Chron

THE PRESIDENT HAS SEEN
6-2-98

THE WHITE HOUSE

WASHINGTON

June 1, 1998

Copied
Sperling
COS

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN Phil
SEAN MALONEY SM

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Sperling Memo on WTO Speech Press Coverage** -- describes on-going efforts to amplify press coverage of your WTO speech; attaches two articles: an E.J. Dionne op-ed piece in Friday's *Washington Post*, which described your speech as a significant attempt to lay out a third strategy on trade; and a Paul Magnusson article in *Business Week*, which credits you with a multifaceted and aggressive trade strategy -- a significant turn-around for *Business Week*, which only two weeks ago said your trade agenda was on the ropes.

(B) **Berger Note on South Asia** -- says, "We are putting together a small, high quality group of experts on South Asia for discussion with you in the next few [days]. Working with Harry Barnes (Carter) on list."

(C) **Note from Senator Leahy forwarded by Janet Murgia** -- thanks you and the First Lady for inviting him and Marcelle to the dinner for PM Prodi; "you were absolutely correct in telling us we would enjoy the operatic arias -- we did indeed!"

Have we sent
This to AFL other
union leaders
+ the Democrats
in Congress?
We should

'98 MAY 29 PM 9:05

THE WHITE HOUSE

WASHINGTON

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6-2-98

May 29, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: WTO Press

Following the WTO Speech in Geneva, I worked with Charlene Barshefsky, Michael Waldman, Jake Siewert, and several of your other advisors to circulate the text of your remarks and make follow-up phone calls to reporters.

We explained to them your two-part trade message:

1. While our inability to secure fast-track authority was a set back, we are engaged in a conscience strategy to make progress in every possible area where fast-track authority is not required. By citing successes such as the U.S.-E.U. joint statement, the U.S. FTAA launch, U.S.-Japan deregulation initiative, the electronic commerce agreement with Japan and your call for the modernization of the WTO, we mapped out the steady progress we are making.

2. The WTO speech represented both a specific call for modernization of the WTO in the 21st century and a renewal of your own clear trade paradigm that includes a strong double-barreled focus on both open markets <u>and</u> labor, environment, and other issues which effect whether people will support open markets.

Today, we saw two articles emerge. One from E. J. Dionne which while too grudgingly written did recognize your speech as a significant attempt to lay out a third strategy on trade. The second one, by Paul Magnusson of *Business Week* was quite good in that he recognized you as having a multifaceted and aggressive trade strategy--even in the face of fast-track-- that if even half competed would represent a dramatic accomplishment in open markets. This is a significant turn around because *Business Week* had written two weeks ago that our trade agenda was on the ropes. Charlene and I are working on additional ideas to keep getting this message out.

Attachments

E. J. Dionne Jr.

Globalism With A Human Face

Some of what happens in politics is hidden in plain sight.

Last week, President Clinton announced a major shift in America's approach to global economics. His ideas would affect how workers and the environment gain protection and whether trade issues are settled in the open or in secret.

Almost nobody paid attention.

Clinton's announcement came in a speech before the World Trade Organization in Geneva. There was a time when the address would have been front-page news. It was, for one thing, a direct response to critics of the WTO who accuse it of bowing to the wishes of powerful international companies and making its decisions without any public accountability.

Clinton said that on the matter of secrecy, at least, the critics are right. "We must modernize the WTO by opening its doors to the scrutiny and participation of the public," Clinton declared. "Today, when one nation challenges the practices of another, the proceeding takes place behind closed doors. I propose that all hearings by the WTO be open to the public." Clinton promised that the United States would open any proceeding it is part of and challenge other countries to do the same.

For good measure he proposed that private citizens be able to present their views before the WTO—meaning that business or labor people, Ralph Nader or Pat Buchanan, environmentalists or anyone else could raise a ruckus when they thought vital issues were at stake. Since international organizations now play such a big role in every nation's economy, how can the basic right to petition and air grievances be denied?

Calling on the WTO to work more closely with environmentalists and the International Labor Organization to lift standards, Clinton directly borrowed rhetoric from critics of his past trade policies: "We must do more to ensure that spirited economic competition among nations never becomes a race to the bottom—in environmental protections, consumer protections or labor standards. We should be leveling up, not leveling down."

Clinton acknowledged with unusual bluntness that without such protections, "we cannot build the necessary public support for the expansion of trade. Working people will only assume the risk of a free international market if they have confidence that the system will work for them."

That Clinton's speech got so little coverage may reflect the muffling of his voice by scandal news. But it demonstrates for certain the eclipse of trade as a major public issue after last year's defeat of authority for the president to negotiate trade deals on a "fast track."

In fact, Clinton's new proposals are a direct response to the defeat of fast track. They grow out of continuing discussions between Treasury Secretary Robert Rubin and a group of House Democrats.

Some of Rubin's interlocutors—Rep. David Bonior of Michigan, for example—were sharply critical of Clinton's old approach to trade. But many of them, including Reps. Nancy Pelosi of California and Barney Frank of Massachusetts, are also interested in a "third way" that accepts global markets as a reality but seeks, as Frank put it, "globalization plus civility."

On trade, says Frank, "the president and the Democrats realize there's a fundamental intellectual tension. We're not for trickle-down domestically. Why should we be for trickle-down internationally?" Thus the importance of Clinton's "leveling up" rhetoric. "We're not saying no to internationalism," Frank says. "We're saying you have to do it with offsets for inequality."

Another sign that foes of Clinton's past trade policies see him responding to their views came from AFL-CIO President John Sweeney. He praised the speech as "a dramatic turning point in the debate over the rules of globalization."

Commerce Secretary William Daley—a free-trader who served as the administration point man on the North American Free Trade Agreement—acknowledged in an interview this week that "some of our friends on the far right and far left" regard the WTO as "some sort of Trilateral Commission," a powerful body that makes important decisions in secret.

"If we're going to depend on international organizations," Daley said, referring to the WTO and International Monetary Fund, "we'd better not only start defending them but also deal with the legitimate problems that have come up. . . . We're trying to get this debate on a different level."

Forging a new consensus around global growth with equity would be a major achievement. But the resounding silence that greeted the president's speech suggests that the road there will be long and that there may be limits on Clinton's ability to lead the journey.

WASHINGTON

CLINTON'S TRADE CRUSADE

The Prez issues a bold call for freer markets and stiffer standards

THOMAS FLUHARTY

It could turn out to be President Clinton's best and brightest economic move since his 1993 budget-balancing deal—even if few people noticed it. In May, while Americans mourned Frank Sinatra, caught the last *Seinfeld*, and watched trustbusters wrestle with Bill Gates, the White House unveiled a bold agenda for trade expansion that—if it succeeds—could provide a growth path for U.S. exports and the economy into the next century.

In a whirlwind swing through Europe, Clinton called for a new round of global trade talks that he would host next year. He renewed negotiations aimed at knocking down barriers to trade between the U.S. and the European Union. At the World Trade Organization headquarters in Geneva, Clinton chided bureaucrats to be less secretive and more accommodating of labor and environmental standards in negotiations. And finally, he hinted he'd launch a new legislative fight in 1999 to renew his fast-track trade negotiating authority from a reluctant Congress.

After three years of getting almost nowhere on trade issues, Clinton is ready to risk some political capital to go down in the history books as the President who presided over the longest economic expansion since the end of World War II—and forged the deals to make sure it continues after he goes off to build his Presidential library. The initiatives are all the more striking given the timing: As Clinton rolls out his plans, the Asian economic meltdown is worsening—illustrating the potential volatility of the new global economy. Already, exports to Asia are down 10% compared with a year ago.

Once again, investors are worrying that U. S. companies won't ride out the storm but will see earnings suffer as a result of the Asian mess. As container ships carry ever larger cargoes of cheap Asian goods to U. S. shores but return empty, and the dollar continues its relentless climb, free trade looks increasingly like a one-way street—and the theory of a never-ending, trade-driven expansion seems more questionable.

BACKLASH. Especially in Washington. Last fall, labor-aligned Democrats blocked Clinton's push for fast-track trade negotiating authority because they say deals such as NAFTA harm U. S. workers and the environment. Now, there's backlash against free trade among Republicans. Angered by religious persecution and terrorism in nations that rely on exports to the U. S., they are turning increasingly to trade sanctions to punish transgressors. Example: On May 20, the House voted to bar high-tech exports to China because of allegations that Clinton let a top campaign donor export satellite knowhow to Beijing.

If the President can pull off even half of his new agenda, he might be remembered as the strongest Democratic advocate of free trade since John F. Kennedy. If not, he stands to be blamed for letting slip the greatest opportunity in years to create truly open global markets. Trade now contributes nearly $1 trillion to the U. S. economy and has accounted for a third of its growth since 1992. With Asian markets drying up, the key to continuing export growth will be hammering out agreements to ensure that U. S. goods can sell easily in Europe and Latin America.

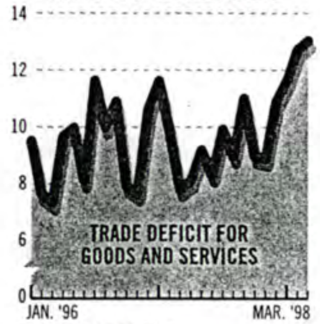
But Clinton has his work cut out for him. His first challenge is convincing the public that America has more to gain than to lose from cracking open foreign markets. The growing trade gap—headed for a record $155 billion this year—won't ease public anxiety. The fear: An ever larger current-account deficit will eventually reduce the value of the dollar. That could fuel inflation and drive up interest rates.

For now, there's little cause to worry. On May 26, the dollar hit its highest level in seven years—above 137 yen—thanks in part to the surge of money from Asian investors seeking safety. And, in the short run, the strong dollar is slashing the cost of imported goods and keeping inflation at bay.

But over time, the dollar could suffer whiplash. "A trade deficit that continues this path could eventually cause the dollar to turn around and come back down, and then the Goldilocks economy could come apart with it," warns C. Fred Bergsten, director of the Institute for International Economics.

Clinton's trade agenda is designed to halt that process by boosting exports. On his European trip, the President won agreement from the EU for a new round of bilateral talks, dubbed the "Transatlantic Economic Partnership." It is intended to speed up talks on a wide variety of old issues—agriculture, intellectual property rights, insurance, and telecommunications—and some new ones, such as electronic commerce. To get the Europeans to agree to the regional trade talks, Clinton pledged to water down sanctions in the Helms-Burton law that punish European companies doing business in Iran and Cuba.

OUT OF BALANCE



▲ BILLIONS OF DOLLARS

DATA: COMMERCE DEPT.

In calling for a new round of global talks in Geneva, Clinton warned that trade negotiators must make their dealmaking more public and include considerations other than commerce. "We must do more to ensure that spirited economic competition among nations never becomes a race to the bottom in environmental protections, consumer protections, or labor standards," he said.

WTO Director-General Renato Ruggiero lauded Clinton's proposals as "historic." But the U. S. Congress will be a harder sell. After Clinton narrowly failed last November to secure fast-track trade negotiating authority from the House, he shelved the matter as too hot for this election year. In the meantime, however, Clinton can't expect progress in new trade talks: Negotiators in Latin America and Europe won't put their best offers on the table unless the President has fast-track authority, which keeps Congress from undoing his deals.

This time, Clinton is going back to try to pick up the Democrats he couldn't convince—in part by reviving environmental and labor safeguards in fast-track bills that were approved for Presidents Reagan and Bush. One of last year's anti-fast track Democrats, Representative Nita M. Lowey of New York, applauded Clinton's pro-environment approach in Geneva and, according to her staff, "would be very supportive" if the green portions of the bill were restored.

Some CEOs like Clinton's plan. "We already have high environmental standards in the U. S.," says W. Douglas Ellis Jr., CEO of Southern Mills Inc. in Union City, Ga. "We want an even playing field." Yet, business is wary of burdening trade with too much regulation. "Penalizing countries that don't conform to our particular standards or ways of life, to use trade as

TO RESTART INITIATIVES ON TRADE, CLINTON IS...

▶ **HINTING** at a new strategy to secure fast-track trade negotiating authority from Congress so the President can cut market-opening deals again.

▶ **INVITING** all members of the World Trade Organization to Washington in 1999 to begin a new round of global talks aimed at eliminating remaining barriers to free trade.

▶ **PROPOSING** reform to the secretive WTO to allow more public participation and greater attention to environmental and labor issues in future trade treaties.

▶ **REVIVING** trade talks between the U.S. and the European Union. The goal: a new North Atlantic trade partnership involving agriculture, electronic commerce, and other areas.

▶ **WAIVING** penalties against France's Total and two partners that violated U.S. prohibitions on investments in Iran by putting $2 billion in that country's energy development.

CHART BY ALAN BASEDEN/BW

a means of changing social policies—we think that's a bad policy," says Maytag Corp. international affairs Vice-President Douglas C. Horstman.

Will labor go along? The AFL-CIO won't reveal under what circumstances it will back more free-trade deals. But it is likely that the cost of securing labor's support—guarantees on foreign minimum wages, for example—will be more than the Administration wants to pay. And U.S. unions are still unhappy with what they see in Mexico, where, despite NAFTA, *maquiladora* factories have kept most unions out. "Globalization is being threatened by a public attitude of fear, so Clinton's got to find ways of accommodating these issues," says Daniel C. Esty, a law professor at Yale University who was a Bush Administration trade negotiator.

Aware of the pitfalls, the White House will go slow on its fast-track campaign until after election day. But Clinton can't wait very long. If he wants to go down as the Democrat who knew how to take care of business, he'll have to keep hawking America's exports.

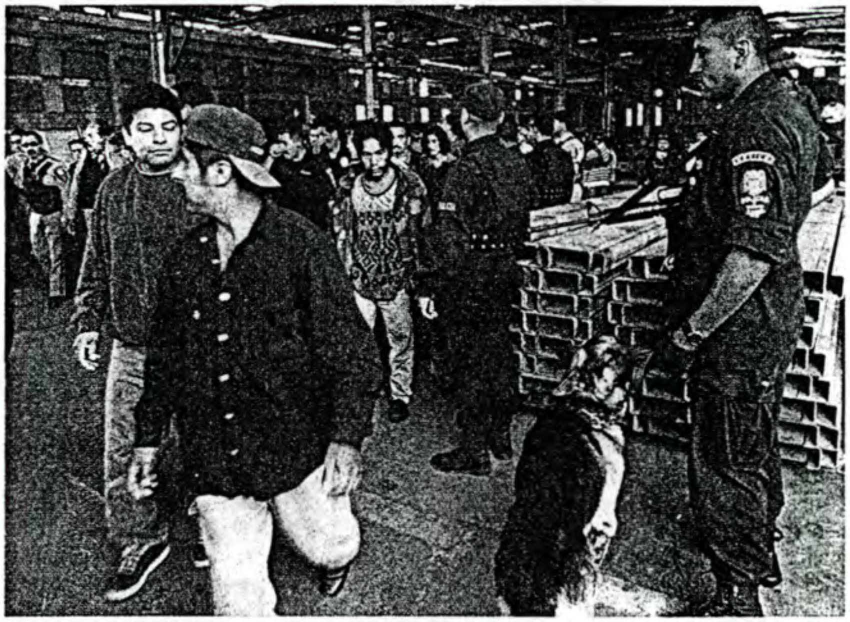
By Paul Magnusson in Washington, with De'Ann Weimer in Chicago and Nicole Harris in Atlanta

A MEXICAN STANDOFF JOLTS CAPITOL HILL

There's a nasty fight going on in Tijuana, and it's the last thing free-trade advocates in Washington need. A yearlong struggle by 120 welders at the Han Young *maquiladora* to form their own union turned into a full-fledged strike May 22, when workers shut down the plant after a scuffle, demanding new contract talks and a 35% pay hike.

The Han Young strike is sure to alarm labor advocates and sympathetic Democrats in Washington as the Administration once again tries to build support for fast-track trade negotiating authority. During the 1993 debate over the North American Free Trade Agreement, U.S. labor leaders argued the pact would speed the exodus of manufacturing jobs to low-wage plants with lax labor-law enforcement. Last year, citing jobs lost to *maquiladoras*, labor helped defeat President Clinton's bid for fast-track negotiating authority. "What happens at Han Young is not simply a statement about whether or not NAFTA is working," says Harley Shaiken, a professor of international labor issues at the University of California at Berkeley. "It will be an issue in any new fast track the President proposes."

The *maquiladora* industry, which employs more than one million Mexicans and last year exported $41 billion in goods, remains fiercely resistant to independent unions. Julio Madrigal, a lawyer for Han Young, says the company will work with whichever union shows it has a majority, but he questions how much support the independent union truly carries. Meanwhile, a union linked to the Mexican government has been organizing and opposes the strike. A recount of the strike vote was taking place on May 27 and a new vote on union registration is slated for May 29. Mexican federal officials argue that labor law was properly enforced at Han Young.



DENIS POROY/AP/WORLD WIDE

TIJUANA TANGLE

The Han Young strike is roiling the *maquiladoras*—and highlighting NAFTA's weakness

Han Young workers, who assemble tractor-trailer chassis for a Hyundai Corp. subsidiary, began organizing in 1997. They were blocked by the Baja California state labor board, which invalidated their first pro-union vote. But the struggle caught the attention of congressional Democrats. When Mexican President Ernesto Zedillo Ponce de León visited Washington last November, Clinton brought up the Han Young case at the suggestion of Representative David Bonior (D-Mich.).

NO CONTRACT. The Mexican federal government intervened, and the union won recognition in January after a second vote. But Han Young has not negotiated a new contract. The welders currently make about $70 a week with benefits.

The Han Young case illustrates the weakness of NAFTA's side-accord on labor law enforcement. In April, the U.S. Labor Dept. published a report on Han Young, charging that the local labor board had not enforced Mexican workplace law. Labor Secretary Alexis M. Herman asked for talks with her Mexican counterpart—the furthest the U.S. can go under NAFTA—but Mexico is waiting for a second report on health and safety issues at Han Young before responding, says Rafael Aranda, director of the Mexican federal office overseeing the NAFTA labor side-agreement. He says the law was enforced. "The workers have the union they voted for."

The clamor over Han Young is loudest north of the border. But the decision on whether to keep opposing the union must come from the south. Whatever happens, the echoes will be strongest in Washington.

By Elisabeth Malkin in Mexico City

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'98 JUN 1 PM 7:07

DATE: 6/1/98

TO: Phil Caplan

FROM: Janice

RE:

___ PAGES INCLUDING THIS PAGE.

MESSAGE Phil - please call to confirm receipt.
Thanks J.

Dan Delia -
Can you have this letter run. AP
Phil 6/2

6 2215

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1 June 1998

MEMORANDUM TO PHIL CAPLAN

FROM JANICE ENRIGHT J

RE 50^{TH} WEDDING ANNIVERSARY

Phil, would it be possible to get a greeting of congratulations for 50 years of marital bliss to some folks back on Long Island. I have been asked and told that this would be a real thrill for these people, who continue to remain loyal supporters and big fans of the President and First Lady.

The happy couple is:

Mr. & Mrs. Anthony Carcirieri (Dear! Peg and Tony)
c/o Weinbrown
168 Dubois Avenue
Sea Cliff, N.Y. 11579

Let me know if this is doable. Their anniversary is on July 3^{rd}.

Thanks. J.

P.S. Regards to the little big guy!! He's great.

Inside Address

Mr. and Mrs. Anthony Car...
Sea Cliff, NY

Dear Peg + Tony!

Label!

THE WHITE HOUSE

WASHINGTON

June 2, 1998

'98 JUN 2 AM 11:11

MEMORANDUM TO PHILLIP CAPLAN

FROM: **KEVIN MORAN AND ERIC MORSE**

SUBJECT: **TOM WHITTAKER CLIMBS MT. EVEREST**

On Wednesday, May 27, Tom Whittaker became the world's first physically handicapped person to scale Mt. Everest. Whittaker, a British born American, came to the United States with dreams of becoming a mountaineer. Tragically on Thanksgiving Day, 1979, Whittaker was in a car accident that left him with severe physical injuries leading to the removal of a kneecap and the amputation of his right foot.

Whittaker did not let this obstacle stand in the way of accomplishing his dreams. His passion for mountain-climbing lead him to the United States to further his education. In 1979, Whittaker received an M. Ed., and in 1981 an M.A. in Athletic Administration, both from Idaho State University. Soon after he finished his graduate work, Whittaker founded the Cooperative Wilderness Handicapped Outdoor Group which focuses on building the physical and emotional strength of physically challenged people.

Before reaching Mt. Everest's summit on Wednesday, Whittaker made two previous attempts, but both were unsuccessful due to inclement weather. Since the first successful ascent to Mt. Everest's summit in 1953, only 800 people have accomplished this feat.

We thought this was an interesting story and that the President might want to send a letter of congratulations to Whittaker. If you need any addtional information please contact us at 6-6797 or Cindy Vanover at Prescott College (520) 776-5229.

Dan / Della
Should do
letter of congratulations
Phil 6/2