. producers need the latest, most accurate information available. Information is the lifeblood of risk management and includes data on weather, consumer trends, markets and other key facts. Import and export numbers are an indispensable part of the information our producers require.

However, the accuracy of our reporting system is rightly called into question because much of the food and foodstuffs crossing our borders are not adequately monitored or inspected.

(5) Food Safety and Inspection Standards. A recent General Accounting Office report concluded that fewer than 1 percent of every 3.3 million trucks entering the U.S. are inspected. Food and other raw commodities now travel across our borders largely unchecked. When NAFTA was being considered, Farmers Union urged Congress to increase the amount of food inspection at the border, yet much of the food that enters our borders is never inspected. We were promised that all foods would meet U.S. food safety standards, which would be enforced vigorously by the U.S. at the border. Yet with less 1 percent or less of our food being inspected at the border, our government literally has no way to determine whether the food is safe or not.

Because so few agricultural commodities are inspected, certain animal and plant diseases have been introduced into the U.S. since Canada-U.S. FTA, NAFTA and GATT went into effect. The inspection and reporting systems for foods and agricultural products entering this country simply cannot keep up with the sharp increase in trade flows. Due to the lack of inspection of agricultural products, pests and diseases have been introduced into this country at great cost to the U.S. farmer and taxpayer.

In the report, "Improvements Needed to Minimize Threat of Foreign Pests and Diseases," the General Accounting Office (GAO) found that federal inspectors, seeking procedural shortcuts, allowed brokers themselves to choose the samples for inspection. In the report GAO focused on the U.S. Department of Agriculture's Animal Plant Health Inspection Service (APHIS), the federal agency mainly responsible for preventing infestation by harmful foreign pests and diseases, protecting U.S. agriculture and preserving the marketability of agricultural products in the United States and abroad.

To allow those who buy and sell imported agricultural products to pick and choose which ones are inspected clearly illustrates how fundamentally flawed this system currently is. The GAO report found that due to staffing shortages, APHIS "does not conduct any inspections at 46 northern and six southern ports of entry," and at many other ports there are no inspectors on duty for many hours of the day or night. Even high-risk cargo is not properly inspected, according to the report.

Despite the fact that U.S. border inspection has been crippled due to the massive influx of imports, free-trade proponents are urging inspectors to speed up the flow of goods across U.S. borders. Such a policy threatens not only the health and safety of our domestic crops and livestock, but more importantly this nation's food supply. U.S. taxpayers will pay for the problems when they are forced to pay to eliminate pests and diseases. Just over a year ago in a congressional appropriations hearing on Capitol Hill, a U.S. Department of Agriculture official admitted that karnal bunt, a wheat disease, had "crept over the border" after the NAFTA went into effect. This is just one example of the diseases that have been introduced into the U.S. The U.S. farmer understands the true costs that pests and diseases bring. Farmers many times have to eliminate whole herds and slash and burn whole fields to eradicate pests and diseases.

When pests and diseases spread to the U.S. by the exchange of infested agricultural commodities, other countries will undoubtedly demonstrate a reluctance to buy U.S. agricultural goods. When pests and diseases are present within our shores, regardless of where they came from or how they are spread, it is the American farmer's reputation that is called into question. We receive the blame and we suffer the consequences because demand for American agricultural products declines sharply. Regardless of how vigourously we negotiate trade agreements and urge other countries to buy U.S. agricultural products, once it is found that pests and diseases reside here, other countries will simply buy elsewhere to protect their own agricultural industry from these problems. Many times it is difficult if not impossible to prove to other countries that we are rid of harmful pests and diseases after they have been discovered here in the U.S. For this reason we urge that all food and agricultural commodities be labeled to indicate country of origin and inspection at the border be substantially increased.

The country of origin labeling, dispute resolution, currency fluctuation, reporting and food safety, concerns Farmers Union has urged members of the Clinton Administration and Congress to correct have been addressed to date, yet the Clinton administration and some members of Congress want to move forward to expand NAFTA to Chile and other countries. We believe the flaws in existing agreements, that Farmers Union and other organizations have urged members of Congress to correct, will surely grow in their seriousness and enormity if trade is expanded in the manner the Clinton administration and some members of Congress are proposing.

CONCLUSION

We must remind ourselves that fast-track been used just five times: the Tokyo Round of GATT (1975), the U.S.-Canada Free Trade Agreement (1988), the U.S.-Israel Free Trade Agreement (1989), the North American Free Trade Agreement (1993) and the Uruguay Round of GATT establishing the World Trade Organization. Many supporters of fast-track contend that it must be passed now or else the U.S. will be prevented from entering into any new trade negotiations. However, during the past 2 years since fast-track has expired, more than 200 trade agreements have been completed without fast-track authority.

When fast-track was initially proposed, trade agreements dealt mainly with changes in tariffs structures. Today, U.S. trade and investment policy carries direct, domestic implications for U.S. laws. U.S. negotiators do not necessarily represent the full range of U.S. interests at the negotiating table. Private corporations and interests have far too great a presence and influence as members of the trade advisory committees institutionalized in fast-track.

Farmers have felt the impact of NAFTA in a variety of ways since it began. When foods enter the U.S. from countries where labor, environmental and health and safe-

ty standards are different than those we have in the U.S., the American farmer is affected. These imported foods are many times sold at a price below that which we can produce it in this country because of the high standards we have adopted, which leads to an influx of grains, cattle, produce or other commodities and lowers the price U.S. farmers receive. Canada-U.S. FTA, NAFTA and GATT have fundamentally redefined what we as farmers think of when we face price instability. We understand that risk is inherent in farming. Unless some safeguards are put in place to ensure farmers receive a fair price for their product, regardless of the political, environmental, economic or any other conditions in other countries, we will continue to see the number of farmers in this country decrease because the risk is simply too great. While farmers must have access to global markets, the major thrust of every nation's agricultural production should be domestic food security. Domestic food production must be priced at a parity level that assures profitability for a producer practicing average-or-better efficiency.

Thank you, Mr. Chairman, for the opportunity to express our concerns to this committee today.

Statement of National Oilseed Processors Association

The National Oilseed Processors Association (NOPA) supports approval of Fast Track negotiating authority that is not encumbered by environmental, labor, or other issues. NOPA is a national trade association comprised of 14 regular and 24 associate member companies, which process vegetable meals and oils from oilseeds. NOPA's regular member firms process an estimated 1.4 billion bushels of oilseeds annually at 67 plants in 21 states, employing an estimated 4,500 workers.

U.S. oilseed processors remain strong supporters of and advocates for greater trade liberalization. The Uruguay Round and the NAFTA were important steps in liberalizing agricultural trade. Both agreements resulted in important new market access opportunities for U.S. exports of oilseeds and oilseed products. However, further progress needs to be made. High tariffs and other barriers continue to restrict our access in potentially large markets such as China and India. In addition, a number of countries are using market-distorting export practices that were not disciplined by the Uruguay Round export subsidy commitments. These practices need to be brought under the WTO trade rules.

NOPA, as a member of the American Oilseed Coalition, has been actively pursuing the Level Playing Field (LPF) initiative to eliminate all trade-distorting import barriers and export practices in the oilseeds and oilseed products sector. Although the Uruguay Round implementing legislation gave the Administration the authority to continue negotiating trade liberalization in this sector, the LPF initiative would have a much greater chance of success in a negotiation that is broader based in terms of both country coverage and sectoral coverage. Fast-track authority is needed to successfully engage in broad-based, multilateral negotiations that will lead to greater liberalization for oilseeds and oilseed products, and for all of agriculture.

The United States is in danger of being left behind in the regional and bilateral free-trade agreements being negotiated throughout the Western Hemisphere. U.S. exports of oilseeds and oilseed products are disadvantaged by Western Hemisphere free-trade agreements that give some of our largest competitors preferential access to markets in which we could be competitive.

With the 1999 review and continuation process that is part of the WTO's built-in agenda from the Uruguay Round, The Free Trade Area of the Americas, and APEC, U.S. agriculture is already facing an ambitious trade policy agenda. The United States not only has to get engaged in these trade negotiations, we have to take the lead in setting an agenda that will remove the remaining distortions to trade in agricultural products. Some countries would like to leave agriculture out of future trade negotiations.

NOPA supports an agenda for trade negotiations that:

- ensures that agriculture is a full participant in any negotiation and moves forward in tandem with other sectors;
- requires any regional or bilateral free-trade agreement to result in the elimination of all trade barriers in agriculture by a date certain;
- emphasizes the importance of reducing tariffs and increasing minimum access levels; and
- allows developing countries a longer implementation period, but otherwise imposes the same disciplines on them as on developed countries.

Statement of Public Citizen

SIDE-BY-SIDE ANALYSIS REAGAN-BUSH 1988 FAST TRACK VERSUS CLINTON 1997 FAST TRACK PROPOSAL

Clinton Proposal Worse than Reagan-Bush Fast Track

This side-by-side analysis shows how the recent Clinton proposal on fast track takes away the ability for the U.S. President to negotiate and/or have implemented trade agreements containing enforceable labor, environmental or other provisions in their core texts.

Under the Clinton proposal, for the eight years that it would run, the U.S. President would be affirmatively limited from including labor, environmental and other standards of the same enforceable, core nature as now are provided for the protection of intellectual property or investors' rights. Indeed, all of the issues left out of U.S. negotiating objectives in the recent Administration proposal would also be kept out, such as: food safety, illegal drug trade, currency stability, human rights, and religious freedom.

Under the fast track established in 1974 and used five times since, the U.S. President had the authority, although was not required to include, labor, environmental and other provisions in trade agreements. It was this authority under which NAFTA was negotiated that allowed President Bush to put the very limited environmental measures he did in the text of NAFTA chapter 11 on investment and chapter 1 on multilateral environmental agreements. The new Administration proposal would remove this discretion, strictly limiting the contents of trade agreements to matters "directly trade related" and limiting further fast track coverage of future trade implementing bills only to the "further clarification" of environmental issues and "discussion" of labor rights and only at the GATT-World Trade Organization (WTO.)

SIDE-BY-SIDE OF RELEVANT PROVISIONS

I. OVERALL TRADE NEGOTIATING OBJECTIVES

(Sec. 1101(a) 1988 fast track; Sec. 2(a) of Clinton proposal)

Reagan-Bush Fast Track:

1. Open equitable reciprocal markets,
2. Reduction or elimination of barriers and other trade distorting policies and practices,
3. More effective system of international trading disciplines and procedures.

Clinton Proposal:

Addition: Chapeau language specifies that the authority to negotiate granted in this bill is limited to the objectives listed only.

Comment: This provision sets new limits on what issues can even be negotiated in both trade agreements to which fast track approval procedures will be applied and those which can be entered into without a vote. The new limits include those aspects of foreign government policies and practices regarding labor, the environment, and other matters that are "directly related to trade" and "decrease market opportunities for U.S. exports or distort U.S. trade." (A later section in the Clinton proposal further limits environmental and labor issues which can be included in a fast tracked trade implementing bill.)

Addition: Second objective amended to read: "reduction or elimination of barriers or distortions that are directly related to trade and decrease market opportunities for U.S. exports or distort U.S. trade;

Comment: This new language—"directly related to trade" and "decrease market opportunities for U.S. exports or distort U.S. trade"—is added to exclude labor or environmental practices which have "trade distorting" effects from being covered as targets for negotiation. Old language was: "Reduction or elimination of barriers and other trade distorting policies and practices" which would have allowed discretion to set rules against child labor or toxics dumping which cause U.S. companies a competitive disadvantage.

Addition: New objective added: "to address those aspects of foreign government policies and practices regarding labor, the environment, and other matters that are

directly related to trade and decrease market opportunities for U.S. exports or distort U.S. trade;

Comment: This language serves to tightly limit what the President has authority to negotiate about. The "and" connector means that both conditions must be met. Thus, only aspects of environmental and labor matters that "decrease market opportunities for U.S. exports" AND that are "directly related to trade" can be addressed. The clause "foreign government policies and practices regarding labor, the environment and other matters" is added to empower the President to negotiate for the elimination of other countries' such policies if they limit U.S. exports, a goal which Ways and Means Chair Archer has identified as the purpose of this language. The term "other matters" used here and in the previous fast tracks has meant other broader, unlisted goals such as human rights, food safety, animal welfare or human health.

Addition: New objective added: to foster economic growth, raise living standards, promote full employment in US and to enhance the global economy

Comment: This is rhetoric to counter the enforceable provisions. Given that it is an entirely subjective judgement as to what fulfills these broad goals, the provision is only hortatory.

Addition: New objective added: further strengthen system of international trading disciplines and procedures, including dispute settlement.

Comment: This is a relocation of an objective that was located in the principle trade negotiating objective of past fast tracks.

II. Principle Trade Negotiating Objectives

(Sec. 1101(b) of 1988 fast track; Sec. 2(b) of Clinton Proposal)

Reagan-Bush Fast Track:

1. *Dispute Settlement*—more effective and expeditious

Clinton Proposal:

Moved up to overall negotiating objectives

Reagan-Bush Fast Track:

2. *Improvement of GATT* and multilateral trade negotiations.

Clinton Proposal:

Eliminated

Reagan-Bush Fast Track:

3. *Transparency*

Clinton Proposal:

Moved down to objective 5.

Reagan-Bush Fast Track:

4. *Developing Countries*—promote adoption of open trading systems and eliminate non-reciprocal benefits to more advanced countries

Clinton Proposal:

Eliminated

Reagan-Bush Fast Track:

5. *Current Account Surpluses*—develop rules to address to address large and persistent current account imbalances of countries, including imbalances which threaten the stability of the international trading system

6. *Trade and Monetary Coordination*—to develop mechanisms to assure greater coordination, consistency, and cooperation between international trade and monetary systems and institutions

Clinton Proposal:

Both objectives eliminated

Comment: Given the 1995 Mexican peso crash and the recent Thai and other Southeast Asian currency drops, it is ill advised to eliminate trade negotiating objectives in this area. Before seeing the Clinton proposal, trade policy experts had assumed that these objective would be strengthened and moved up in priority. This is especially the case because the Clinton Administration has argued that the Mexi-

can peso crash is a leading factor in NAFTA's failure to meet Administration promises of NAFTA benefits. Indeed, the Clinton Administration was urged in congressional hearings in 1993 before House Small Business Committee Chair LaFalce to add currency provisions to the NAFTA because the peso's crash was predictable. The Administration refused to do so, although the Reagan-Bush fast track provided the authority to do so. By eliminating these negotiating objectives, the Administration takes away its ability to ensure future trade agreements are not susceptible to such currency flucuations.

Reagan-Bush Fast Track:

7. *Agriculture*—more market access, eliminate barriers and subsidies, resolve issues with export subsidies, seek agreements to avoid over production during periods of oversupply, eliminate unjustified sanitary and phytosanitary restrictions.

Clinton Proposal:

Moved to objective 6. General language the same.

Addition: for elimination of "unjustified restriction or commercial requirements affecting new technologies, including biotechnology" and "other unjustified technical barriers to trade."

Comment: The new clause was added to empower the President to attack other countries' policies forbidding or requiring labeling of genetically engineered foods. Recently genetically engineered soy beans and so-called "Frankenfood" tomatoes with fish genes spliced in were refused entry into the European Union, which has a precautionary ban on growing or importing of such crops.

Reagan-Bush Fast Track:

8. *Unfair Trading Practices*—discipline forms of subsidy having adverse trade effects

Clinton Proposal:

Eliminated

Comment: Eliminating this provision closes yet another possible avenue for requiring environmental and labor provisions be enforced in core trade texts. A leading theory of those promoting binding environmental and labor standards in trade agreements is that the absence of such rules is equal to an unfair subsidy for the company or country exploiting labor or the environment. Thus, dumping of toxics by a foreign factory producing products to import into the U.S., rather than paying for their proper disposal as required of U.S. competitors, is seen as taking a subsidy on public health or environmental quality. It was this provisions under which President Clinton promised some Members of Congress during NAFTA that he would issue a new executive order specifically making labor and environmental failures an unfair trade practice. This executive order was never issued. Elimination of this provisions would restrict future presidential action in this regard.

Reagan-Bush Fast Track:

9.*Trade in Services* -reduce or eliminate barriers, taking into account "domestic objectives, including, but not limited to, the protection of legitimate health or safety, essential security, environmental, consumer, or employment opportunities interests and the law and regulations thereto."

Clinton Proposal:

Moved to objective 2.

Addition: Previous language replaced by "reduce or eliminate barriers to international trade in services, including regulatory and other barriers that deny national treatment and unreasonably restrict the establishment and operation of service suppliers."

Comment: This change replaces safeguards for health, safety, and the environment and "employment opportunities" with a mandate to "reduce or eliminate" such regulations if they limit trade in services. This provision would cover health care, transportation, telecommunications, broadcast, and all other service sectors.

Reagan-Bush Fast Track:

10. *Intellectual Property*—enforcement of protections, establish international standards.

Clinton Proposal:

Moved up to objective 4.

Addition: Language added: full implementation of GATT Trade-Related Intellectual Property (TRIPs) Agreement; strengthening enforcement of intellectual property rights through "accessible, expeditious, and effective civil, administrative and criminal enforcement mechanisms."

Comment: In the same legislation that withdraws the President's ability to negotiate enforceable labor and environmental provisions, protections for intellectual property are expanded through criminal enforcement. That is to say that U.S. negotiating objectives are to see violations of intellectual property rights punished through criminal, civil and trade remedies, while labor rights cannot be negotiated, much less enforced. This is the first use of obtaining criminal penalties to enforce a trade provision contained in U.S. trade negotiating objectives. This negotiating objective also calls for full implementation of the highly controversial GATT TRIPs agreement that is opposed by hunger activists in developing countries for putting monopoly patents on seeds, by consumer advocates worldwide for eliminating compulsory licensing (and thus affordability for poor consumers) of pharmaceuticals and medical devises and by religious advocates and ethicists worldwide for promoting the patenting of lifeforms.

Reagan-Bush Fast Track:

11. *Foreign Direct Investment*—eliminate barriers, expand principle of national treatment, develop international agreed upon rules to ensure free flow of foreign direct investment taking into account "domestic objectives, including, but not limited to, the protection of legitimate health or safety, essential security, environmental, consumer, or employment opportunities interests and the law and regulations thereto."

Clinton Proposal:

Name changed to "Foreign Investment" and moved to objective 3.

Additions: "freeing of transfer of funds relating to investments; reducing or eliminating performance requirements and other unreasonable barriers to establishment and operation of investments; establishing standards for expropriation and compensation for expropriation..."

Comments: This provision now tracks exactly the provisions of the Multilateral Agreement on Investment, the expansive new global investment treaty which has been 90% completed at the OECD. "Expropriate and compensation" are entirely new U.S. trade negotiating objectives. Under this concept, a corporation or investor could directly sue a government for monetary compensation if it felt that its investment was being undermined by government action. This concept has been likened to the GOP Radical Takings Agenda that was defeated last Congress. A limited provision of the NAFTA incorporating this concept is now being exploited by the U.S. Ethyl Corporation who is suing the government of Canada for $251 million for damage to the name of their gas additive, MMT, which the Canadian parliament was considering banning. MMT is banned in many U.S. states because it destroys catalytic converters and contains substances know to have harmful effects to child development.

Reagan-Bush Fast Track:

12. Safeguards -make transparent, temporary

Clinton Proposal:

Eliminated

Reagan-Bush Fast Track:

13. *Specific Barriers*—to obtain competitive opportunities for U.S. exports substantially equivalent to opportunities afforded foreign exports to US markets

Clinton Proposal:

Name changed to "Trade barriers and Distortions" and moved to objective 1.

Deletion: Language on substantially equivalent opportunities.

Comment: Given the growing U.S. trade deficit, it is perverse to eliminate the one negotiating objective that addressed reciprocity in trade policy.

Additions: "directly related to trade" added as limitation to definition of barriers and distortions that should be eliminated and further limiting clause added to definition of barriers to be eliminated as those "that decrease market opportunities for U.S. exports..."

Comment: These new limitations have the same effect as above in restricting what topics the President may negotiate.

Reagan-Bush Fast Track:

14. *Worker Rights*—"(A) to promote respect for worker rights; (B) to secure a review of the relationship between worker rights to GATT articles, objectives, and related instruments with a view to ensuring that the benefits of the trading system are available to all workers; (C) to adopt, as a principle of the GATT, that the denial of worker rights should not be a means for a country or its industries to gain competitive advantage in international trade."

Clinton Proposal:

Name changed to "Worker Rights and Environmental Protection" and moved to final objective in proposal, number 6.

Additions: The chapeau of the section limits consideration of these issues to "through the World Trade Organization."

Comments: This addition relegates to the WTO all future discussion of labor and environmental issues. Sending these issues to the WTO is equivalent to sending them directly to Hell. In its December 1996 Singapore Ministerial Declaration, the WTO announced its refusal to deal with labor issues, declaring that the International Labor Organization (ILO) is the appropriate forum for such discussions. Unlike the powerful WTO, there is no enforcement mechanism at the ILO. The WTO has had a committee on Trade and Environment for almost three years. To the extent that committee has done anything, it has been to identify for elimination environmental measures that limit trade.

Change: Subsection (A) replaced with: "to promote respect for internationally recognized worker rights, including with regard to child labor."

Comment: Previous fast tracks merely referred to promotion of "worker rights." According to the definition of internationally recognized labor rights, child labor is covered. Specific mention here is rhetorical. Oddly, the definition section of he bill also provides a definition for "core labor standards," although that term is not used in the Administration proposal.

Addition: (C) Worker rights modified by "internationally recognized."

Addition: New Subsections: (D) to promote sustainable development; and (E) to seek to ensure that trade and environmental protection are mutually supportive, including through further clarification of the relationship between them."

Comment: As meaningless as the worker rights provisions above are, the environmental provisions are worse. Not only is all discussion relegated to the WTO, but the terms of discussion are only to clarify the relationship between trade and environment.

Addition: Non-binding hortatory clause added at end: The U.S. will also seek to establish in the International Labor Organization a mechanism for the systematic examination of, reporting on, and accountability for the extent to which member governments promote and enforce core labor standards."

Comment: This provision has no legal meaning and is not enforceable. It is not a negotiating objective. Nor, does it relate to U.S. trade negotiations. The provision calls for the U.S. to "seek to establish" a reporting system of labor rights violations, a mechanism already in place at the ILO.

Reagan-Bush Fast Track:

15. *Access to High Technology*—eliminate barriers to US equitable access to foreign-developed technology

16. *Border Taxes*—Adjust GATT to balance direct versus indirect tax approach in different countries

Clinton Proposal:

Both objectives eliminated

NEW SUBSECTION IN CLINTON PROPOSAL 2(c): "Guidance for negotiators (1) In pursuing the negotiating objectives described in subsection (b), US negotiators

"*shall take into account*" list of domestic objectives found in Reagan-Bush fast track at 1101(b)(9) and "In the course of negotiations conducted under this Act, the USTR shall" consult with and keep fully apprised of the negotiations private sector trade advisors and to take into account ability of US to retain the ability to rigorously enforce its trade laws.

Comment: This substance of this provision had appeared in the Reagan-Bush fast track as a limitation on a specific negotiating objective. It is unclear what its legal authority is in its new positioning as a "guidance for negotiators." "Guidance for negotiators" is not a known mechanism and is not in itself a negotiating objective. Moving this provisions is a clever rhetorical devise because it puts the word health and job opportunity and consumer into a paragraph of the fast track bill, but does so in a way that does not make these matters allowable negotiating objectives.

NEW SUBSECTION IN CLINTON PROPOSAL 2(d): "Adherence to Obligations Under Uruguay Round Agreements" The President shall take into account in decided with which countries to negotiate the extent to which that country has implemented its obligations under the Uruguay Round.

III. Trade Agreement Negotiating Authority

(Sec. 1102 1988 fast track; Sec. 3 of Clinton proposal)
Section name changed in Clinton Proposal to "Trade Agreement Procedures"

Reagan-Bush Fast Track:

(a) *Agreements Regarding Tariff Barriers:* Gives President authority to enter into trade agreements with foreign countries and to proclaim changes, continuation, setting of duties as he determines to be required or appropriate to carry out any such trade agreement. Authority runs through June 1993.

Clinton Proposal:

Maintains same language and updates new extension of authority as existing through October 1, 2005.

Additions: New section "(6) Other Tariff Modifications" providing that none of the limitations of duration (through 2005) or other specific conditions for proclamation of tariff changes set forth in the new bill will apply to the authority given the President in the 1994 Uruguay Round Agreements Act to proclaim tariff cuts or enter into agreements in the areas that were topics of negotiation in the GATT Uruguay Round. (Subsection B) And extends this broad authority contained in sec. 115 of the Uruguay Round Agreements Act also to "part of an interim agreement leading to the formation of a regional free-trade area." (Subsection A)

Comment: The provision relating to continuation of and superiority of the negotiating authority in the Uruguay Round means negotiations in all areas covered by the Uruguay Round are authorized indefinitely, rather than through the 2004 ending date of this proposed fast track grant.

The new authority concerning interim agreements is to allow the president to make concession in APEC (Asian Pacific Economic Cooperation) or the FTAA (Free Trade Area of the Americas, the hemispheric NAFTA) without a specific fast track grant by Congress for APEC or the FTAA.

Reagan-Bush Fast Track:

b) *Agreements Regarding Nontariff Barriers*: provides authority through June 1993 for president to enter into agreements reducing such barriers "only if such agreement makes progress in meeting the applicable objectives described in sec. 1101. (Both overall and principle objectives.)

(c) *Bilateral Agreements Regarding Tariff and Nontariff Barriers:* provides authority through June 1993 for President to enter into agreements such barriers "only if such agreement makes progress in meeting the applicable objectives described in sec. 1101. (Both overall and principle objectives.) The President must give 60 days written notice to the Ways and Means and the Finance Committees of intention to enter into such an agreement.

Clinton Proposal:

These two sections are merged under new title: "Agreements Regarding Tariff and Nontariff Barriers" Duration of authority is extended through Oct. 1, 2005.

Additions: Authority is newly limited only to agreements making progress in principle, but not overall objectives via 3(b)(2).

Comment: This change means that the matters covered in the first five objectives (including relating to foreign countries environmental and labor measures directly

related to trade and limiting US exports) are not to be subject to implimentation using the fast track procedure. That is to say, these are items the President would have authority to negoitiate, but not to impliment in the fast tracked bill. Thus, only measures relating to clarifying the relationship at the WTO of environment and labor issues and trade could be in fast-tracked trade legislation.

Additions: Section 151 of the 1974 Trade Act (first establishing fast track) is amended by replacing it with: "if changes in existing laws or new statutory authority is required to implement such trade agreement or agreements or such extension, provisions which are necessary or appropriate to implement such trade agreement or agreements or extension and which are related to trade.... and provisions necessary for purposes of complying with sec. 252 of the Balanced Budget and Emergency Deficit Control Act of 1985..."

Comments: This change adds the "related to trade" language, plugging any loophole left over by eliminating coverage of all principle trade negotiating objectives. It also newly puts into order for fast track consideration any revenue offsets required by the Balanced Budget Act to make up for revenues lost through tariffs cuts.

IV. Other Key Provisions

Other major changes from the previous fast track include:

1. *Fast Track is automatically extended to NAFTA expansion to Chile and ant agreement implementing the "built in" agenda or "work programs" of the GATT Uruguay Round.* (Clinton Proposal Sec. 6.) In past fast tracks, Congress has had 60 days to disapprove a President's request to apply fast track congressional procedures to a particular negotiations. This so-called "emergency brake" provision is eliminated.

The provision regarding work plan of the GATT Uruguay Round is one avenue through which the congressional consideration of the MAI could be covered under this fast track. Normally, for an agreement to obtain fast track congressional consideration, the request to Congress for fast track coverage must be done before negotiations start. However, this provision of the Administration's proposal eliminates both the notice requirements and Congress' ability to do anything to stop fast track from applying. Of course, the Uruguay Round's work program included negotiations on an investment agreement. Negotiations have been conducted in parallel at the OECD and the WTO on an investment agreement.

2. *Broad discretion for the President to declare private sector trade advisory committee reports classified.* (Clinton Proposal Sec. 3(c)(4).) Currently, these reports are public records.

Questions and Answers About Fast Track Negotiating Authority

What Is Fast Track Negotiating Authority?

Fast Track is a set of rules mostly about how Congress will consider the domestic legislation implementing trade agreements, not about the authority to negotiate trade deals itself. The term "fast track" refers to several related congressional procedures used for certain international trade and investment agreements.

Fast Track is one version of how negotiating *authority is delegated* from the Legislative branch (which has exclusive constitutional authority over regulation of foreign commerce) to the Executive branch. Fast Track allows the Executive branch to conduct trade negotiations under a guarantee that whatever agreement is concluded, Congress will consider it with no amendments allowed and limited debate. Instituted by President Nixon in 1973, this extraordinary process has only been used five times.[1] Fast Track negotiating authority is only one version of how Congress could delegate authority to the Executive branch on such trade issues. Alternative processes would maintain more leverage for Congress to shape negotiations.

[1] Fast track has only been used five times: the Tokyo Round of GATT (1975), the U.S.-Canada Free Trade Agreement (1988), the U.S.-Israel Free Trade Agreement (1989), the North American Free Trade Agreement (1993) and the Uruguay Round of GATT establishing the World Trade Organization.

HOW DOES FAST TRACK NEGOTIATING AUTHORITY WORK?

Fast Track requires Congress to agree, before seeing any text (or for that matter, before negotiations begin) that when a trade pact is finished, Congress will vote on the agreement AND all of the changes to domestic law required to conform U.S. law to the pact under the following terms:[2]

A. a closed rule (absolutely no amendments);
B. maximum 20 hours of floor debate in each chamber;
C. an up or down vote;
D. legislation written by the Executive branch;
E. bypass regular congressional committee procedures, such as mark ups;
F. vote within 60 legislative days after that legislation is submitted to the Congress.

Trade implementing legislation, which in the case of both NAFTA and GATT numbered thousands of pages, made hundreds of amendments to conform our existing laws with the trade texts.

WHAT IS CONGRESS' ROLE UNDER FAST TRACK NEGOTIATING AUTHORITY?

To obtain such a pre-agreed closed rule before even initiating a negotiation, the President must notify Congress that he wants to negotiate a specific trade agreement with fast-track procedures.[3] Congress must then vote to refuse the application of fast-track procedures to a specific agreement by a vote of both Houses within 60 days.[4]

If Congress fails to reject the Fast Track request in 60 days, the President is then free to negotiate the Agreement knowing Congress will be required to vote on legislation drafted by the Executive branch under a closed rule. Under the statute, the President must next involve Congress by notifying Congress 90 calendar days before he intends to sign the trade agreement. After the President enters into (*i.e.*, signs) the agreement following the expiration of the congressional notice period, he may submit the signed trade agreement, implementing legislation, and certain required supporting information to Congress for approval.[5] Congress must then vote yes or no within 60 legislative days.

FAST TRACK AND CONGRESS: RESPONSIBILITY BUT NO AUTHORITY

Polls show that the public expects Congress to be in control of domestic issues which are impacted by trade agreements like food safety, truck and highway safety and illegal drugs. Under Fast Track, Congress loses the authority and the ability to shape these issues though they are still ultimately held responsible for the result. Once Congress signs off on Fast Track they lose the ability to control the outcome of the negotiations. For instance, since 1988, putting labor standards into trade pacts has been a U.S. negotiating objective under Fast Track. When the Executive branch has returned with agreements without labor standards, Congress, limited to an up or down vote, could not put them into the agreement.

IS FAST TRACK MANDATORY FOR NEGOTIATING A TRADE AGREEMENT?

The Executive branch has the capacity to negotiate with foreign sovereigns right now. Thus, the notion that without fast track, no "major trade deals are possible" is simply untrue. In fact, this extraordinary delegation of authority has only ever occurred five times, twice in the Clinton Administration. Yet the *Clinton Administration touts in testimony and press releases more than 200 trade agreements which*

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[2] Statutory references for specific fast track provisions: no amendments to the implementing legislation or the trade agreement are permitted under the fast-track procedures at 19 U.S.C. 2191(d). The 60 day voting requirement consists of two aspects contained at 19 U.S.C. 2191(e): The congressional committees to which the implementing bill is referred have only 45 legislative days to review it but without any changes, at which time it is automatically referred to the full House, and a floor vote must then be taken within 15 legislative days. In calculating the time periods for action in either chamber, the days on which that House is not in session are excluded. 19 U.S.C. 2191(e)(3). The limitation of debate to not more than 20 hours, divided equally between those favoring and those opposing the legislation is located at 19 U.S.C. 2191(f)(2) & (g)(2).

[3] Notification is at 19 U.S.C. 2902(c)(3)(C).

[4] Disapproval is at 19 U.S.C. 2903(c)(1)(A) & (2).

[5] *Id.* 2903(1)(B). Although not required by statute, some Administrations have invited selected Members or Committees to hold what they call "unmark ups" and "unhearings" to discuss the Executive Branch text before it is formally submitted. Meanwhile, Members not chosen for this arbitrary process only obtain the legislative language when it is presented for final consideration.

were negotiated and implemented without fast track. Among these trade agreements completed without Fast Track are expansive and multilateral agreements like the ITA (International Technology Agreement) and the Telecom Agreement and bilateral and plurilateral agreements including the two Japanese Auto Agreements. As well, currently, the Clinton Administration is close to completion on negotiations of the 29-nation, highly complicated Multilateral Agreement on Investment (MAI), and deep in the talks on the WTO's Financial Services Agreement and parts of Asian Pacific Economic Cooperation (APEC). In fact, the entire MAI negotiation has occurred during a period where the Administration has not had Fast Track authority.

THIS UNIQUE EXTREME DELEGATION OF AUTHORITY IS NO LONGER APPROPRIATE

No limitation of congressional authority as severe as Fast Track exists in U.S. law. For instance, while some budget votes are granted closed rules automatically in advance, budget bills are shaped by Congress and have undergone extensive congressional committee process.

Given that today's "trade" agreements are no longer just about tariffs and quotas, the extreme, total delegation of congressional authority represented by Fast Track simply is no longer appropriate. For example, the NAFTA text sets standards for the pesticide residues on the food children will eat; restricts how intensely border meat inspection can be conducted without being a trade barrier; specifies the length and weight of trucks that will travel in North America; restricts how local tax dollars can be used, for example by forbidding performance requirements such as mandating recycled paper content in government procurement.

WHAT TRADE AGREEMENTS WILL BE INCLUDED IN THIS FAST TRACK?

The Administration has stated that this Fast Track authority would include expansion of the North American Free Trade Agreement (NAFTA) to Latin America and to the Caribbean starting with Chile, and then to Asia through the Asian Pacific Economic Cooperation (APEC); the Multilateral Agreement on Investment (MAI) and expansion of the World Trade Organization, which implements the General Agreement on Tariffs and Trade (GATT).

WHAT IS THE ORIGIN OF FAST TRACK?

Fast Track was established by President Nixon in 1973 but has its roots even farther back. Under the 1933 Tariff Act, the trade negotiating authority delegated from the Legislative to the Executive branch did not cover non-tariff issues at all. During the Kennedy Round of GATT negotiations—the Round prior to the mid-1970s Tokyo Round—the first non-tariff issue arose in trade negotiations: standardizing customs classifications. President Truman was informed by Congress that he needed to obtain specific congressional approval for the necessary changes to U.S. statutes setting the tariff classification system. The Executive branch did not do this and instead used its existing proclamation authority to "declare" the law changed. This did not go over well with Congress. There was a specific congressional vote (which was not necessary) to show support for the Kennedy Round itself—but to also announce that the Customs Classifications could not be changed except through congressional action.

This bit of turf war was then used by President Nixon to propose an amendment to the existing proclamation authority to specifically allow the President to *proclaim* changes to actual laws as needed to conform them to trade negotiations. Of course, this suggestion also did not go over well with Congress either—to say nothing of some rather major constitutional problems it would have posed. The "deal" that got cut in this turf war is the procedure we now call "fast track." However—the entirety of the non-tariff issues which President Nixon obtained fast track to cover was that customs classification and a *non-binding* agreement on "Technical Barriers to Trade."

DOES FAST TRACK ELIMINATE SPECIAL INTEREST DEALS IN CONGRESS?

Fast Track functions as a type of super glue for port barrel deals in trade agreements. Because no amendments are allowed, Congress is thus forced into rejecting entire trade agreements or approving special deals and unsavory amendments *The two times fast track was used by the Clinton Administration to negotiate a trade agreement a bounty of special interest deals were involved.*

With the GATT Uruguay vote in a lame duck session of Congress in late 1994, one foreign auto company got a multi-million dollar tax break in the GATT implementing legislation, a certain cellular phone interest was given a special deal, pen-

sion liabilities for certain companies were relieved, controversial changes in the U.S. Savings Bond Program were made and so on. These items had nothing to do with implementing the text of the Uruguay Round.

Much has been written about the dozens of special interest deals conducted by the Clinton Administration in the final days of the NAFTA vote. Any Member who supported NAFTA also approved, for instance, an obscure provision of NAFTA's implementing legislation which retroactively wiped out tariffs owed on Canadian-made Honda Civics shipped to the United States since 1989.

A Wall Street Journal/NBC News poll, conducted July 26–28 1997, found that 61% of Americans oppose Fast Track. The poll asked: "President Clinton will ask Congress to give him "fast track" authority to negotiate more free trade agreements. This would mean that once the negotiations are completed, Congress would take an up or down vote, but not make any amendments or changes. Do your favor or oppose this?"I11Favor Fast Track: 32%

Oppose Fast Track: 61%

For more information about Fast Track or NAFTA, please contact Public Citizen's Global Trade Watch at (202) 546–4996.

Statement of Hon. Jack Quinn, a Representative in Congress from the State of New York

During the debate on the extension of fast track trade authority we have heard many arguments about the pros and cons of free trade. In theory there are many benefits of free trade. However, in practice, these benefits often don't materialize.

As members of Congress, we strive to create economic conditions that encourage the creation of good job opportunities and raise the standard of living of all Americans. While Congress debates trade expansion, our attentions should be focused on what effect a new trade pact will have on American workers, and whether or not it will improve our standard of living.

I must state my strong opposition to the extension of fast track trade authority. It is clear to me that recent trade pacts have failed to achieve a net job increase or an improvement of the standard of living in this country. The effects of the North American Free Trade Agreement (NAFTA) make clear the argument that free trade can be harmful to America.

After only a few years, it has become obvious that NAFTA has cost America jobs. In my state of New York alone, we have lost over 20,000 jobs since the NAFTA agreement, according to the Bureau of Labor Statistics. In fact, every state in the union has reported a net job loss under the NAFTA regime. It is no secret as to where these jobs are going. Every region of the country has seen numerous industries literally pack up and relocate outside our borders.

Furthermore, the NAFTA agreement is eroding Americans' standard of living. Job loss due to NAFTA is greatest in the high-paying manufacturing sector. In Buffalo, New York we have already seen the devastating effects of manufacturing job loss. Manufacturing jobs are often the heart and soul of a community. They allow families to live healthy, stable existences, often times on only one income. The fact of the matter is, when these jobs are lost, they do not return.

When a manufacturing job is replaced with a service level job, there is no job loss, but there is a significant income loss. This phenomena is evident in the decline of real wages since the NAFTA agreement was implemented. Real wages in the U.S. have declined by 4% in just four years.

A decline in wages isn't the only factor in the erosion of Americans' standard of living. Under NAFTA, the United States has suffered from a massive influx of illegal drugs from Mexico, an increase in contaminated food from Mexico, and the importation of items that were produced through child labor and environmental degradation.

I find it hard to believe that the United States would be eager to create new trade pacts before it addresses these problems. I am a co-sponsor of the NAFTA Accountability Act and the Import Produce Labeling Act, both of which seek to address the flaws of NAFTA. I encourage the Administration to review this legislation. Furthermore, I urge the Administration to take aggressive steps towards alleviating the numerous flaws of NAFTA, including job loss, wage decline, drug flow, the importation of contaminated food, and environmental damage.

Rather than pursue free trade at all costs, the United States should practice responsible trade. Responsible trade seeks to lower burdensome and unnecessary barriers to trade while preserving American interests. Increasing exports is not the only goal in a trade agreement. A trade agreement must serve all Americans.

STEWART AND STEWART
WASHINGTON, DC
October 7, 1997

Mr. A.L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: TR–17, Hearing on Implementation of Fast Track Trade Authority

Dear Mr. Singleton:

In response to the September 25, 1997 Advisory from the House Committee on Ways and Means Subcommittee on Trade, I submit these comments on the President's proposed legislation for renewal of fast track negotiating authority for trade agreements. Our firm has represented a wide variety of industries and worker groups over the years on trade matters. Many of our existing clients operate internationally. The views expressed herein, however, are those of the author and do not necessarily reflect the views of our clients or my firm.

1. ANY FAST TRACK NEGOTIATING AUTHORITY MUST PERMIT THE ADMINISTRATION TO ADDRESS ISSUES AFFECTING TRADE THAT REMAIN UNRESOLVED

What many have discovered over time is that as one layer of trade restrictions has been removed, another layer becomes apparent. Moreover, as trade becomes increasingly global, the types of problems that need to be addressed to enhance rational resource allocation may be different than have been previously addressed. While intellectual property enforcement and services were not viewed as important "trade" issues in the 1960s and 1970s, they became core objectives in the Uruguay Round. The success of the U.S. in the Uruguay Round in addressing intellectual property enforcement and starting the process of establishing rules and liberalizing trade in services flowed in part from the fact that U.S. negotiating objectives included addressing these areas of increased importance to U.S. business.

As the negotiations on basic telecommunications demonstrated, however, the areas that need to be addressed to actually liberalize trade in various areas may go beyond issues normally part of the existing "trade" umbrella (e.g., the issue of cross-subsidization in situations where there are monopoly suppliers).

In the area of unfair trade practices, there are a range of practices that are not currently reachable in fact that may seriously prejudice U.S. exporters. Some practices are "private" (though arguably government tolerated) and hence not subject to internationally agreed rules at the present time. Even private practices that are addressable, such as dumping, are not in fact addressable when occurring in export markets. While third country dumping actions are permissible, no third country action has ever been accepted by the U.S. or any other country. No cause of action exists where foreign producers are targeting U.S. producers globally in multiple markets. Yet this is a growing problem that should be addressable.

Hence, the U.S. negotiating authority should reflect both specific objectives in particular areas *and* provide sufficient breadth to permit the Administration to address additional issues as they arise or are identified.

Similarly, the U.S. did not achieve all of the objectives it set for itself in the Uruguay Round negotiations. The objectives not met have not necessarily lost their importance since 1988. The disparate treatment for direct and indirect taxes under international rules is a case in point. Eliminating the disparate treatment should be an objective in any future negotiations. The language reported by the Senate Finance Committee earlier this month attempts to ensure at least comparable breadth of direction as that provided in the 1988 Omnibus Trade and Competitiveness Act. Hopefully, the House Ways and Means Committee bill will be similarly comprehensive.

2. SECTORAL LIBERALIZATION AND OBJECTIVES SHOULD BE PROMOTED WHERE SECTORS DESIRE

The U.S. has achieved some notable successes by focusing on the total needs of particular sectors in the past. Agriculture and basic telecommunications are two examples. Similarly, some sectors have wanted expedited trade liberalization and have been subject to "0-for-0" negotiations or tariff harmonization exercises.

While Congress has shown an interest in promoting the tariff elimination objectives, there has not been specific authorization or objectives set to explore "WTO plus" arrangements in sectors where U.S. industry supports such an undertaking. Last year's information technology agreement ("ITA") is a notable success. Yet, tariffs are usually only one part of the issues that need to be addressed for trade flows to improve. Certainly where a sector expresses an interest in exploring such expanded and expedited liberalization, U.S. negotiating objectives should provide for inclusion of such subjects in ongoing or future negotiations. ITA II attempts to do that for information technology products. Why should other goods and services sectors not have similar opportunities?

Similarly, where sectors are interested in expedited tariff elimination or tariff harmonization, U.S. negotiators should view such harmonization or expedited elimination objectives as important goals for the negotiations.

3. AGRICULTURAL OBJECTIVES NEED TO REFLECT MARKET REALITIES

Because agriculture around the world has been highly regulated and heavily subsidized for decades, liberalization poses certain major challenges not seen in most other goods areas. The fact that developed countries have tariffs higher than 100% (indeed above 600% for at least one country) shows the obstacles that exist to liberalized trade. While the U.S. is highly competitive in a wide range of agricultural products, recent agricultural reform efforts, which reduce U.S. subsidy levels, leave U.S. farmers exposed to disparate subsidy treatment abroad which is specifically permitted under the WTO. As further liberalization is pursued in agriculture, care should be taken to ensure that net protection levels (tariffs, subsidies (both domestic and export) and other non-tariff barriers) are harmonized with U.S. levels on products where foreign government subsidies are significantly larger on a per unit basis than those provided by the U.S. Companies should not be asked to compete against foreign treasuries.

Similarly, the Uruguay Round Agreement on Agriculture recognized that perishable and seasonal products within agriculture may require special rules. See Article 5.6 of the Agreement on Agriculture. U.S. negotiators should seek agreed rules to reflect the unique characteristics and needs of such products in any agreement which deals with agricultural products. Trade rules should make sense and apply to all products. Our antidumping law and international agreements have long recognized the concept of "regional" industry. In agriculture, perishable and seasonal products have characteristics that should be accounted for in the hurdles for rights being invoked and for the relief that follows.

Finally, international rules should be negotiated to deal with injurious trade flows that reflect international agreements or national laws that discriminate against developed country producers of agriculture in areas such as agricultural chemical use. The problems for farmers in the U.S. and other developed countries from the future ban some ten years ahead of developing countries of methyl bromide is one example. While the U.S. may decide for other reasons to accept an earlier phase out of use of certain chemicals for environmental purposes, our farmers should not lose out at least in the U.S. market because of that decision.

4. EVERY AGREEMENT SHOULD PROVIDE FOR EFFECTIVE SAFEGUARD MEASURES AND WORKERS, COMPANIES AND COMMUNITIES SHOULD HAVE ACCESS TO MEANINGFUL ADJUSTMENT ASSISTANCE

For roughly fifty years, every trade agreement has included some form of safeguard provision. For many years, there has also been in domestic law some form of trade adjustment assistance. The promises repeatedly made to American workers, their companies and their communities is that those who pay for the benefits of trade liberalization will be able to seek temporary relief and assistance. Those promises have been the backbone of the bipartisan support for trade liberalization in our country. Yet, in the last twenty years, the U.S. safeguard law has been almost impossible to invoke and the Congress and various Administrations have provided inadequate adjustment assistance funds. Is there any real doubt about why organized labor no longer actively supports further trade liberalization when the safety net repeatedly promised has seldom been in place? The WTO does not require the high

negative rate of decisions by the U.S. International Trade Commission or the inaction by the President that characterizes Section 201 cases. Congress should ensure that fast track authorization continues to insist not only on safeguard agreements but that such agreements be useable in fact when trade developments warrant. Congress should also ensure that adjustment assistance is in fact available and that it is meaningful. Economists, most businesses and many politicians argue that increased trade benefits most people. Why should the many beneficiaries expect those who are hurt to bear the cost alone?

5. Services

With roughly two-thirds of GDP accounted for by services, it is little wonder that the U.S. has been leading the calls for liberalization in trade in services. While many service sectors offer the opportunity for growth in exports, a priority should be provided for expanding market access in service sectors that facilitate growth in goods exports. To date, a number of such sectors have received extensive consideration: basic telecommunications, financial services, professional services. However, sectors such as the express integrated air-cargo services and other transportation areas similarly deserve sectoral analysis and broad based liberalization. These areas obviously have multiplier effects on trade expansion when liberalization is successful.

6. Investment

The U.S. properly has included and continues to stress liberalization in investment rights. The TRIMs agreement was a minimal step in the right direction. Efforts underway within the OECD offer some promise. However, as negotiations with China for its accession into the WTO and as problems in sectors such as automobiles in various countries in Asia and the Americas demonstrate, trade flows are being seriously distorted by tariff and investment policies of a number of important nations in the world. I strongly support the proposed language from the Administration.

7. Exchange rate volatility

While past Administrations have not viewed exchange rate policy as a "trade" issue, the significant swings in exchange rates of certain currencies in the past decade have often been more trade distorting that all of the tariff and non-tariff barriers pursued by the USTR. Industries can move from being competitive to non-competitive or vice versa in a matter of months because of currency movements. Congress should include negotiating objectives for the Administration to improve exchange rate policies to minimize exchange rate volatility and to maximize the likelihood that the exchange rate reflects the underlying competitiveness of the country in question.

The Senate Finance Committee bill includes as a negotiating objective addressing current account surpluses. The same objective was in the 1988 Act. While I support inclusion of the negotiating objective and the aggressive use by the Secretary of the Treasury of his authority under 22 U.S.C. 5304(b)(it is not clear why Japan and China are not currently the subject of bilateral negotiations under this provision), more can and should be done to provide companies, investors and workers more rational market environments in which to operate.

8. Regional Free Trade Areas

Article XXIV of the GATT 1994 and Article V of the GATS do not require all products to be covered in a regional free trade agreement. Past Administrations have taken the position that 100% of trade should be covered in all cases. This is not required by the language of the WTO and can result in unnecessary economic hardships and unnecessary political opposition to liberalized trade. At a minimum, Congress should establish negotiating objectives that require an appropriate recognition of highly import sensitive products in (a) coverage and (b) transition periods. Article XXIV:8(b) uses the term "substantially all the trade." This term has no accepted meaning within the GATT or WTO, although some early cases suggest 85% coverage as adequate to satisfy. Most other regional agreements provide some carve outs for particularly sensitive products. There is no reason that the U.S. cannot show greater flexibility on this issue.

Similarly, with regard to transition periods, the language of the Understanding on the Interpretation of Article XXIV of the General Agreement on Tariffs and Trade 1994 permits periods longer than 10 years on those products where tariffs

are being eliminated "in exceptional cases." Highly sensitive products in NAFTA received 15 year phase-outs. Where an industry can make the case for an even longer phase out period, it should not be excluded from consideration. Similarly, nothing in the WTO prohibits the schedule of adjustments to backload phaseouts as well where such a schedule would be appropriate.

Sincerely,

TERENCE P. STEWART

Statement of the Wine Institute

The experience of the U.S. wine industry with the trade negotiation process has been disappointing. Despite Congress's consistent call for market-opening opportunities for U.S. wine exports, the history of U.S. wine trade policy is a series of one-sided agreements that have tilted the international playing field sharply against U.S. winegrowers. Today, the U.S. has the most open market for wine imports and the lowest tariffs of any major wine-producing country, while U.S. winegrowers face high tariff and non-tariff trade barriers around the world.

Congress became concerned about inequities in the market for wine and other alcoholic beverages after the Tokyo Round of multilateral trade negotiations was concluded in 1979. In the Trade Agreements Act of 1979, which implemented the Tokyo Round accords, Congress instructed U.S. negotiators to examine the trade barriers facing U.S. exports of alcoholic beverages, including wine, in an effort to construct a strategy for opening overseas markets to U.S. products. The U.S. industry voiced its concern then over the "disparity between U.S. tariff and non-tariff measures regarding wine, and those maintained by other countries" which placed the U.S. industry in serious jeopardy.

In responding to Congress's request, the President conceded the U.S. wine industry's point. The President's Report detailed the structural imbalance in tariffs and other trade barriers facing the U.S. wine industry as a result of the Tokyo Round negotiations, the first negotiations completed under the so-called "fast track" procedures for Congressional approval. The 1981 Report revealed that the United States had much lower tariffs than almost all other major wine-producing countries and markets for U.S. wine. It also cataloged a wide array of non-tariff barriers hindering U.S. exports, including monopoly practices, required price mark-ups, restrictive labelling rules, certification requirements, and restrictions on winemaking practices.

Moreover, the President concluded that the U.S. had already lost any leverage they might have had in future negotiations. He confirmed that—

[s]ubstantial reductions were made in U.S. tariff and non-tariff measures governing imported alcoholic beverages during the [Tokyo Round], therefore it is unlikely that the U.S. could offer equivalent concessions in the alcoholic beverage sector in exchange for a reduction in trade barriers by other countries.

In other words, the President acknowledged that, having traded away much of the United States' negotiating leverage, the U.S. had few tools, other than "concessions by the United States in other product sectors," to restore any balance to U.S. wine trade.

That led Congress to enact the Wine Equity and Export Expansion Act in 1984 urging the Executive to rectify the damage to the U.S. wine industry's interests. The Act recognized that—

there is a substantial imbalance in international wine trade resulting... from the relative accessibility enjoyed by foreign wines to the United States market while the United States wine industry faces restrictive tariff and non-tariff barriers in virtually every existing or potential foreign market.

To redress that competitive imbalance, Congress directed the U.S. Trade Representative ("USTR")—

to enter into consultations with each major wine trading country to seek a reduction or limitation of that country's tariff barriers and non-tariff barriers to (or distortions of) trade in United States wine.

Congress required the negotiators to report back on their progress.

In late 1985, President Reagan responded with a report that summarized the results of consultations conducted under the Wine Equity and Export Expansion Act requirements. The report of discussions with various countries details the limited progress made; the consistent theme that runs through the report was the pledge that the remaining barriers would be addressed in the next round of multilateral trade negotiations within the framework of the General Agreement on Tariffs and Trade ("GATT").

The lack of progress achieved in the initial round of discussions led Congress, in the Omnibus Trade and Competitiveness Act of 1988, to renew the provisions of the Wine Equity and Export Expansion Act. By then Congress had renewed the President's negotiating authority, President Reagan had concluded a free trade agreement with Canada, and the Uruguay Round of multilateral trade negotiations had begun. President Bush responded to the 1988 Act's requirements by forwarding a report prepared by the USTR. It reported the progress made in the U.S.-Canadian Free Trade Agreement, but acknowledged that the agreement had done little to deter the Canadian provinces from discriminating against U.S. exports. The remainder of the USTR's submission echoed the same themes of the 1985 report to Congress—little progress, an intent to consult further, and deferral of remaining issues to the Uruguay Round of GATT talks.

Despite nearly two decades of effort, Congress has yet to see any dramatic results. Rather than heed Congress's calls for equity, the U.S. has concluded a series of trade agreements that have compounded the U.S. industry's problems.

Instead of closing the gap between lower U.S. tariffs and higher foreign tariffs, the gap has grown. Our foreign trading partners have maintained their non-tariff barriers to imports of U.S. wines.

The U.S.-Canada Free Trade Agreement ("FTA") was supposed to create a preferential trading relationship between the U.S. and Canada. In the case of wine, however, U.S. products continued to face discriminatory barriers to trade.

Wine sales in Canada are conducted by the provincial governments. The provinces mark up the price of U.S. wines to account for the incremental costs of importing the products. Key provinces—Ontario and British Columbia—utilized highly inflated "cost of service" markups that bore no relationship to the actual incremental costs associated with importing. The inflated markups, coupled with preferences the provinces maintained for European and South American wines, placed U.S. products at a disadvantage in the local market until industry-led negotiations with the individual Liquor Control Boards in Ontario and British Columbia resulted in cost-of-service reductions to levels comparable to the charges imposed on other countries exporting wine to Canada.

The results of NAFTA for wine were dramatic. Coincident with NAFTA, Mexico gave Chilean wines an immediate tariff reduction from 20 to 8 percent, and a guarantee of duty-free status in four years. Today, Chile exports wine to Mexico duty free. By contrast, U.S. wines were scheduled to receive a 10-year phase out, leaving U.S. wines at a significant competitive disadvantage in the Mexican market.

When NAFTA ratification was uncertain, the Clinton Administration gained support from the California congressional delegation by pledging to correct the inequities of the U.S. wine and brandy industries' treatment under NAFTA within 120 days of the agreement's entry into force. This has not been done. When the Administration was designing its Mexican bailout program, it did not respond to suggestions by Members of Congress to use the bailout to correct the NAFTA situation.

Today, as a result of a corn broom dispute, Mexico has increased its tariffs on wine and brandy to the pre-NAFTA 20% level.

The most dramatic example of the failure to heed Congress's instructions, however, lies in the results of the Uruguay Round. When the talks began, the U.S. had the lowest tariffs of any major wine producing country. The U.S., nonetheless, agreed to a 36 percent reduction in the U.S. wine tariff to take effect the day the agreement entered into force—January 1, 1995.

The European Union, by contrast, agreed to reduce their applied wine tariffs by a mere 10 percent, with no actual reduction in European tariffs for the first 3 years of the agreement. Other countries agreed to reduce their tariffs by 10–20 percent, but, in many instances, those figures were based on reductions in "bound" rates, not the tariff rates actually applied to U.S. exports, which diminished any benefit to U.S. producers. The remaining countries declined to reduce wine tariffs at all.

Another way to measure the success in implementing the strategy called for by Congress in the Wine Equity and Export Expansion Act is to examine the barriers to U.S. exports that remain in place.

The European Union is both the largest wine producing and consuming entity in the world. The United States has opened its market to European wine exports. We are Europe's largest export market.

Under pressure from pending legislation to enact the Wine Equity and Export Expansion Act, the European Community in 1983 entered an agreement with the United States to liberalize trade in wine by amending restrictive rules on winemaking practices and import certifications. This agreement, known in the industry as the "Wine Accords," has failed to secure significant access to the European market.

Despite the Wine Accords, the European Union continues to impose restrictions on production methods based on spurious health concerns. For example, European Union rules prohibit wine makers in E.U. member countries from using the ion-exchange process, which is widely used in the United States. E.U. officials have publicly conceded that this process does not raise any health concerns; it simply improves the taste of wine. The prohibition on the use of ion-exchange was originally designed to protect the Bordeaux and Burgundies from competition from wines originating in the less prestigious growing areas in Europe. The tactic has since been translated into international trade.

In the Wine Accords, the U.S. agreed to grant protection of various appellations of origin that had not become "semi-generic" in exchange for permission to use ion-exchange and certain other wine making practices on products exported to Europe. While the U.S. has honored its commitments, the European Union has failed adequately to fulfill its part of the bargain, limiting entry to temporary exemptions from the rules on a six-month or yearly basis. By placing market access in constant jeopardy, the Europeans raise the risk for and cost of U.S. companies attempting to build brand recognition in Europe.

Likewise, the European Union continues to impose restrictive import certification requirements. In marked contrast to the ease with which foreign wines enter the United States, U.S. wines must undergo an arduous process to enter the European Market, with each wine shipment requiring production and shipping information and eight costly chemical tests.

The Uruguay Round agreement on standards, like the Wine Accords, is also supposed to prevent the use of false health claims as trade barriers. Thus far, it has had no impact on E.U. policy.

The failure of the Wine Accords, however, is only part of the problem. What follows is a brief catalog of the tariff and non-tariff measures U.S. wine exports continue to face in Europe in addition to those noted above.

Tariffs: Although European tariffs were already 3 times higher than U.S. tariffs on an *ad valorem* basis, the U.S. agreed in the Uruguay Round to reduce our tariffs by 36 percent while the European Union reduced its applied tariff rates by only 10 percent.

Labelling Issues: By heavily regulating "quality" terms on labels and by retaining exclusive rights to the term "table wine," the European Union inhibits U.S. exporters from effectively marketing their wines.

Trademarks: The European Union permits a new appellation of origin to nullify or, in some circumstances, co-exist with an older established trademark, thereby raising the risks and costs for U.S. companies, particularly those that bear the names of families that originally emigrated from Europe.

E.U. Enlargement: The European Union raised tariffs on U.S. wine exports to Sweden, Finland, and Austria when they joined the European Union and imposed the E.U.'s array of non-tariff barriers; the USTR has sought "compensation" without success.

U.S. wine producers continue to face significant trade barriers in Taiwan, notwithstanding the limited accomplishments of the USTR in negotiating access to the Taiwanese alcoholic beverages market. U.S. wines face a staggering 275 percent markup due to the combined effect of import tariffs and excise taxes not paid by domestic producers in Taiwan. In addition, Taiwan bars anything more than a minimal markup at the retail level, thus inhibiting Taiwanese retailers from stocking U.S. wines.

The USTR has recognized a number of significant trade barriers confronting U.S. wine in Japan. These include a 21% tariff, restrictive additive labelling regulations, additive standards, and testing systems, as well as groundless challenges to some U.S. winemaking practices.

In the People's Republic of China, U.S. wine faces a 70% tariff. In addition, the USTR has acknowledged that American companies face difficulties in getting the sole official distributor to handle their products.

What the history of trade negotiations and the partial catalog of foreign trade barriers set out above illustrates is that, despite the admonition of Congress and the opportunity to succeed, the U.S. has not achieved a level playing field for U.S. winegrowers.

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