Executive Memorandum
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CONGRESS CLEANS UP CLINTON'S FAST-TRACK BILL

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The House Ways and Means Committee and Senate Finance Committee have approved fast-track legislation which resolves problems in the original bill submitted by President Bill Clinton on September 16, 1997. Congressional leaders wisely refused to give the President broad authority to include labor and environmental issues unrelated to trade in any future trade agreements negotiated under fast track. Instead, they forged a bipartisan compromise with the Administration that will enable the President to undertake new trade negotiations around the world without being encumbered by extraneous issues.

S. 1269 and H.R. 2621, approved on October 1 and October 8, 1997, respectively, would allow the President to negotiate trade agreements which cut tariffs (or taxes) worldwide, dismantle non-tariff barriers to trade, and reduce regulations hindering the free flow of goods, services, and investment. Initially, President Clinton sought to add provisions on labor standards and the environment to negotiating objectives for trade agreements considered under fast-track authority. Specifically, two new objectives added by Clinton's draft bill would be to "promote sustainable development" and to ensure that trade and environmental protection are "mutually supportive." Clinton also sought to "establish in the International Labor Organization (ILO) a mechanism for the systematic examination of, reporting on, and accountability for the extent to which member governments promote and enforce core labor standards." Thus, the Administration's proposal would have given President Clinton, as well as his successor after the year 2000, very broad authority to incorporate environmental and labor standards into future trade agreements.

While H.R. 2621 and S. 1269 take slightly different approaches, both bills would:

- **Limit the President's trade negotiating objectives to trade-related matters.** Under the language of H.R. 2621, along with nearly identical provisions of S. 1269, for any trade agreement which may be considered under fast-track procedures, the President may include only provisions to prevent countries from using their environmental, health, labor, and safety regulations in a discriminatory manner to hinder American exports and investment. Both bills deleted the Clinton Administration's negotiating objectives of "sustainable development" and ILO labor standards enforcement.

- **Tighten the link between trade negotiating objectives and what may be in trade agreements.** Both H.R. 2621 and S. 1269 would prevent the President from inserting other provisions into trade agreements considered under fast track by tying what might be included in future bills implementing agreements negotiated under fast track directly to trade negotiating objectives. This new language effectively prevents the President from including objectionable environmental and labor standards in trade agreements.

- **Ensure that international agreements which include environmental and labor standards may not be considered under fast-track procedures.** To persuade the Administration to drop its demands for wide-ranging environmental and labor standards provisions in future trade deals negotiated under fast-track authority, both H.R. 2621 and S. 1269 provide the Administration and its allies with a political fig leaf: a new section entitled "International Economic Policy Objectives." Two of the four goals for U.S. international economic policy established by this section address the issues of labor standards and the environment. However, H.R. 2621 and S. 1269 expressly forbid fast-track consideration of any agreement that would modify U.S. law to achieve these objectives. This new section reiterates the President's existing authority under Article II of the U.S. Constitution to negotiate with other nations at any time on agreements that are unrelated to free trade. However, such agreements would not be on a fast track; they would be subject to normal treaty or agreement approval procedures which allow for amendment by Congress.

The fast-track bills approved by the Senate Finance Committee (S. 1269) and the House Ways and Means Committee (H.R. 2621) are entirely consistent with conservative economic principles regarding free trade, open markets, and deregulation. Moreover, trade agreements based on open markets, free trade, and unrestricted investment are essential if the process of economic and political reform is to continue in the developing countries. Such agreements would lock in free-market reforms in these countries and help prevent backsliding by foreign governments when their countries suffer economic and political turmoil. Mexico proved this in 1995 following the collapse of the peso. The North American Free Trade Agreement (NAFTA) enabled Mexico, instead of raising tariff barriers, to stay on course with free-market policies that ended its financial crisis in just seven months. Today, Mexico has replaced Japan as the second-largest U.S. trading partner. It also has made significant progress in advancing democratic and electoral reforms.

The evidence that free trade spurs economic growth, higher productivity, and better paying jobs in the United States is overwhelming. Total U.S. two-way trade has expanded rapidly, from 13 percent of gross domestic product (GDP) in 1970 to 30 percent in 1996, for a record $2.3 trillion. From 1986 to 1992, according to the U.S. Department of Commerce, exports accounted for nearly 50 percent of the U.S. economy's total growth. From 1992 to 1996, the dynamic U.S. economy created over 12 million net new jobs, while industrial production increased nearly 18 percent.

Fast-track trade authority plays a vital role in spurring U.S. economic growth, maintaining U.S. global leads in competitiveness and high technology into the next century, and assuring continued U.S. leadership throughout the world. Prompt renewal of the President's fast-track negotiating authority will send other countries the message that Congress and the Administration stand united in pursuit of free-trade agreements which best advance American economic interests and values.