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OA/ID Number: 14445
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ASNE [American Society of Newspaper Editors] [1]

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REMARKS BY THE PRESIDENT
IN STATE OF THE UNION ADDRESS

United States Capitol

9:15 P.M. EST

THE PRESIDENT: Mr. Speaker, Mr. Vice President, members of the 105th Congress, distinguished guests, and my fellow Americans:

I think I should start by saying, thanks for inviting me back. (Applause.) I come before you tonight with a challenge as great as any in our peacetime history, and a plan of action to meet that challenge, to prepare our people for the bold new world of the 21st century.

We have much to be thankful for. With four years of growth, we have won back the basic strength of our economy. With crime and welfare rolls declining, we are winning back our optimism, the enduring faith that we can master any difficulty. With the Cold War receding and global commerce at record levels, we are helping to win unrivaled peace and prosperity all across the world.

My fellow Americans, the state of our union is strong. (Applause.) But now we must rise to the decisive moment, to make a nation and a world better than any we have ever known. The new promise of the global economy, the Information Age, unimagined new work, life-enhancing technology -- all these are ours to seize. That is our honor and our challenge. We must be shapers of events, not observers. For if we do not act, the moment will pass -- and we will lose the best possibilities of our future.

We face no imminent threat, but we do have an enemy -- the enemy of our time is inaction. So, tonight, I issue a call to action -- action by this Congress, action by our states, by our people, to prepare America for the 21st century. Action to keep our economy and our democracy strong and working for all our people; action to strengthen education and harness the forces of technology and science; action to build stronger families and stronger communities and a safer environment; action to keep America the world's strongest force for peace, freedom and prosperity. And above all, action to build a more perfect union here at home.
The spirit we bring to our work will make all the difference. We must be committed to the pursuit of opportunity for all Americans, responsibility from all Americans, in a community of all Americans. And we must be committed to a new kind of government -- not to solve all our problems for us, but to give our people -- all our people -- the tools they need to make the most of their own lives.

And we must work together. The people of this nation elected us all. They want us to be partners, not partisans. They put us all right here in the same boat, they gave us all oars, and they told us to row. Now, here is the direction I believe we should take.

First, we must move quickly to complete the unfinished business of our country -- to balance our budget, renew our democracy, and finish the job of welfare reform.

Over the last four years, we have brought new economic growth by investing in our people, expanding our exports, cutting our deficits, creating over 11 million new jobs, a four-year record. (Applause.) Now we must keep our economy the strongest in the world. We here tonight have an historic opportunity. Let this Congress be the Congress that finally balances the budget. (Applause.)

In two days, I will propose a detailed plan to balance the budget by 2002. This plan will balance the budget and invest in our people while protecting Medicare, Medicaid, education, and the environment. It will balance the budget and build on the Vice President's efforts to make our government work better, even as it costs less. It will balance the budget and provide middle class tax relief to pay for education and health care, to help to raise a child, to buy and sell a home.

Balancing the budget requires only your vote and my signature. It does not require us to rewrite our Constitution. (Applause.) I believe it is both unnecessary and unwise to adopt a balanced budget amendment that could cripple our country in time of crisis, and force unwanted results, such as judges halting Social Security checks or increasing taxes. Let us at least agree, we should not pass any measure -- no measure should be passed that threatens Social Security. (Applause.) Whatever your view on that, we all must concede we don't need a constitutional amendment, we need action. (Applause.)

Whatever our differences, we should balance the budget now. And then, for the long-term health of our society, we must agree to a bipartisan process to preserve Social Security and reform Medicare for the long run, so that these fundamental programs will be as strong for our children as they are for our parents.

And let me say something that's not in my script tonight. I know this is not going to be easy. But I really believe one of the reasons the American people gave me a second term was to take the tough decisions in the next four years that will carry our country through the next 50 years. I know it is easier for me than for you to say or do. But another reason I was elected is to support all of you, without regard to party, to give you what is necessary to join in these
decisions. We owe it to our country and to our future. (Applause.)

Our second piece of unfinished business requires us to commit ourselves tonight, before the eyes of America, to finally enacting bipartisan campaign finance reform. (Applause.)

Now, Senators McCain and Feingold, Representatives Shays and Meehan, have reached across party lines here to craft tough and fair reform. Their proposal would curb spending, reduce the role of special interests, create a level playing field between challengers and incumbents, and ban contributions from noncitizens, all corporate sources, and the other large soft money contributions that both parties receive.

You know and I know that this can be delayed. And you know and I know the delay will mean the death of reform. So let's set our own deadline. Let's work together to write bipartisan campaign finance reform into law and pass McCain-Feingold by the day we celebrate the birth of our democracy -- July the 4th. (Applause.)

There is a third piece of unfinished business. Over the last four years, we moved a record 2.25 million people off the welfare rolls. Then last year, Congress enacted landmark welfare reform legislation, demanding that all able-bodied recipients assume the responsibility of moving from welfare to work.

Now each and every one of us has to fulfill our responsibility -- indeed, our moral obligation -- to make sure that people who now must work, can work. (Applause.) Now we must act to meet a new goal: 2 million more people off the welfare rolls by the year 2000.

Here is my plan: Tax credits and other incentives for businesses that hire people off welfare; incentives for job placement firms and states to create more jobs for welfare recipients; training, transportation, and child care to help people go to work.

Now I challenge every state: Turn those welfare checks into private sector paychecks. I challenge every religious congregation, every community nonprofit, every business to hire someone off welfare. And I'd like to say especially to every employer in our country who ever criticized the old welfare system, you can't blame that old system anymore, we have torn it down. Now do your part. Give someone on welfare the chance to go to work. (Applause.)

Tonight, I am pleased to announce that five major corporations -- Sprint, Monsanto, UPS, Burger King and United Airlines -- will be the first to join in a new national effort to marshal America's businesses, large and small, to create jobs so that people can move from welfare to work. (Applause.)

We passed welfare reform. All of you know I believe we were right to do it. But no one can walk out of this chamber with a clear conscience unless you are prepared to finish the job. (Applause.)
And we must join together to do something else, too -- something both Republican and Democratic governors have asked us to do -- to restore basic health and disability benefits when misfortune strikes immigrants who came to this country legally, who work hard, pay taxes and obey the law. To do otherwise is simply unworthy of a great nation of immigrants. (Applause.)

Now, looking ahead, the greatest step of all -- the high threshold of the future we now must cross -- and my number one priority for the next four years is to ensure that all Americans have the best education in the world. (Applause.)

Let's work together to meet these three goals: Every 8-year-old must be able to read; every 12-year-old must be able to log on to the Internet; every 18-year-old must be able to go to college; and every adult American must be able to keep on learning for a lifetime. (Applause.)

My balanced budget makes an unprecedented commitment to these goals -- $51 billion next year. But far more than money is required. I have a plan, a Call to Action for American Education, based on these 10 principles.

First, a national crusade for education standards -- not federal government standards, but national standards, representing what all our students must know to succeed in the knowledge economy of the 21st century. Every state and school must shape the curriculum to reflect these standards, and train teachers to lift students up to them. To help schools meet the standards and measure their progress, we will lead an effort over the next two years to develop national tests of student achievement in reading and math.

Tonight, I issue a challenge to the nation: Every state should adopt high national standards, and by 1999, every state should test every 4th grader in reading and every 8th grader in math to make sure these standards are met. (Applause.)

Raising standards will not be easy, and some of our children will not be able to meet them at first. The point is not to put our children down, but to lift them up. Good tests will show us who needs help, what changes in teaching to make, and which schools need to improve. They can help us to end social promotion. For no child should move from grade school to junior high, or junior high to high school until he or she is ready.

Last month, our Secretary of Education Dick Riley and I visited Northern Illinois, where 8th grade students from 20 school districts, in a project aptly called "First in the World," took the Third International Math and Science Study. That's a test that reflects the world-class standards our children must meet for the new era. And those students in Illinois tied for first in the world in science and came in second in math. Two of them, Kristin Tanner and Chris Getsla, are here tonight, along with their teacher, Sue Winski; they're up there with the First Lady. And they prove that when we aim high and challenge our students, they will be the best in the world. Let's give them a hand. Stand up, please. (Applause.)
Second, to have the best schools, we must have the best teachers. Most of us in this
chamber would not be here tonight without the help of those teachers. I know that I wouldn't be
here. For years, many of our educators, led by North Carolina's Governor Jim Hunt and the
National Board for Professional Teaching Standards, have worked very hard to establish
nationally accepted credentials for excellence in teaching. Just 500 of these teachers have been
certified since 1995. My budget will enable 100,000 more to seek national certification as
master teachers. We should reward and recognize our best teachers. (Applause.) And as we
reward them, we should quickly and fairly remove those few who don't measure up, and we
should challenge more of our finest young people to consider teaching as a career.

Third, we must do more to help all our children read. Forty percent -- forty percent -- of
our 8-year-olds cannot read on their own. That's why we have just launched the America Reads
initiative -- to build a citizen army of one million volunteer tutors to make sure every child can
read independently by the end of the 3rd grade. We will use thousands of AmeriCorps
volunteers to mobilize this citizen army. We want at least 100,000 college students to help. And
tonight I am pleased that 60 college presidents have answered my call, pledging that thousands of
their work-study students will serve for one year as reading tutors. (Applause.)

This is also a challenge to every teacher and every principal. You must use these tutors
to help students read. And it is especially a challenge to our parents. You must read with your
children every night.

This leads to the fourth principle: Learning begins in the first days of life. Scientists are
now discovering how young children develop emotionally and intellectually from their very first
days, and how important it is for parents to begin immediately talking, singing, even reading to
their infants. The First Lady has spent years writing about this issue, studying it. And she and I
are going to convene a White House Conference on Early Learning and the Brain this spring, to
explore how parents and educators can best use these startling new findings.

We already know we should start teaching children before they start school. That's why
this balanced budget expands Head Start to one million children by 2002. (Applause.) And that
is why the Vice President and Mrs. Gore will host their annual family conference this June on
what we can do to make sure that parents are an active part of their children's learning all the way
through school.

They've done a great deal to highlight the importance of family in our life, and now
they're turning their attention to getting more parents involved in their children's learning all the
way through school. And I thank you, Mr. Vice President, and I thank you especially, Tipper,
for what you do. (Applause.)

Fifth, every state should give parents the power to choose the right public school for their
children. Their right to choose will foster competition and innovation that can make public
schools better. We should also make it possible for more parents and teachers to start charter
schools, schools that set and meet the highest standards, and exist only as long as they do. Our plan will help America to create 3,000 of these charter schools by the next century -- nearly seven times as there are in the country today -- so that parents will have even more choices in sending their children to the best schools.

Sixth: Character education must be taught in our schools. We must teach our children to be good citizens. (Applause.) And we must continue to promote order and discipline, supporting communities that introduce school uniforms, impose curfews enforce truancy laws, remove disruptive students from the classroom, and have zero tolerance for guns and drugs in school. (Applause.)

Seventh: We cannot expect our children to raise themselves up in schools that are literally falling down. With the student population at an all-time high, and record numbers of school buildings falling into disrepair, this has now become a serious national concern. Therefore, my budget includes a new initiative --$5 billion to help communities finance $20 billion in school construction over the next four years. (Applause.)

Eighth: We must make the 13th and 14th years of education -- at least two years of college -- just as universal in America by the 21st century as a high school education is today, and we must open the doors of college to Americans. (Applause.)

To do that, I propose America's HOPE Scholarship, based on Georgia's pioneering program: two years of a $1,500 tax credit for college tuition, enough to pay for the typical community college. I also propose a tax deduction of up to $10,000 a year for all tuition after high school; an expanded IRA you can withdraw from tax free for education; and the largest increase in Pell Grant scholarships in 20 years. (Applause.) Now, this plan will give most families the ability to pay no taxes on money they save for college tuition. I ask you to pass it -- and give every American who works hard the chance to go to college.

Ninth: In the 21st century, we must expand the frontiers of learning across a lifetime. All our people, of whatever age, must have a chance to learn new skills. Most Americans live near a community college. The roads that take them there can be paths to a better future. My G.I. Bill for America's Workers will transform the confusing tangle of federal training programs into a simple skill grant to go directly into eligible workers' hands. For too long, this bill has been sitting on that desk there without action -- I ask you to pass it now. Let's give more of our workers the ability to learn and to earn for a lifetime. (Applause.)

Tenth: We must bring the power of the Information Age into all our schools. Last year, I challenged America to connect every classroom and library to the Internet by the year 2000, so that, for the first time in our history, children in the most isolated rural towns, the most comfortable suburbs, the poorest inner city schools, will have the same access to the same universe of knowledge. (Applause.) That is my plan -- a Call to Action for American Education. Some may say that it is unusual for a President to pay this kind of attention to education. Some
may say it is simply because the President and his wonderful wife have been obsessed with this subject for more years than they can recall. That is not what is driving these proposals.

We must understand the significance of this endeavor: One of the greatest sources of our strength throughout the Cold War was a bipartisan foreign policy; because our future was at stake, politics stopped at the water's edge. Now I ask you -- and I ask all our nation's governors; I ask parents, teachers, and citizens all across America -- for a new nonpartisan commitment to education -- because education is a critical national security issue for our future, and politics must stop at the schoolhouse door. (Applause.)

To prepare America for the 21st century we must harness the powerful forces of science and technology to benefit all Americans. This is the first State of the Union carried live in video over the Internet. But we've only begun to spread the benefits of a technology revolution that should become the modern birthright of every citizen.

Our effort to connect every classroom is just the beginning. Now, we should connect every hospital to the Internet, so that doctors can instantly share data about their patients with the best specialists in the field. And I challenge the private sector tonight to start by connecting every children's hospital as soon as possible, so that a child in bed can stay in touch with school, family and friends. A sick child need no longer be a child alone. (Applause.)

We must build the second generation of the Internet so that our leading universities and national laboratories can communicate in speeds 1,000 times faster than today, to develop new medical treatments, new sources of energy, new ways of working together.

But we cannot stop there. As the Internet becomes our new town square, a computer in every home -- a teacher of all subjects, a connection to all cultures -- this will no longer be a dream, but a necessity. And over the next decade, that must be our goal. (Applause.)

We must continue to explore the heavens -- pressing on with the Mars probes and the international space station, both of which will have practical applications for our everyday living.

We must speed the remarkable advances in medical science. The human genome project is now decoding the genetic mysteries of life. American scientists have discovered genes linked to breast cancer and ovarian cancer, and medication that stops a stroke in progress and begins to reverse its effect, and treatments that dramatically lengthen the lives of people with HIV and AIDS.

Since I took office, funding for AIDS research at the National Institutes of Health has increased dramatically -- to $1.5 billion. With new resources, NIH will now become the most powerful discovery engine for an AIDS vaccine, working with other scientists to finally end the threat of AIDS. (Applause.) Remember that every year -- every year we move up the discovery
of an AIDS vaccine will save millions of lives around the world. We must reinforce our commitment to medical science.

To prepare America for the 21st century, we must build stronger families. Over the past four years, the Family and Medical Leave law has helped millions of Americans to take time off to be with their families. With new pressures on people in the way they work and live, I believe we must expand family leave so that workers can take time off for teacher conferences and a child's medical checkup. We should pass flex-time, so workers can choose to be paid for overtime in income or trade it in for time off to be with their families. (Applause.)

We must continue -- we must continue, step by step, to give more families access to affordable, quality health care. Forty million Americans still lack health insurance. Ten million children still lack health insurance -- 80 percent of them have working parents who pay taxes. That is wrong. (Applause.)

My balanced budget will extend health coverage to up to 5 million of those children. Since nearly half of all children who lose their insurance do so because their parents lose or change a job, my budget will also ensure that people who temporarily lose their jobs can still afford to keep their health insurance. No child should be without a doctor just because a parent is without a job. (Applause.)

My Medicare plan modernizes Medicare, increases the life of the trust fund to 10 years, provides support for respite care for the many families with loved ones afflicted with Alzheimer's. And for the first time, it would fully pay for annual mammograms. (Applause.)

Just as we ended drive-through deliveries of babies last year, we must now end the dangerous and demeaning practice of forcing women home from the hospital only hours after a mastectomy. (Applause.) I ask your support for bipartisan legislation to guarantee that a woman can stay in the hospital for 48 hours after a mastectomy. With us tonight is Dr. Kristen Zarfos, a Connecticut surgeon whose outrage at this practice spurred a national movement and inspired this legislation. I'd like her to stand so we thank her for her efforts. Dr. Zarfos, thank you. (Applause.)

In the last four years, we have increased child support collections by 50 percent. Now we should go further and do better by making it a felony for any parent to cross a state line in an attempt to flee from this, his or her most sacred obligation. (Applause.)

Finally, we must also protect our children by standing firm in our determination to ban the advertising and marketing of cigarettes that endanger their lives. (Applause.)

To prepare America for the 21st century, we must build stronger communities. We should start with safe streets. Serious crime has dropped five years in a row. The key has been community policing. We must finish the job of putting 100,000 community police on the streets.
of the United States. (Applause.) We should pass the Victims Rights Amendment to the Constitution.

And I ask you to mount a full-scale assault on juvenile crime, with legislation that declares war on gangs, with new prosecutors and tougher penalties; extends the Brady Bill so violent teen criminals will not be able to buy handguns; requires child safety locks on handguns to prevent unauthorized use; and helps to keep our schools open after hours, on weekends, and in the summer, so our young people will have someplace to go and something to say yes to. (Applause.)

This balanced budget includes the largest antidrug effort ever: to stop drugs at their source, punish those who push them, and teach our young people that drugs are wrong, drugs are illegal, and drugs will kill them. I hope you will support it. (Applause.)

Our growing economy has helped to revive poor urban and rural neighborhoods. But we must do more to empower them to create the conditions in which all families can flourish and to create jobs through investment by business and loans by banks.

We should double the number of empowerment zones. They've already brought so much hope to communities like Detroit, where the unemployment rate has been cut in half in four years. We should restore contaminated urban land and buildings to productive use. We should expand the network of community development banks. And together we must pledge tonight that we will use this empowerment approach -- including private sector tax incentives -- to renew our Capital City, so that Washington is a great place to work and live, and once again the proud face America shows to world. (Applause.)

We must protect our environment in every community. In the last four years, we cleaned up 250 toxic waste sites, as many as in the previous 12. Now, we should clean up 500 more, so that our children grow up next to parks, not poison. I urge you to pass my proposal to make big polluters live by a simple rule: If you pollute our environment, you should pay to clean it up. (Applause.)

In the last four years, we strengthened our nation's safe food and clean drinking water laws; we protected some of America's rarest, most beautiful land in Utah's Red Rocks region; created three new national parks in the California desert; and began to restore the Florida Everglades. Now we must be as vigilant with our rivers as we are with our lands. Tonight, I announce that this year I will designate 10 American Heritage Rivers, to help communities alongside them revitalize their waterfronts and clean up pollution in the rivers, proving once again that we can grow the economy as we protect the environment. (Applause.)

We must also protect our global environment, working to ban the worst toxic chemicals and to reduce the greenhouse gases that challenge our health even as they change our climate.
Now, we all know that in all of our communities, some of our children simply don't have what they need to grow and learn in their own homes, or schools or neighborhoods. And that means the rest of us must do more, for they are our children, too. That's why President Bush, General Colin Powell, former Housing Secretary Henry Cisneros will join the Vice President and me to lead the President's Summit of Service in Philadelphia in April.

Our national service program, AmeriCorps, has already helped 70,000 young people to work their way through college as they serve America. Now we intend to mobilize millions of Americans to serve in thousands of ways. Citizen service is an American responsibility which all Americans should embrace, and I ask your support for that endeavor. (Applause.)

I'd like to make just one last point about our national community. Our economy is measured in numbers and statistics, and it's very important. But the enduring worth of our nation lies in our shared values and our soaring spirit. So instead of cutting back on our modest efforts to support the arts and humanities, I believe we should stand by them and challenge our artists, musicians, and writers -- (applause) -- challenge our museums, libraries and theaters -- (applause) -- we should -- we should challenge all Americans in the arts and humanities to join with our fellow citizens to make the year 2000 a national celebration of the American spirit in every community -- a celebration of our common culture in the century that has passed, and in the new one to come in a new millennium, so that we can remain the world's beacon not only of liberty, but of creativity, long after the fireworks have faded.

To prepare America for the 21st century we must master the forces of change in the world and keep American leadership strong and sure for an uncharted time.

Fifty years ago, a farsighted America led in creating the institutions that secured victory in the Cold War and built a growing world economy. As a result, today more people than ever embrace our ideals and share our interests. Already, we have dismantled many of the blocs and barriers that divided our parents' world. For the first time, more people live under democracy than dictatorship, including every nation in our own hemisphere, but one -- and its day, too, will come. (Applause.)

Now, we stand at another moment of change and choice -- and another time to be farsighted, to bring America 50 more years of security and prosperity. In this endeavor, our first task is to help to build, for the first time, an undivided, democratic Europe. When Europe is stable, prosperous and at peace, America is more secure.

To that end, we must expand NATO by 1999, so that countries that were once our adversaries can become our allies. At the special NATO summit this summer, that is what we will begin to do. We must strengthen NATO's Partnership for Peace with non-member allies. And we must build a stable partnership between NATO and a democratic Russia. (Applause.) An expanded NATO is good for America. And a Europe in which all democracies define their future not in terms of what they can do to each other, but in terms of what they can
do together for the good of all -- that kind of Europe is good for America.

Second, America must look to the East no less than to the West. Our security demands it. Americans fought three wars in Asia in this century. Our prosperity requires it. More than two million American jobs depend upon trade with Asia.

There, too, we are helping to shape an Asian Pacific community of cooperation, not conflict. Let our progress there not mask the peril that remains. Together with South Korea, we must advance peace talks with North Korea and bridge the Cold War's last divide. And I call on Congress to fund our share of the agreement under which North Korea must continue to freeze and then dismantle its nuclear weapons program. (Applause.)

We must pursue a deeper dialogue with China -- for the sake of our interests and our ideals. An isolated China is not good for America. A China playing its proper role in the world is. I will go to China, and I have invited China's President to come here, not because we agree on everything, but because engaging China is the best way to work on our common challenges like ending nuclear testing, and to deal frankly with our fundamental differences like human rights. (Applause.)

The American people must prosper in the global economy. We've worked hard to tear down trade barriers abroad so that we can create good jobs at home. I am proud to say that today, America is once again the most competitive nation and the number one exporter in the world. (Applause.)

Now we must act to expand our exports, especially to Asia and Latin America -- two of the fastest growing regions on Earth -- or be left behind as these emerging economies forge new ties with other nations. That is why we need the authority now to conclude new trade agreements that open markets to our goods and services even as we preserve our values. (Applause.)

We need not shrink from the challenge of the global economy. After all, we have the best workers and the best products. In a truly open market, we can out-compete anyone, anywhere on Earth.

But this is about more than economics. By expanding trade, we can advance the cause of freedom and democracy around the world. There is no better example of this truth than Latin America where democracy and open markets are on the march together. That is why I will visit there in the spring to reinforce our important tie.

We should all be proud that America led the effort to rescue our neighbor, Mexico, from its economic crises. And we should all be proud that last month Mexico repaid the United States -- three full years ahead of schedule -- with half a billion dollar profit to us. (Applause.)

America must continue to be an unrelenting force for peace --- from the Middle East to
Haiti, from Northern Ireland to Africa. Taking reasonable risks for peace keeps us from being
drawn into far more costly conflicts later.

With American leadership, the killing has stopped in Bosnia. Now the habits of peace
must take hold. The new NATO force will allow reconstruction and reconciliation to accelerate.
Tonight, I ask Congress to continue its strong support for our troops. They are doing a
remarkable job there for America, and America must do right by them. (Applause.)

Fifth, we must move strongly against new threats to our security. In the past four years,
we agreed to ban -- we led the way to a worldwide agreement to ban nuclear testing. With
Russia, we dramatically cut nuclear arsenals and we stopped targeting each others citizens. We
are acting to prevent nuclear materials from falling into the wrong hands and to rid the world of
land mines. (Applause.) We are working with other nations with renewed intensity
to fight drug traffickers and to stop terrorists before they act, and
hold them fully accountable if they do. (Applause.)

Now, we must rise to a new test of leadership: ratifying the Chemical Weapons
Convention. (Applause.) Make no mistake about it, it will make our troops safer from chemical
attack; it will help us to fight terrorism. We have no more important obligations -- especially in
the wake of what we now know about the Gulf War. This treaty has been bipartisan from the
beginning -- supported by Republican and Democratic administrations and Republican and
Democratic members of Congress -- and already approved by 68 nations.

But if we do not act by April the 29th -- when this Convention goes into force, with or
without us -- we will lose the chance to have Americans leading and enforcing this effort.
Together we must make the Chemical Weapons Convention law, so that at last we can begin to
outlaw poison gas from the Earth. (Applause.)

Finally, we must have the tools to meet all these challenges. We must maintain a strong
and ready military. We must increase funding for weapons modernization by the year 2000, and
we must take good care of our men and women in uniform. They are the world's finest.
(Applause.)

We must also renew our commitment to America's diplomacy, and pay our debts and
dues to international financial institutions like the World Bank, and to a reforming United
Nations. (Applause.) Every dollar we devote to preventing conflicts, to promoting democracy,
to stopping the spread of disease and starvation, brings a sure return in security and savings. Yet
international affairs spending today is just one percent of the federal budget -- a small fraction of
what America invested in diplomacy to choose leadership over escapism at the start of the Cold
War. If America is to continue to lead the world, we here who lead America simply must find
the will to pay our way.

A farsighted America moved the world to a better place over these last 50 years. And so
it can be for another 50 years. But a shortsighted America will soon find its words falling on
deaf ears all around the world. (Applause.)

Almost exactly 50 years ago, in the first winter of the Cold War, President Truman stood
before a Republican Congress and called upon our country to meet its responsibilities of
leadership. This was his warning -- he said, "If we falter, we may endanger the peace of the
world, and we shall surely endanger the welfare of this nation." That Congress, led by
Republicans like Senator Arthur Vandenberg, answered President Truman's call. Together, they
made the commitments that strengthened our country for 50 years.

Now let us do the same. Let us do what it takes to remain the indispensable nation -- to
keep America strong, secure and prosperous for another 50 years. (Applause.)

In the end, more than anything else, our world leadership grows out of the power of our
example here at home, out of our ability to remain strong as one America.

All over the world, people are being torn asunder by racial, ethnic, and religious conflicts
that fuel fanaticism and terror. We are the world's most diverse democracy, and the world
looks to us to show that it is possible to live and advance together across those kinds of
differences.

America has always been a nation of immigrants. From the start, a steady stream of
people, in search of freedom and opportunity, have left their own lands to make this land their
home. We started as an experiment in democracy fueled by Europeans. We have grown into an
experiment in democratic diversity fueled by openness and promise.

My fellow Americans, we must never, ever believe that our diversity is a weakness -- it
is our greatest strength. (Applause.) Americans speak every language, know every county.
People on every continent can look to us and see the reflection of their own great potential -- and
they always will, as long as we strive to give all of our citizens, whatever their background, an
opportunity to achieve their own greatness.

We're not there yet. We still see evidence of abiding bigotry and intolerance, in ugly
words and awful violence, in burned churches and bombed buildings. We must fight against
this, in our country and in our hearts.

Just a few days before my second Inauguration, one of country's best known pastors,
Reverend Robert Schuller, suggested that I read Isaiah 58:12. Here's what it says: "Thou shalt
raise up the foundations of many generations, and thou shalt be called, the repairer of the breach,
the restorer of paths to dwell in." I placed my hand on that verse when I took the oath of office,
on behalf of all Americans. For no matter what our differences -- in our faiths,
our backgrounds, our politics -- we must all be repairers of the breach.
I want to say a word about two other Americans who show us how. Congressman Frank Tejeda was buried yesterday, a proud American whose family came from Mexico. He was only 51 years old. He was awarded the Silver Star, the Bronze Star and the Purple Heart, fighting for his country in Vietnam. And he went on to serve Texas and America fighting for our future in this chamber. We are grateful for his service and honored that his mother, Lillie Tejeda, and his sister, Mary Alice, have come from Texas to be with us here tonight. And we welcome you. (Applause.)

Gary Locke, the newly elected Governor of Washington State, is the first Chinese-American governor in the history of our country. He's the proud son of two of the millions of Asian-American immigrants who have strengthened America with their hard work, family values and good citizenship. He represents the future we can all achieve. Thank you, Governor, for being here. Please stand up. (Applause.)

Reverend Schuller, Congressman Tejeda, Governor Locke, along with Kristin Tanner and Chris Getsla, Sue Winski and Dr. Kristen Zarfos -- they're all Americans from different roots, whose lives reflect the best of what we can become when we are one America. We may not share a common past, but we surely do share a common future.

Building one America is our most important mission -- "the foundation for many generations," of every other strength we must build for this new century. Money cannot buy it. Power cannot compel it. Technology cannot create it. It can only come from the human spirit.

America is far more than a place. It is an idea, the most powerful idea in the history of nations. And all of us in this chamber, we are now the bearers of that idea, leading a great people into a new world. A child born tonight will have almost no memory of the 20th century. Everything that child will know about America will be because of what we do now to build a new century.

We don't have a moment to waste. Tomorrow there will be just over 1,000 days until the year 2000. One thousand days to prepare our people. One thousand days to work together. One thousand days to build a bridge to a land of new promise. My fellow Americans, we have work to do. Let us seize those days and the century.

Thank you, God bless you and God bless America. (Applause.)

END 10:15 P.M. EST
over last 50 years, world trade grown over 100fold (goods)

between 1992 and 1996 world trade goods & services 40% 4.8 t to 6.6 tr

today, 11.3 million jobs dependent on exports -- 1 in 11
over last 4 yrs exports grown 35%
America's Role in Global Economic Integration
Lawrence H. Summers
Deputy Secretary of the Treasury
Banker's Association for Foreign Trade
Washington, DC
February 5, 1996

Good evening. It is a pleasure to be here tonight among a group that has done so much to expand trade and further the cause of global economic integration. As President Clinton said last night, American leadership in expanding trade and economic integration has been central to our prosperity.

It is, in many ways, a critical moment in our nation's history. Americans are weary after a long period of conflict. Increasingly, they are preoccupied by problems at home, not abroad, and wish to withdraw from foreign entanglements.

Our elected leaders vow to shrink government. Companies are increasingly successful, but workers are fearful for security. Tariffs are thrown up. Concerns rise about immigration. There is talk in some quarters of keeping America "pure." Quotas and new laws reduce the flow of immigrants. It is the best of times for some, and the worst of times for others.

I suppose I could be describing 1997. I am actually describing 1927. America is on the brink of a series of catastrophic economic and foreign policy errors that will send the shuttling toward what are perhaps the darkest years in human history.

History does not repeat itself. Any historical analogy between the world of today and the world of the 1920s is surely imperfect.

Nevertheless, the experience of the 1920s offers important lessons—about the perils of international retreat and the need to internationally engage. President Clinton has made his commitment clear. But a growing chorus of voices would renounce our international commitments and withdraw from the global stage.

In many ways, this debate echoes one we have been having in America since the signing of the Constitution. During the early part of the 19th Century as America began to look outward, President Monroe proposed the Monroe Doctrine. President Wilson proposed the League of Nations after World War I, but Congress then refused to permit the United States to join.

No one can say whether Mussolini's aggressions could have been reversed by a US decision to join the League of Nations, whether Hitler's rise to power could have been averted by a less onerous reparations package for Germany or whether the Great Depression would have been less severe without passage of the Smoot Hawley Tariff.
Nevertheless, it is clear that the policies of the 1920s must bear some responsibility for the 1930s.

In stark contrast to the isolation that followed World War I, after World War II, American leaders shaped the global vision of an America committed to create an ever-widening circle of ever more prosperous, ever more international economies as the centerpiece of America's foreign and economic policy.

Then as now there was opposition to spending money on overseas countries. However then as now, America had a President committed to leading internationally. And then as now, some courageous legislators put principle ahead of party to help rebuild countries in need and strengthen the economies of our trading partners.

- Through the courage of legislators such as Senator Arthur Vandenberg, Congress passed the Marshall Plan, for example.
- In due course, the United States helped established the United Nations, the World Bank and the IMF.

This idea of growth at home through prosperity abroad was central to America's post-war prosperity. Today, it lies at the center of President Clinton's economic policy.

After World War II, the primary concern was with the economic development of a war-ravaged Europe and Japan. Today our challenge is to integrate the 5 billion people of the developing world into a truly global economy. But the stakes--future peace and security--are the same.

The Argument of Separatists

And yet despite the force of these arguments and the convictions of probably most of you here tonight, American internationalism is under siege.

The critics of the internationalist vision I have described form a wide and growing school of what might be called separatists. I choose this term because it conveys their desire to have America go-it-alone, separately from others.

The Separatists' argument has three principle elements.

First, Separatists suggest that economic integration impoverishes most Americans who must compete with low wage labor for the benefit of a small number of international businesses. In a nutshell, this is the thesis of Bill Greider's recent book and is manifest in much of the opposition to NAFTA and other trade agreements.

It is a serious argument that needs to be taken seriously. But it is a wrong one.
First, American trade barriers are already very small. We give up very little when we enter into trade agreements and others give up much more. NAFTA, for example, brought trade barriers in Mexico down by five times as much as it reduced American trade barriers. Second, countries' wage rates reflect their productivity.

Moreover, while imports replace jobs, exports create them. And jobs in the export sector have been found to pay 15% higher than jobs on average.

The second argument that Separatists make is that market-oriented policies abroad will work only for a few, not the many.

While it is our view that abroad as in America, growth must be inclusive if it is to be enduring, the historical record refutes this argument.
- Income equality in the newly industrialized countries such as Japan, Korea and Singapore is significantly lower than in earlier feudal societies or, indeed, in many countries that have not pursued serious reforms.
- Moreover, the very organizations working to promote international integration such as the UN and the World Bank also promote education and fight against poverty.

The third main argument of those who oppose the Bretton Woods Washington consensus that they are something we can no longer afford. I strongly disagree.

George Bush was never more wrong than when he said we have more will than wallet. In fact, the real question is if we can afford not to engage in the defense of our interests by promoting prosperity and integration around the world.

One variant of this argument now rings particularly hollow, namely that America can no longer bear the burden of leadership since Germany and Japan won the Cold War. In fact, America's economy has never been stronger.

A policy of engagement has led to export growth of 7.2 percent yearly since 1992, three times GDP growth
- U.S. firms now export more than $800 billion in nominal terms, enough to support more than 10 million U.S. jobs.

Indeed, the experience of the 1990s has shown that the four decades-old story of convergence has ended. The United States began the 1990s as the richest country in the world and is pulling away.

II. The US Agenda
In the second portion of my remarks, I would like to address the principal elements of our agenda of international engagement. There are three crucial priorities for the US in the international economic sphere:

• first, promoting open markets
• second, fostering global economic growth; and
• third, strengthening financial markets.

All are needed. Let me address each in turn.

Promoting Open Markets

This is not the forum for a detailed articulation of our trade strategy. But our approach to opening markets has two main pillars.

First, we must continue efforts to sustain progress towards further economic integration.

I don’t have to tell this audience how since taking office, President Clinton has signed over 200 trade agreements from NAFTA to the GATT to the Framework with Japan. These agreements have paid off in more exports and more jobs.

• In the case of the Framework with Japan, for example, since the beginning of 1993, growth in all US exports to Japan has been nearly three times that of growth in exports to other industrial economies. To pick just one sector, US exports of medical instruments to Japan have grown over 40%.

Of particular interest to this group, however, may be our progress in the area of financial services.

• The U.S.-Japan Agreement on Financial Services, for example, has opened markets in the areas of asset management, securities sales and underwriting and cross-border provision of financial services.

• US fund management companies may now participate in the management of the $200 billion public pension fund market, the $260 billion mutual aid association market and the $360 billion private pension fund market.

• As of 1999, this will give US firms access to markets totaling some $660 billion.

Japan is not the only market where we are making progress. Korea, for example, has stepped up financial services liberalization, as part of the OECD accession process.

Perhaps the Administration’s most significant trade liberalizing achievement is the creation of the WTO. Having created it, we are now working to bring in as many countries as possible, including China and Russia, if they can meet its conditions.
And we will deepen the WTO's effectiveness by expanding its reach as we take up such issues such as financial services.

Last month, our negotiators returned to the table to hammer out a final agreement on country liberalization of telecommunications services which currently accounts for $2.8 billion in US exports; and, in April, we will resume talks on financial services where we export $7.5 billion annually.

In the multilateral sphere, we will also work with the OECD to continue to reduce tied aid as we have already to reach a multilateral investment agreement.

We have also laid the groundwork through APEC, in the aftermath of the Summit of the Americas and in the transatlantic dialog for regional trade agreements.

The second pillar of our strategy to further integration is to continue working to level the playing field for American firms. Before his tragic death, former Secretary of Commerce, Ron Brown worked tirelessly on behalf of US firms and against unfair foreign official assistance and that work continues. The Commerce Department is also eliminating outdated regulations that had restricted US exports.

In this context, let me add that it is vitally important that we continue funding the Export-Import Bank as well as the Overseas Private Investment Corporation. While the Clinton Administration takes a back seat to no one in its drive to eliminate wasteful or market distorting programs, we must not unilaterally disarm.

Promoting Global Growth

The second crucial priority of our international strategy is to promote global growth. When other countries grow more rapidly, they buy more of our products, produce better goods for us to buy and cooperate on global objectives. Promoting growth is also important because it creates the conditions for peace and political stability.

We promote growth around the world in a whole range of ways.

An important but rarely discussed means is through our example and knowledge. U.S. foreign technical assistance efforts have made an enormous difference in promoting financial stability and privatization through the formerly Communist world.

In Poland, for example, the US provided $200 million to the $415 million Polish Bank Privatization Fund. Three Treasury advisors on the ground are making sure that progress is working smoothly.

The International Financial Institutions including the World Bank and the IMF also play a vital role in promoting growth and stability.
Through these multilateral means, the US can bring far more resources to bear on a problem than it could by acting alone. In strict numerical terms, MDB resources dwarf US bilateral programs. Overall MDB lending is over $45 billion per year. But it costs the US only about $1.2 billion per year in scheduled payments. In contrast, US bilateral development lending, where we bear the entire cost, is about $7 billion.

Since we enjoy influence over the IFIs which support our values and policy goals, they provide a powerful way for us to leverage our resources.

To provide only a few examples...

• Nearly $2 billion in average annual World Bank and IDA support for India since 1991 has fostered a revolution in economic policy, bringing tariffs down from 87% to 27%. That’s more tariff reduction than we won in the GATT.

• Some 75 countries received $35 billion in World Bank loans between 1981 and 1993 conditioned on trade and investment liberalization. US exports to those countries rose an average of 11.8% yearly, creating an extra 850,000 jobs for Americans. These are jobs we would never have seen had these countries not taken a path of market reform.

Moreover, the growth that the IFIs promote also addresses the scourges of poverty, drug trafficking and disease around the world, problems that can be contagious. Addressing these problems serves a humanitarian goal. But it also reduces the chance that these problems and the instability they often cause will spread to other countries.

Strengthening Financial Markets

Our third crucial priority is to strengthen global financial markets. As Secretary Rubin has said, we need a global financial infrastructure as modern as the marketplace. Beginning in Naples and continuing on through Halifax to Denver and beyond, we have been working with our G-7 partners to improve our financial architecture.

• That’s what improving disclosure and supervisory standards is all about.
• That’s what the New Arrangements to Borrow are all about; and
• That’s what the efforts of the IMF, the World Bank and others to create a broad set of supervisory standards are all about.

Here as with fostering growth the International Financial Institutions, lie at the heart of our efforts. As we move forward on all of these goals, there are three principles that must govern our approach to the IFIs:

• First, we must recognize that great countries honor their commitments.
• Second, we must deliver meaningful reform as a condition for assistance.
• And third, we must recognize that, ultimately we must pay to play.

Let me say a word about each.
We can and must honor our commitments to the IFIs. It is unconscionable for the wealthiest and most powerful country on earth to fail to meet its commitments. We should move quickly to pay off arrearages and restore our good name.

Yet in a world of shrinking resources, we must also insure that US taxpayers receive value for their commitments. Accordingly, we have led a process of reform.

- Over the last two years, the World Bank has cut its administrative budget 10% and has eliminated first class travel. Headquarters staff will be cut 6% between 1995 and 1999.
- At the IDB, the administrative budget has declined 5% in real terms since 1995. And staffing is down 12% from its peak in 1988.
- To fight corruption, the African Development Bank has subjected senior officials to term limits. Staff has been cut by 15% and 70% of managers have been replaced.
- At the EBRD, net cumulative commitments have grown 150% over the last 3 years with no real growth in administrative expenses.

Are these reforms sufficient? No. Are the real yes. And we are working hard to insure that the process of reform continues.

Finally, while we are negotiating our commitment to the IFIs downwards to obtain greater value for the US taxpayers, ultimately, we must stay engaged financially in these institutions if we are to stay engaged in their management.

While we must continue to search for ways to cut costs, we must also be ready to meet the commitments that remain if we are to play a role in shaping policy.

Conclusion

In conclusion, the United States' economic policy is and will be based on the idea that promoting integration and prosperity around the world is enormously in our national interest.

The great challenge we face is to maintain broad support for this idea. As the President said last night, our greatest enemy is inaction. Let me be clear; the stakes are huge: an ever widening circle of prosperity and security if we continue to engage; the serious risk of retrenchment diminished trade and reduced security if we give into the ideas of the Separatists.

All Americans have a stake in global engagement. You in the business community may have the greatest stake of all in our foreign assistance efforts. But to win we must resist efforts to dismantle our agenda piece by piece. Ultimately, all of us have a bigger stake in the whole than in the parts and more strength together, than we can ever have acting alone.
Introduction

Thank you very much. I'm delighted to be here, and to discuss an area which has been a priority for the Clinton Administration, and where I think our approach and achievements mark a sharp departure from past Administration's: trade policy.

I want to make three broad points in my remarks this morning: First, by almost any measure, the United States is the most open economy in the world. Second, this Administration has recognized far more than previous Administrations the importance of trade to our economic future, and has taken a far more activist approach to opening markets to our goods and businesses. Third, our policy is succeeding, in terms of concrete new opportunities for American business, and in terms of jobs for working Americans.

An Open Market

Any discussion of trade policy has to start with this central reality: we open our shores to foreigners far more than they do to us.

Consider the big picture. We are far and away the leading importer of goods and services in the world. Japanese exports to our shores amounted to 1.8 percent of our GDP last year, but sales to the EU amounted to only 1.0 percent of the EU's output. The EU's goods exports to us amounted to 1.7 percent of our GDP, but European sales to Japan were only 0.8 percent of Japan's GDP.

We are far and away the most open to products from the developing countries. Their exports to us amounted to 4.7 percent of our GDP in 1993, a little bit more than their sales to the EU, and 50 percent more than their sales to Japan.

We had become by 1990 the largest recipient of the world
stock of inward direct investment -- some 24.2 percent, three times Germany, and 24 times Japan's minuscule share.

The story is the same on the sectoral level. We're the leading importer of chemicals, machinery, transport equipment, office machines, automotive products, clothing, commercial services, telecomm -- and I could go on and on. We've got two-thirds less non-tariff measures than Europe or Japan, and we're cutting them back.

But the real areas in which you see our openness are the vast array of American cultural, legal, and consumer characteristics. These are what really make up the difference between the level playing field that we offer to foreign businesses, and the not-so-level fields some of them offer us.

Think about anti-trust. While the EU dithers about how many hours of Baywatch to allow on Belgian TV, our own Justice Department and FTC investigate the ABC/Disney link up to make sure they don't squeeze out American or foreign firms. Think about state-trading and national champions. The French pump billions to shore up state-owned banks, while we split up AT&T. Think about transparency -- our freedom of information act v. untraceable Japanese "administrative guidance." Or administrative leeway: Korean tax bureaucrats conducting punitive audits on buyers of imported cars. And think about who really has a common market. While Europeans debate whether a particular article in the Treaty of Rome covers transborder shipments of Swedish strawberries, our commerce clause has made possible a 50-state common market, open to all, for nearly two centuries.

My point is a simple one. Whatever models economists churn out, I think even my good friend Renato will admit that Swiss chocolates are cheaper near my office in downtown D.C. than they are in Geneva near his office. And almost anybody who travels knows that the Pacific is a magic ocean: no matter what the exchange rate, products somehow get more expensive as they travel west, and cheaper as they head eastward toward us.

Export Activism

That gap between how open we are to others, and how open they are to us, may have been right in 1945, when we took 1/2 of global output. It may have been right in 1960, or 1970, when the value of trade in goods and services amounted to roughly 10 percent of our economic output. It is no longer right today, when the value of trade amounts to about 23 percent of our economy, and our own share of global output, in a world with many more industrialized nations, has dropped to 1/5.

Think about where our economic growth opportunities will
come over the next several decades. Between 1988 and 1992, almost 60 percent of real growth in our economy came from export expansion. Export growth has averaged 8 percent yearly since 1992, more than double GDP growth. U.S. firms now export more than $700 billion in nominal terms, enough to support some 10 million U.S. jobs. And all of that is just a drop in the bucket of what can be attained, as some 3 billion people in the developing world -- bolstered by open markets and the right economic policies -- get on a rapid escalator to prosperity over the next few decades.

That is why this Administration has made opening markets such a priority. We have led the world on the greatest movement toward free and fair trade in history. We have concluded some 150 trade agreements, from the largest ever public procurement agreement in history with the European Union, to a groundbreaking agreement to protect Americans' intellectual property rights in China. And we have not shirked from bringing our economic force to bear when no other method works.

I call our strategy export activism. It is not the reactive protectionist strategy of the past, that seeks to erect walls, to benefit industries that are able to squawk loudly. Nor is it the turn the other cheek, laissez-faire policy that some of my friends in the economics profession would recommend. Instead, it is a strategy based on a simple premise: more trade leads to more prosperity. Other countries' barriers must come down, so that American and all firms can compete on a fair and level playing field.

Japan

The economic purists and diplomats like my good friend Renato often criticize the United States for not following the textbook rules of trade theory. The fact is, our policy is working to open markets.

Look at what we have accomplished with Japan. The Clinton Administration has signed 20 trade agreements with Japan, 12 of them as Framework Agreements. These agreements are delivering -- and I should note that they are delivering to all foreign exporters, because they are most-favored nation agreements. U.S. exports in goods sectors covered by them have grown 60 percent since this Administration has taken office, and 65 percent since the Framework Agreement was signed -- over three times as fast as other U.S. exports to Japan over the past 2 1/2 years. Growth in all U.S. exports to Japan has been nearly three times as great as growth in US exports to other industrialized countries, since President Clinton entered office.

What does that mean in terms of concrete business opportunities? It means that the number of Japanese subscribers
to North American analog cellular phone systems grew from 22,000 in March 1994 when we reached a cellular phone agreement to 475,000 by June 1995, with Motorola now a major player. It means that our medical technology agreement has helped our exports of medical instruments to Japan grow over 40 percent since November 1994, 4 times the rate of growth in sales to Europe. It means that apples -- good old fashioned American apples - can now finally be sold for a reasonable price in Japan. In fact, apple pie has become a Japanese fad.

Financial Services

I should add to that list of successes Treasury's own recent efforts, which won Japanese assent to the most comprehensive set of market-opening measurements in a decade, including access to the $1.5 trillion fund management market, liberalization of an array of securities instruments, and extensive deregulation of capital controls which disadvantaged foreign firms.

Why the Sectoral Approach Works
(Larry — consider this just a filler for your riff, if you want to offer one)

Of course, this Administration is taking some criticism from the laissez-faire school. They argue that under textbook economic conditions, sector by sector negotiations such as these won't change much in the overall economic picture.

That is the wrong way to view the problem. If Japan's overall economic and financial difficulties tell us anything, it is that a closed, rigid economy risks major economic problems. Japan's is the kind of economy in which markets aren't working to channel investment efficiently and come up with optimal consumption and savings patterns. That isn't just Japan's problem. It is the world's problem. It harms all countries' economic prospects, including the United States. The agreements we win don't just help by raising sectoral exports in the short-term. What they really should do, over time, is force Japan to do what it is in both its own and the rest of the world's interest -- liberalize, open its economy, and tap the economic potential which Japan itself is squandering.

Financial Services in the WTO

We took a similar export activist stance in the post-Uruguay Round financial services talks. Put simply, we asked other countries to do what we were willing to do -- commit themselves to bringing down their barriers entirely, by committing themselves to full MFN and national treatment, under the auspices of the WTO. When we saw that nobody else was willing to do that, we made a temporary commitment in the WTO, offering national treatment and full protection to operations already on our shore, with an agreement to re-open negotiations in two years.
I don't quite know why it raised such hackles for us to insist that all play by the same rules as we were willing to submit to. But it did. Nonetheless, I'm convinced we made the right choice. We kept our chips for future rounds. While I'm sure Renato would disagree, I am convinced that this will lead to greater -- rather than lesser progress down the road. And it is certainly better than letting others enshrine their barriers in the WTO's rules.

Fighting Foreign Government Practices

This Administration is bringing a hard stance to bear on another problem that doesn't get as much attention as it should -- foreign government efforts to help national firms win contracts. Some of these are legitimate, even if they don't fit our preferred way of doing things -- like high-level government contacts. Others are less legitimate -- from bribery to insider information to severe government pressure.

Unfortunately, our preferred way of doing business puts us at a disadvantage in this area. We spent $4 billion less than Germany, $16 billion less than France, and a full $127 billion less than Japan did in 1993 financial assistance to exporters. Looking back at 200 deals up for international bids over the last eight years, our firms lost about 1/2 as a partial result of government pressures. That adds up to $25 billion in lost contracts, or some 500,000 U.S. jobs.

This Administration refuses to lie supine in the face of other governments' sales tactics. High-level participation by Administration officials to win contracts for our firms -- from Ron Brown in China to the President's discussions with Saudi Arabia -- have been the result. We may not prefer to clinch sales this way -- but if others will send their national leaders, we must as well. Exim Bank is fighting subtle barriers to our exports, like tied-aid credits which countries give to ensure that other nations buy only their products...

An international agreement coupled with Exim's offer to match foreign tied aid cut the use of tied aid worldwide by more than ten billion last year -- meaning our firms can now compete on a level playing field for that much more business.

Regional and Multilateral Trading Regimes

Of course, the foundation for our market opening efforts must be regional and multilateral trading regimes. Fostering these agreements has been one of the key elements of our international economic policy.

East Asia is perhaps the most dynamic economic region in the world, and already takes 1/3 of our exports. By some estimates,
Asia will need some $200 billion in infrastructure yearly for the rest of the decade just to meet minimal needs.

Asian countries are opening markets, a process we want to foster to ensure that our firms enjoy these opportunities. That is why we have set the stage for trade expansion through the APEC forum. The Bogor Declaration adopted by the leaders last November commits the industrialized APEC countries to removing all barriers to trade and investment by 2010, with all APEC countries doing so by 2020.

That same philosophy holds to our south. Latin America and the Caribbean have revolutionized their economies over the past decade, and our exports to the region have exploded -- from nearly $31 billion 10 years ago to $93 billion last year. That has created over 600,000 new U.S. jobs. By 2010, U.S. exports to the region should reach $232 billion -- more than to the EU and Japan combined.

This is the one area of the world with which we enjoy a trade surplus. We must maintain the momentum for economic reform, by anchoring market-liberalization and integration. Last year, the Summit of the Americas led to a commitment to create a Free Trade Area of the Americas no later than 2005.

NAFTA

Let me say a word about NAFTA. I don't have to explain to an audience like this one the enormous opportunities that NAFTA will provide over the medium and long term. But I do want to address those critics who assert that NAFTA caused Mexico's crisis. Not only is that wrong, but it ignores the fact that NAFTA is protecting the United States from the effects of Mexico's difficulties. At the depths of Mexico's difficulties over the first half of this year, American exports to Mexico were still 2.5 percent higher than they were over the first half of 1993, before NAFTA was enacted, even accounting for inflation. The U.S. share of Mexico's imports is higher than it was before NAFTA's adoption. NAFTA has protected U.S. exporters from the 15 percent tariff hikes which Mexico has slapped on others in the wake of the crisis. In fact, Mexico has continued to lower tariffs on our goods in accordance with NAFTA's provisions.

Most important, NAFTA has been a source for what the Mexican government and people have needed most over the past few months: confidence.

WTO

Some people think all these regional emphases detract from multilateral efforts through the WTO. I could not disagree more strongly. We have made crystal clear that we see these regional
initiatives as inclusive, not exclusive. We fully support efforts to bring new sectors under the WTO, including telecomm services, which is a $153 billion yearly market in Europe, and which relates to some $21 billion in annual Pacific Rim telecomm infrastructure development. We are also working to ensure that the new WTO gets off to a good start.

But the simple reality is that major multilateral trade negotiations like the Uruguay Round can occur only once a decade, if that much. Meanwhile, the momentum of trade opening must continue, or we risk seeing retreat. The best way to do that is by forging ahead on the regional front, while ensuring that regional measures remain open to new entrants who are ready to join.

That is just one reason why it is so very important for Chile's accession to NAFTA to occur as quickly as possible. If we want the open-market model to stick in Latin America, and if we want countries to stay on the right economic path, we must give them solid proof that prosperity is not a zero-sum game -- but that it is open to all. Chile's accession to NAFTA won't just bring a dynamic new economic partner into our orbit. It will also convince other Latin American nations to stick with economic reform, so that they can reap the benefits of greater trade, when they are ready.

Conclusion

I don't think anybody in this audience disagrees on the final goal: opening markets as rapidly as possible, for the benefit of the U.S. economy and the global economy. There may be some disagreement on means. But when you look at the results over the past three years -- NAFTA, conclusion of the Uruguay Round, success with Japan, APEC, and the tremendous amount of trade liberalization that is going on elsewhere in the world -- I think one must conclude that the approach being taken by this Administration is the right one. Thank you.
REMARKS BY SAMUEL R. BERGER
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CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES
WASHINGTON, D.C.
MARCH 27, 1997

?A Foreign Policy Agenda for the Second Term?

Last month, in the first State of the Union address of his second term, President Clinton issued a challenge to the American people. Fifty years ago, he said, a farsighted America led in creating the institutions that secured victory in the Cold War and built a growing world economy... Now, we stand at another moment of change and choice -- another time to be farsighted and to bring America another fifty years of security and prosperity.

To meet that challenge, we must first understand the nature of the change that surrounds us. It's been eleven years since glasnost, eight years since the Berlin Wall fell, six since Germany's reunification and five years since the Soviet Union's dissolution. But because the Cold War ended with a crumble, not a conference to mark the moment... and because the transition to democracy among Europe's newly freed countries, while revolutionary in its consequences, is evolutionary in its timetable... the dialogue of foreign policy has, for too long, been frozen in the rhetoric of the Post-Cold War Era.
I have come here today not only to praise the "Post Cold War Era" but to bury it. That phrase describes what has ended, not what is beginning... what has been dismantled, not what we are building. Today, closer to the start of the 21st century than to the end of the Cold War, we are embarked on a period of construction, based on new realities but enduring values and interests. The blocs and barriers that divided the world for fifty years largely are gone. Now, our challenge is to build up new institutions and understandings, and adapt old ones, that strengthen our security and prosperity for the next fifty years and beyond.

For the past fifty years, with containment as the guiding principle of our foreign policy, we saw a world map with advancing and receding lines dividing red from blue... separating those living under the brutal hand of communism from those who weren't -- the latter running the range from democracies to more or less authoritarian regimes bound together by their anti-communism.

Because we stood firm for half a century, that guiding principle is now obsolete. Instead, this new time increasingly is shaped by the forces of integration. They create unprecedented opportunities for progress. But we should have no illusions: they do not eliminate all the dangers and despots of this world. And they can help fuel new threats to the security, peace and prosperity we seek to build.

If we could look down at the earth from a distant planet, one of the most powerful phenomena we would observe are the effects of economic integration -- reinforced by a communications and technological revolution that telescopes time and distance. With a tap on a computer keyboard and a $50 modem, ideas and information span the planet in a nano-second. Traders, buyers and investors move a trillion dollars around the world every hour.

I will never forget arriving late one night in my hotel room in Islamabad, half a world away, turning on CNN and seeing George Stephanopoulos and Bob Reich debating who wrote "Primary Colors." Men and women of good faith can debate whether that's progress. But the fact of it is transforming the way we work, live and interact. Or consider the famous images of the ancient Li River portrayed in Chinese wall hangings. If you looked at a photograph today, you would see that the houses that line the river have satellite dishes in their backyards.

The forces of integration also spread values -- and the ideas increasingly if not universally being embraced today are the central ideas that define America: democracy, liberty, free enterprise. For the first time in history, more than half the
world's people live under governments of their own choosing. In this hemisphere, where just three decades ago almost one-third of the countries were under authoritarian rule, every country but one today is a democracy. From the Philippines to Chile, South Africa to Estonia, Korea to Guatemala, people who little more than a decade ago lived under repression are building their democracies. We can see with more clarity today than ever before that freedom is not only an American birthright or a Western ideal -- but the aspiration of human beings everywhere.

These forces of integration -- economic... technological... political -- find practical if imperfect expression in international rules of the road that are becoming the true Berlin Wall between countries: those that opt into the community of nations -- and those that remain outliers. These norms -- alliances of like-minded countries... adherence to the rule of law... open and competitive trade rules... major regimes to control dangerous weapons -- are important in and of themselves. But they're also important because, brick by brick, they form a structure for security and prosperity for all those who choose to live within them, and they define the terms of isolation of those that stay outside. As the world grows closer, the cost of exclusion from the community of nations will grow higher.

But we must also understand that the powerful movement toward integration is not without downsides and dangers. As borders become as easy to breach as lines in the sand, nations become more vulnerable to transnational tidal waves -- witness the Peso crisis, which threatened not only Mexico's economy, but jobs in America and the stability of developing economies around the world.

The forces of integration also lubricate the counterforces of disintegration: terrorists, organized criminals, drug traffickers who form international networks of corruption and destruction. They too benefit from technological change and the free flow of goods and information. And they often are supported by rogue states like Iran, Iraq, Libya and Sudan which remain outside the community of nations -- and seek to destabilize it.

Further, integration can exacerbate disparities among and within countries. More than half the world's people are two days walk from a telephone -- literally disconnected from the present and the future. In many developing and developed countries, the gap between rich and poor has grown wider, even as overall wealth has increased dramatically.

In short, integration is not inherently good or inherently bad. But it is, I believe, inherently a fact of modern life. And it will take place with or without us. The fundamental question we must answer is this: will we use our unique position as not only the world's most powerful country, but also the
world’s most powerful idea, to continue to lead the struggle for a more peaceful, prosperous and secure future -- or be left behind. As President Clinton has put it, ?the enemy of our time is inaction.?

The challenge this President has undertaken is to encourage to the extent possible the positive forces of integration -- while preventing the forces of disintegration from dominating the future.

His vision is driven by six key strategic objectives: working for an undivided, democratic peaceful Europe for the first time in history... forging a strong, stable Asia Pacific community... embracing our role -- prudently but not fearfully -- as a decisive force for peace in the world... building the bulwarks against transnational security challenges... creating jobs and growth through a more open and competitive trading system... and maintaining a strong military and fully funded diplomacy to get these jobs done. These ambitious but achievable objectives -- not the lift of a driving clich? -- provide America’s road map in the world. Let me describe each briefly.

The first strategic goal is working for an undivided, peaceful, democratic Europe. Twice in this century, war in Europe has drawn Americans into deadly conflict. Now, we have an opportunity to create a durable European peace by replacing the divisions that have plagued the continent in the past with ties of partnership to shape a common future.

With our allies, we are helping Europe’s new democracies grow strong; encouraging their integration with the West; forging a productive partnership with a democratic Russia; and, critically, adapting NATO to take on new challenges.

America has taken the lead in opening NATO’s doors to new members -- rather than either abandoning the anchor of our engagement in Europe or freezing the alliance within the amber of the Cold War. NATO can do for Europe’s East what it did for Europe’s West: strengthen the forces of peace and stability.

The process of NATO enlargement will take a leap forward in Madrid this July, when NATO invites the first potential members to start accession talks. There are three key challenges ahead. The first is deciding which countries to admit. Naturally, we’ll start with those best prepared to shoulder the burdens of membership -- but the door will not close behind them. So our second challenge is bolstering the security and confidence of countries not in the first wave -- which we will do by expanding the role of the Partnership for Peace and giving every partner a voice in coordinating joint activities.

The third challenge is the most hotly debated: how do we
heal the scars of Europe's past without creating new wounds? Some fear that the process of NATO enlargement will shut Russia out from a rightful place in Europe -- and undercut Russia's nascent democracy. Others worry that Russia's cooperation will come at the expense of Central and Eastern Europe and the Alliance's ability to shape its own destiny. Navigating this Scylla and Charybdis of NATO enlargement is the most crucial test of our commitment to forge stability across the Atlantic.

Last week in Helsinki, President Clinton and President Yeltsin took an important step forward. They agreed to disagree about enlargement -- Russia objects, but it will proceed. But they also agreed that the vital relationship between the United States and Russia and the benefits to all of cooperation between NATO and Russia are too important to be jeopardized.

NATO and Russia will move forward as quickly as possible to try to complete negotiations on a charter for NATO-Russia cooperation. Russia will have a voice, not a veto. At the same time, the two Presidents made important advances in arms control and economic cooperation. Helsinki was a turning point: it demonstrated that the goals we share -- building a secure future for Europe, reducing even more the nuclear danger, increasing ties of trade and investment -- outweigh our differences.

Our second strategic objective is building a strong, stable, integrated Asia-Pacific community. Little more than a decade ago, the conventional wisdom saw Asia, North America and Europe emerging as three rival blocs competing head-to-head. President Clinton had a different vision, based on America's enduring place as a Pacific power. Soon after he became President, he convened the first-ever Asia Pacific summit meeting, where leaders from China to Indonesia to Australia agreed to a common goal: to define our futures not just in Asian or American terms, but increasingly in Asian-Pacific terms.

It's an evolutionary process. More open trade. Continuing American security engagement in the region. An appreciation that, in an environment where regional rivalries are still dangerous, we provide a balance wheel for stability that helps all of us grow.

To succeed, we must meet three immediate challenges. First, we must deepen our partnership with Japan -- the cornerstone of America's engagement in Asia -- by strengthening even more our security alliance, enhancing our diplomatic cooperation and continuing market opening initiatives that have helped create a 41% surge in our exports since 1993.

Second, we must continue to work closely with our ally South Korea to reduce tensions on the Cold War's last frontier. Vigilance against the vagaries of a North Korea in distress.
Pursuing a more stable peace on the Peninsula through the four-party peace talks. Ensuring the dismantlement of North Korea's now frozen nuclear program.

Third, we must deepen our strategic dialogue with China. A China that evolves as a power that is stable, more open politically and economically and non-aggressive militarily -- in short, moving toward, not away, from a secure international order -- is profoundly in our interest. Ultimately, China will define its own destiny. But one way or the other, we will help shape its choices.

Our strategy of engagement with China is not a reward for good behavior. It is a vehicle for expanding areas where we can cooperate to advance our strategic interests -- such as on the comprehensive test ban and stability on the Korean Peninsula -- and where we can deal directly with our fundamental differences -- such as human rights, market access and some of China's weapons sales.

There is no guaranty that engagement will succeed in pulling China in the direction of the international community, away from a more nationalistic, self-absorbed course. But seeking to isolate China... or to isolate us from China... almost certainly will push China in the wrong direction and undercut the stability that America, China and the entire Asia Pacific region need for the future to be secure and prosperous.

Our third strategic goal is to neither shrink from -- nor become enthralled by -- the inescapable reality that America can often be the decisive force for peace in the world. America's greatness flows not only from our size and strength, but also from the wealth of our diversity and the power of our ideals. We have a unique ability to stand with others around the world who seek to bridge their divides -- and build a stronger foundation for peace, security and cooperation.

When, where and how to make a stand for peace has no 'one size fits all' answer, as Secretary Albright has said. While we have been freed from the compulsions of containment, we have inherited a more demanding task, particularly in a world where conflict instantly is thrust upon a global stage. We must balance interest and risk, achievability and cost, clarity of mission and support from others in what ultimately is an exercise in prudent judgment. We can't be everywhere and we shouldn't do everything. But we must be prepared to engage when important interests and values are at stake and we can make a difference.

Often, our engagement is diplomatic -- remaining an unrelenting force for peace from the Middle East to Northern Ireland to Central Africa.
Sometimes, with caution and care, our diplomacy must be backed with force. In Bosnia, our use of air power through NATO, combined with determined diplomacy, stopped a war that threatened Europe's stability. Now, our continuing presence through SFOR is giving Bosnia's fragile peace a chance to take hold. In Haiti, where a brutal dictatorship forced tens of thousands to flee for our shores, we caused the dictators to step down peacefully and gave democracy a new lease of life.

There are other places where our engagement is more important than ever. Let me cite just three. South Asia remains not only a flashpoint for conflict but an enormous opportunity for cooperation. The great resource potential and strategic location of the Caucasus and Central Asia gives us a strong stake in working with others to strengthen their stability and build up our ties to the region. And it is profoundly in our interest to help Turkey, at a strategic and cultural crossroads, remain anchored in the West, committed to democracy and working to resolve its differences peacefully with our Greek ally.

Our fourth strategic goal is to deal with the new transnational security threats I mentioned earlier -- terrorists, international criminals, drug traffickers -- and stand against the enduring danger of rogue regimes.

There are times when we must and we will act alone. To get others to follow, sometimes we must lead by example. And there is behavior so egregious that we must act even where others won't. But our fight against these forces that often cut across nations compels us to seek the advantages of collective action. Whether it is the threat of terrorism or the scourge of drugs, we must intensify our efforts to achieve a broader sense of urgency about the dangers and a willingness to launch collective defense to thwart them.

That is why we are working to build international coalitions to take on these new challenges -- arms control agreements that ban chemical weapons, greater international law enforcement cooperation against drug traffickers and criminal cartels, intelligence sharing to root out corruption, and a more concerted strategy against terror. Some see cooperation as at best an elusive goal, at worst a sign of weakness. Against threats that have contempt for borders, it is a source of strength.

America's fifth strategic goal is to build a new, open trading system for the 21st century. Our nation's economic well-being is tied to the rest of the world. Eleven million Americans depend on exports for their jobs. We should not fear the challenge of the global economy. Our workers and businesses can compete just fine so long as the contest is open, the field competitive and the rules fair and enforced.
Historians will look back at this period and see the most far-reaching changes in the global trading system since the days of Harry Truman. We completed the most sweeping round of the GATT; forged a comprehensive trade agreement with our two neighbors; tore down barriers in high-tech sectors where America leads the world; and launched a process for more open and competitive trade in our hemisphere and the Asia Pacific.

These efforts have paid off for our people. The global economy is not a zero sum game -- we are creating good jobs at home by nurturing new markets abroad. The President is determined to pursue this course, navigating the false choice between protectionism and unbridled free trade.

Protectionism simply isn't an option in today's global economic arena. If we walk away, the process of integration won't stop; it simply will continue without us. Others in Europe and Asia will benefit. Turning inward would mean turning our back on 95 percent of the world's consumers and forfeiting our stake in the markets of the future.

But while protectionism is not an option, neither is ungoverned free trade. Competition causes dislocation -- especially among those without adequate training and skills to compete in the global economy. We cannot walk away from them -- we have an obligation to enforce the agreements we make and to make change work for all with education and training... so that the benefits of progress are not enjoyed by some while its burdens are carried by others.

To sustain our strong momentum, we need the authority to conclude smart, new market-opening trade agreements. In Latin America alone, our exports in 1995 were greater than our sales to Japan and Germany combined. We need to complete the job we have begun -- to open markets in this hemisphere and globally, to share in that growth, not turn our backs on it.

Finally, we cannot harness the forces of integration without the strength and resources to get the job done -- and without sharing the burdens with other like-minded nations.

We have the finest military in the world. It is the steel that makes American leadership credible and, if necessary, our freedom secure. This President is determined to maintain our ability to dominate any battlefield of the future. That is an indispensable investment in our peace and security.

It also means fulfilling our commitment to fully fund America's diplomacy. Our foreign affairs budget for the current fiscal year is 50% lower, in real terms, than it was a decade ago. This is simply foolish. We must make the investments to advance America's interests for the next 50 years as in the last.
President Clinton's budget request reverses the dangerous downward spiral in international affairs funding. Our request -- about one cent out of every federal dollar -- brings benefits to every taxpayer: strengthening our ability to promote peace, fight drugs, track down terrorists, combat nuclear proliferation, boost exports, and meet our obligations to the community of nations.

We must also resist the false choice between going it alone or not at all. It's simply common sense to spread the costs and risks of leadership by working with others, like the World Bank and the UN. Now is the time to push for progress -- promoting tough reform, paying our bills, and putting the UN and the multilateral development banks back on sound financial footing.

# # #

Message Sent To:
For fifty years, America led the world not only in building security but in building prosperity – creating the international trading system that has brought our people unprecedented prosperity. Now, again, our leadership of the world economy is being tested. We must decide, in the coming months, whether we will again reach outward, or begin to turn inward, in the face of the opportunities and challenges of the global economy.

The growth of the global economy is the great inescapable fact of our time. Over the past 50 years, global trade has increased one hundred times over. In just the four years of my first term, global trade in goods and services increased by 40%. Over the next decade, world trade is expected to grow at three times the rate of the U.S. economy. When I was growing up, exports and imports accounted for one in ten dollars; today, they account for one in three dollars.

-- the key is the growing markets of Asia & Latin America

Whether we like it or not, whether we welcome it or not, the world economy is as real as the ffsjfskjfkjlen years. This roiling, hypercharged xxx poses challenges to our nation but offers us the greatest opportunity for prosperity we have known.

Today, America stands as the strongest economy in the world, uniquely positioned by our history and our xx to master the forces of global change. We are the most competitive economy in the world. Over the past 4 years, while our economy created nearly 12 million jobs, the balance of the G-7 countries have had near zero job growth. Our budget deficit is the smallest of any major economy as a share of our national income. Basic American industries have revived; our auto industry is number one in the world again for the first time since the 1970s. From semiconductors to biotech to Hollywood, American firms are xx.

Our future

Make no mistake: our economic future depends upon our ability to export. We have just 5% of the world’s population; 95% of the world’s population lies outside our borders. If we are going to continue to grow, that must come from selling our products and services abroad. Export related jobs pay [17%] more than other jobs.

From its first days, my administration has recognized that our security now rests on our economic relations with our neighbors, just as it does on our military or diplomatic strengthn. We have concluded over 200 trade agreements. We fought for enactment of NAFTA, creating a free market with our neighbors. We broke seven years of global gridlock and successfully negotiated the new round of GATT, creating the World Trade Organization. We have [Japan]. And within the past year, [telecomm & ITA].
THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release April 8, 1997

REMARKS BY THE PRESIDENT
AND PRIME MINISTER JEAN CHRETIEN OF CANADA
IN JOINT PRESS AVAILABILITY

The Rose
Garden

1:31 P.M. EDT

THE PRESIDENT: Good afternoon. Let me say again that it is a very great pleasure for me to welcome Prime Minister Chretien to the White House. It's an especially important day in his life, because this is the 34th anniversary of Jean Chretien's first election to the Canadian Parliament. In the years since, he has held virtually every high office in the Canadian government. He has traveled to Washington on countless missions. But this is his first official visit as Prime Minister, and I'm delighted that he's here.

It's fair to say that there has never been a relationship between two nations like the one that exists today between the United States and Canada. We have the most comprehensive ties of any two nations on earth. Every day, our governments work together to improve the lives of our people in ways no one could have imagined just a few years ago.
We trade goods and services on an unprecedented scale and share ties of friendship that are unique. We’ve worked hard today and made progress on important issues. We discussed our common efforts to create an open and more competitive trading system throughout our hemisphere. The benefits of this effort will be tremendous.

Since NAFTA took effect, trade between our nations has grown by more than 40 percent, a remarkable achievement for what was already the world’s preeminent trade partnership. United States exports to Canada have grown over $133 million and now support more than 1.5 million jobs in our nation. As partners in the Summit of the Americas process, our efforts to expand trade in our hemisphere not only increase prosperity, they also reinforce democratic values, which have made such extraordinary progress in the Americas in our time.

Today, we’ve made concrete progress on key issues involving our two nations. We’ve agreed on new measures to crack down on criminals who use cross-border fraudulent telemarketing schemes to prey on the elderly and others. We’re stepping up our cooperation to stop those who would abduct children and transport them across our borders. We agreed to modernize our border crossing so that by the year 2000 22 pairs of towns will be equipped with remote video systems and new technologies to give them 24-hour service. And residents won’t have to drive hours out of their way to the next border crossing. We’re streamlining import and export processing, cutting freight costs, reducing truck backups.

We’re working together to protect, clean, and manage the natural heritage we share. Twenty-five years ago, our nations signed the Great Lakes Water Quality Agreement, which has helped to revive the ecosystem of the Great Lakes Basin. Yesterday, Minister Marchi and EPA Administrator Browner signed an agreement to work for the virtual elimination of toxic pollutants in the Great Lakes. This unprecedented environmental effort will involve the public and private sectors at all levels. There are some other areas, like Pacific Salmon Fisheries, where further progress is needed. But we’re working on it.

Beyond our borders, we discussed the preparations for the July NATO summit in Madrid, where the Atlantic Alliance will take a major step toward creating security for the 21st century.

I also want to salute the Prime Minister for his government’s determination to support peace in Bosnia and Central Africa and other troubled places of the globe, and especially for his nation’s steadfast engagement in Haiti. Canada’s efforts to help democracy put down strong roots in Haiti will long be remembered as a hallmark of the commitment to principle of the Canadian people.
Our work together spans the globe. It reaches into the heavens. I’m pleased that the President has brought with him today a model of the remarkable 11-foot Canada hand that will be used to build the international space station. I have personally seen it in its full-size, Mr. Prime Minister, and it is a dramatic and important contribution. This instrument will perform delicate assembly work essential for the space station’s construction. And I thank you and your Cabinet for voting last month to fund this important project.

Soon, Canada and the United States will be joined at the elbow in space, and that is a perfect symbol of the cooperation between our nations. Here on Earth, this cooperation has been a beacon of hope for countries on every continent. Today we’ve made that light brighter by reaffirming the ties between our nations and carrying forward our work together.

Mr. Prime Minister, I thank you, your government, and all of Canada for your dedication to this extraordinary partnership.

PRIME MINISTER CHRETIEN: Thank you, Mr. President. As I said earlier, I’m delighted to be in Washington, and I’m very satisfied and pleased with the discussions we had this morning. They were very frank, friendly, and very productive.

We are neighbors who work together, and I think we’re working quite well. The President and I discussed our partnership in the economy, the environment, fisheries, in managing our border, in space, and in promoting world peace.

As you all know, our economies are performing very well, and that means more jobs and growth. Our trading relationship is the largest in the world. It’s a real success story. And it is an example to the world. As you said, our trade has increased since 1993 by more than 40 percent, and most of our trade is problem-free. And when we have problems, we sit down and we work them out. Yesterday we announced a series of environmental agreements. We want to ensure that our citizens breathe clean air and drink clean water. Today we are announcing new ways to improve our shared border, all that based on the agreement that we signed two years ago on open sky.

But what is very important is our cooperation on peace and security -- with the partnership we have had in Haiti and in Bosnia. We are in agreement on NATO enlargement. We all agree on U.N. renewal and it’s very important that this problem be resolved.

Once again, our cooperation is extending beyond the globe itself with the new Canada hand, the next generation of Canada arm. This gave a new meaning, Mr. President, to the term "hands across the border," and it’s a symbol of our relationship as we enter a new century. By lending a hand to the American space program, we will be creating new jobs and opportunities in Canada in the high-tech sector of the future.
Sometimes, our approaches are different. Sometimes, in foreign policy it's a matter of different means of achieving common goals. Sometimes, it is because our national interests are different. But we approach these differences with the honesty and mutual respect that a relationship like ours deserves. But the areas that bring us together are much greater than those that divide us. Working together, we are creating jobs, opportunities and prosperity for the people in both countries. And we are setting an example of international cooperation for the world.

(Speaking in French)

And I would like to say that the Canadian people are very proud to be your neighbor. We have been able to work together and we will do that in the future because together we can achieve a lot. And for you, Mr. President, as I said earlier, it's extremely important to carry on the leadership that you have shown in the last years because the United States is now the biggest and almost the unique power compared to the situation that existed a few years ago. And I salute your leadership. And I know that you face some difficult problems, but you'll always have Canada on your side because we are both for peace around the world and prosperity around the world.

And thank you very much for your kind reception. And it has been fantastic so far. And the weather is well-organized. In Canada, I say that it is a federal responsibility. I don't know if it is the case here, but you've done a good job on that, Mr. President. (Laughter.)

THE PRESIDENT: Thank you.

Helen?

Q Mr. President, you seem to have struck out in getting the Mideast Peace Talks back on track at this moment. Does the U.S. lack any diplomatic leverage with Israel despite 50 years of assistance and support? And where do you go from here?

THE PRESIDENT: Well, first of all, I wouldn't assume that based on the comments that have been made so far. Where I go from here is that we're waiting for the Palestinian delegation to come in. We're going to review the ground that we went over with Prime Minister Netanyahu and we're going to do our best to get this thing going again.

There are clearly two preconditions. One is, zero tolerance for terror; the other is a genuine commitment to build confidence and to make progress and to do the things required by the Oslo Agreement. And the parties are going to have to decide whether they're willing to let the peace process go forward.

We are prepared to do whatever we can, but I would not
conclude from the fact that I'm giving very noncommittal answers that I think there’s no chance that we’ll get it going again. I think that there is a fairly decent chance that we can, but I think it’s important now not to say things which will undermine whatever prospect we have of success later.

In the end, it still depends on what it always has depended on, and that is the parties taking responsibilities to take the risks for peace.

Q  Mr. Prime Minister, the nice words you had with President Clinton plus what you said at the White House, would they reassure us in thinking that your relationship with President Clinton is as good or even better than that of your predecessor, Brian Mulroney, had with Presidents Reagan and Bush?

PRIME MINISTER CHRETIEN: (Speaking in French.)

Perhaps I should translate; there will be an interest in English, I guess. (Laughter.)

Yes, we are good friends. The President and I, we are politicians since a few years. (Laughter.) And we can share a lot of debate together and spent a good time together last night talking about the problems of the world and a bit about the political problems that we all face on a daily basis. He gave me advice; I gave him advice; and it’s free, so no problem. (Laughter.)

It’s a good relation, but he knows that we will disagree. And I’m -- and I know that he will disagree with me. But we have shown that it is possible to tackle a problem at a time. And today, we realize that the number of the problems that exist between United States and Canada today are very small, very few. And we explain each other, but sometimes our national interests are not the same.

But I have to tell you that he’s a good guy, and I enjoy to be with him. (Laughter.)

THE PRESIDENT: Let me say, the biggest threat to our friendship is this injury of mine because it has precluded our indulging our mutual passion for golf. I don’t think that -- I don’t know if any two world leaders have played golf together more than we have, but we meant to break a record and I’ve had to take a six-month respite. But I’ll be back in the arena before long.

Q  Mr. President, are you asking Canada to extradite the Saudi man who is being held in Ottawa and is suspected of being involved in the bombing of the U.S. barracks in Saudi Arabia. Is the Prime Minister agreeable to doing that?

THE PRESIDENT: Well, let me say we have discussed this. It’s being handled in accordance with Canadian law. But I believe the FBI put out a statement about it today, and we are fully
satisfied with our cooperation with Canada at this point, and I think we have to let the Canadian legal process play itself out.

Q Mr. President, you came out strongly in favor of Canadian unity during the last Quebec referendum campaign. Can the Prime Minister count on your support again, given the fact that in all likelihood there will be another Quebec referendum in your second term?

THE PRESIDENT: Well, the United States -- it's not just my position, we have long felt that our relationship with a united Canada was a good thing, and that people of different cultures and backgrounds live together in peace and harmony with still some decent respect for their differences in both our two countries, and I would be -- I haven't changed my view about that, and I haven't changed my relationship with the Prime Minister, so I don't know what else to tell you. My feelings have not changed.

Mr. Bloom, you're new here. Maybe we ought to let you get a question here. Welcome.

Q Thank you, Mr. President. Mr. President, today a California federal appeals court upheld Proposition 209. If the state proceeds with dismantling affirmative action programs, will that help or hinder efforts to ease racial tensions in America?

THE PRESIDENT: Well, I believe if states are precluded from trying to take appropriate steps that are not quotas and that do not give unqualified people a chance to participate in whatever it is -- the economic or educational life -- but do recognize the disadvantages people have experienced, I think that will be a mistake. And I think we'll all have to regroup and find new ways to achieve the same objective.

I think -- as you know, my position on affirmative action is that a lot of the things that we had been doing should be changed. I've worked hard to do that at the national level. But my formulation of "mend it, don't end it" I still think is the best thing for America. And so -- and that's what I said in California during the election that people disagreed with me. But I think that we will see that, for example, universities are better, more vital places if they are racially and ethnically diverse. I believe that. And I think that it ought to be a legitimate for any university to be able to seek an appropriate amount of diversity among people who are otherwise qualified to be there.

Q Mr. Chretien --

PRIME MINISTER: (Speaks in French.)

Q Mr. President, on the Helms-Burton issue, Canada has insisted that its policy of engaging Fidel Castro is more effective than your policy of isolating the dictator. Have you seen any evidence that Canada's policy is paying off when it comes to
human rights and jailed prisoners?

THE PRESIDENT: No, but neither one of us has succeeded yet. I mean, the evidence doesn’t -- since there hasn’t been appreciable change in the Cuban regime, neither of our policies can claim success. But this is an area where I think we have an honest political disagreement. The Prime Minister characterized it earlier -- we have the same objectives; we differ about how to pursue it. And since neither one of us has succeeded, we really can’t know.

Q Mr. Prime Minister, a number of experts at Harvard and elsewhere in the world say that the risk is increasing every day of nuclear leakage or nuclear smuggling out of Russia, which conceivably could lead to a nuclear terrorist attack somewhere in North America. In view of that mounting risk, wouldn’t it be better to postpone NATO enlargement for a couple of years, continue with the Partnership for Peace and make sure that, continue with the Partnership for Peace, and make sure that denuclearization has taken full root in Russia with START II and START III?

PRIME MINISTER CHRETIEN: I don’t think that you can link the two. I think that the expansion of NATO is something that is on the table since a long time, because when those countries decided to become democracy- and market-oriented, we told them that we were to accept them in NATO. And we have to deliver on the word we gave to them, and I compliment the President for the work he has done on that. He has had -- he approached Mr. Yeltsin in a very practical way, in a very firm way, but in an understanding way, and we’re very hopeful that NATO will be expanded this summer.

THE PRESIDENT: I’d also like to comment on that, because I believe that Russia has a big interest in preserving the security of its nuclear stockpiles, and they have worked with us in good faith hard now for years to try to dismantle the nuclear arsenals. One of the important agreements we’ve made here to try to get the START III agreement in force was also to make sure that we were actually destroying the weapons as well as dismantling them, and we have been working since I’ve been here very hard in a mutual and cooperative way with the Russians to ensure the security of those nuclear materials.

Yes, as long as they’re in existence, I suppose there is some risk that someone will try to pilfer them. We’ve had instances of that before in the last few years, but if we work at it and we work together with them, I think we’re likely to succeed. But I do not believe that the Russians have any greater desire than we do to see any of this material stolen or put into the hands of the wrong people. I think they have a deep, vested interest in them.

Q In meetings yesterday with President Clinton, have you called the attention to the international situation, and have you talked about the national unity issue? Has Mr. Clinton asked
questions about it, and what were your general observations on the topic?

PRIME MINISTER CHRETIEN: (Question answered in French.)

Q Mr. President, in his election campaign, Prime Minister Netanyahu was very critical of the Oslo Accords. At one point, I believe he described them as a knife in the back of Israel. And since then, he has taken a number of preemptive actions that have created a series of crises in the peace process. How does that square with your statement that one of the requirements is a genuine commitment to build confidence in the peace process?

THE PRESIDENT: I have so far not disclosed anything that has passed between us, but I will say that both -- because he said it publicly, the Prime Minister has said repeatedly publicly and said again to me when he was here that, even though he did not agree with everything about Oslo, he felt that the Israeli government was bound by it and he thought that he ought to honor it. And that's been his public statement and I believe it remains his position.

Q Mr. Prime Minister, in light of all of the discussion and talk about free trade and the possibility of expanding free trade, did you ever think you would be this comfortable as a free trader?

PRIME MINISTER CHRETIEN: Yes. (Laughter.) Because one of my problems at the time, I was afraid that the free trade agreements with the United States were to be a series of bilateral agreements -- one with Canada, a bilateral with Mexico, a bilateral with something else. And I thought that we had to have a system where it will engage at the same time many countries to have a kind of counterweight to the might of the United States. And if we were to be alone, it was to be difficult.

And at that time, I was afraid that they -- they worked to be the hub and make deals with everybody. Now that we have the concept of NAFTA, and now that we're looking and I hope that the President will convince the Congress to proceed on the fast track for Chile because we want to have by the year 2005 all the Americas together. And it's urgent that we move, because some are getting impatient in South America.

For example, Mercosur is working very well, and they are lobbied very strongly by the Europeans. And I would rather have them in the Americas than to be oriented elsewhere. So it's why I believe -- and I will mention that to the leaders in the Congress this afternoon and in the Senate -- that it's urgent to have a fast track to carry on to the commitment that we made in December '94 in Miami.

THE PRESIDENT: Let me say, I think it's very important that the Prime Minister has said this here in the United States and intends to continue and follow through with it. I am very concerned that we have not passed fast track authority in this country.
think we have to do it. It's clear that expanding trade will strengthen democracy in Latin America and will strengthen our hand in the second fastest-growing area of the world.

Last year, the Mercosur countries in South America did more business with Europe than the United States for the first time, simply because we have not had as aggressive a posture as we need. We had better go on and complete the work of the Summit of the Americas and create a free trade agreement area of the Americas if we expect to succeed.

Wolf, and then I'll answer Sarah's question.

Relax, Sarah, I'm going to call on you.

Q Thank you, Mr. President. There's a report, as you probably noticed in the Washington Post today, not only suggesting that there's an allegation of improper, unethical behavior on the part of the White House and the Democratic Party, but perhaps even a crime, a violation of national security, that sensitive intelligence information was perhaps illegally passed on to the Democratic National Committee in order to prevent a fundraiser from getting someone into a dinner with you in 1995. I wonder if you've looked into that allegation, if you could tell us if there's any merit to it?

THE PRESIDENT: Well, this morning, the Counsel's Office held a series of conversations, which to the present time do not reveal any basis for believing that any sensitive information was improperly transmitted to the DNC. But because it's nonetheless a serious allegation, I met with my Counsel this morning and I asked him to give me some advice about what next steps should be taken to look into it further. But based on the conversations so far, there's -- we have no basis to believe that it was done.

PRIME MINISTER CHRETIEN: Yes, in the back there.

Q Mr. Prime Minister -- about the United States trying to sell arms to Latin American countries like Chile? And I have a second question for President Clinton. What's your response to the -- of Mexico and other Latin American countries -- in the immigration law in the United States?

PRIME MINISTER CHRETIEN: Is it to you or to me?

THE PRESIDENT: They want to know -- I think he -- you want to know if he objects to the sale of arms to Chile by the United States?

Q Yes.

PRIME MINISTER CHRETIEN: I don't know what kind of arms
you're talking about. This is a problem with -- every government has an army and they have to have equipment. We buy equipment for our army, too, so I don't know if there is some materials that should not be sold. No problems have been mentioned to me in that possibility of United States selling arms to Chile.

THE PRESIDENT: Let me just respond to both those questions. First of all, the United States policy is to reduce tensions between our Latin American allies. We've worked very hard, for example, on the border dispute between Peru and Ecuador, and even sent our soldiers there to help to resolve the matter in a way that was mutually agreeable to both parties.

And we have made no final decision about what to do with regard to arms sales to any country. But all the militaries there have to continue to modernize their forces. So the question is, you want to help the modernization process in a way that will not spark an arms race. That's how the line has to be drawn.

With regard to the immigration law, the immigration law, I think the fears of the most extreme consequences have been exaggerated. But the law is tougher on illegal immigration and tries to speed up the process by which people who come to this country illegally leave. We have very high immigration quotas. We take a lot of immigrants in every year. I have strongly supported that and I have strongly opposed attempts to discriminate against legal immigrants. But for all the people who wait their turn and come into this country legally, I think that they, too, are entitled to an immigration system that has as much as integrity as possible, which means we should be fair and generous to our legal immigrants and treat them in a fair way, but we should not countenance illegal immigration, and we should reduce it however we can within the limits of our law and constitution.

John?

Q Mr. President.

Q Mr. President, there's a perception that, as a result of all the questions and anguished debate about the campaign finance issue, that your administration is in some areas of -- other areas of government becoming somewhat bogged down. For example, it is said to be a factor in the delay in appointing ambassadors. It is said to have made the administration less sure-footed in its dealings with China. How accurate is this perception?

THE PRESIDENT: Oh, I disagree with that. I can't comment on what others are concentrating on or doing, but what I'm working on is how to balance the budget, how to get my education program through and get the national standards movement going all the way to success, how to complete the business of welfare reform. And dealing specifically with the Vice President's trip to China, he did
and said exactly what he should have done and said, and he would have
done it anyway in exactly the way that he did. So I just disagree
with that.

With regard to the appointments process -- the
appointments process generally is always more political when you have
the President of one party and the Senate of another. I don’t think
there’s any question about that. But we’re working very hard. We
spent -- I spent a lot of time on the ambassadors in the last 10 days
-- on both the career and the non-career ambassadorial posts. And
with the Secretary of State, the National Security Advisor, the Vice
President, we’ve signed off on a large number. And we’re trying to
finish the process so we can send a great, big group to the Senate
and they can all be considered at one time.

So the work of this White House is going right on and
will continue to go right on.

Q Mr. President.

Q Mr. Prime Minister, have you and President Clinton
talked about the situation -- the peace process in the Middle East?
And did you discuss about your position, about the new settlements by
Israel?

PRIME MINISTER CHRETIEN: We have discussed, yes, the
Middle East problem with the President. I agree with the President
that only cooperation between the Israelis and the Palestinians will
permit a solution to the problem. We consider that building new
settlements in places that were not contemplated by preexisting
agreements cannot be supported, because there will be a difficulty to
achieve peace.

THE PRESIDENT: Sarah, what were you going to ask?

Q Sir, this is a question for both of you. The
records show that there are far more drugs coming over the border
from Canada into the United States now than ever before. Can you
look into that and maybe do something about it -- both of you.

PRIME MINISTER CHRETIEN: It’s more trade. (Laughter.)

Q More drugs coming in from Canada to the United
States.

THE PRESIDENT: More drugs, she said.

PRIME MINISTER CHRETIEN: More drugs -- I heard
"trucks." (Laughter.) I’m sorry.

THE PRESIDENT: I’m glad we clarified that, or otherwise
he’d have to delay calling the election. (Laughter.)
PRIME MINISTER CHRETIEN: But we discussed the problem, and we have a good collaboration between the two groups who enforce the laws in Canada and in the United States. And, of course, we’re preoccupied by the level of drug trafficking in North America, and we are working as close as possible with the administration to control this problem because, of course, it’s very devastating socially in both our countries.

THE PRESIDENT: One of the important things we did as a part of this meeting was to take steps to deepen our law enforcement cooperation generally. This is a difficult problem, but the only answer is to more closely cooperate and do the best we can, and make the best use we can of our officials and our technology.

Thank you all very much.

PRIME MINISTER CHRETIEN: Merci. Thank you.

THE PRESS: Thank you.

END 2:05 P.M. EDT