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Houston Fast Track Briefing 4/8/91 [OA 6897] [1]

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<b>G</b>	<b>26</b>	<b>21</b>	<b>3</b>	<b>3</b>

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Grant/Dooley  
April 1, 1991  
A:Mextrade / Draft five

**PRESIDENTIAL REMARKS: HISPANIC FREE TRADE BREAKFAST  
THE HOUSTONIAN  
MONDAY, APRIL 8, 1991  
TIME?**

((Acknowledgements))

Good morning. I've been looking forward to meeting with you today, because I want to discuss two issues important to us all: America's ability to compete in the global marketplace and our ability to negotiate with our trading partners. I've said many times that the hard work of freedom awaits us. Today, I've come to ask your help in that challenge.

Last month, I asked Congress to extend our "fast track" authority in trade negotiations. Through this mechanism, our negotiators can assure their counterparts that agreements they reach at the bargaining table will be the same ones voted on at home. It makes us good <sup>for</sup> to our word.

Fast-track doesn't affect Congress' power to accept or reject treaties. It just prevents Congress from changing agreements we have reached, and forcing everyone involved to start from scratch.

We need fast track now to pursue vital trade pacts -- the North American Free Trade Agreement, the Uruguay Round and the Enterprise for the Americas Initiative. If we lose our fast track authority, we lose all three of those agreements. We lose trade. We surrender our role as a world leader and role model.

Those who oppose fast track cite a variety of issues -- wage rates, environmental quality, health and safety concerns. We care about those, too. And we're working on them, with a step-by-step plan to resolve each and every challenge.

Here's the key: A vote against fast-track is a vote against things we all hold dear -- growth in other lands -- prosperity at home. It ignores the dramatic and wonderful changes in the world economy.

We want to play a leading role in that emerging, exciting world; we don't want to hide from it. We want to join in the thrilling business of innovation; we don't want to chain people to outmoded technologies and ideas.

~~Let me be clear about this: A vote against fast track is a vote against our negotiators. It is a vote against our trading partners. It is a vote against progress.~~

Right now, we have the chance to expand opportunity and economic growth from the Yukon the the Yucatan. The North American Free Trade Agreement would link us with our largest trading partner, Canada, and our third-largest partner, Mexico. It would create the largest, richest trade zone on earth -- 360 million consumers in a market that generates \$6 trillion in output a year.

Just think of the benefits: A unified North American market would let us all build on our strengths. It would provide more and better jobs for U.S. workers. It would stimulate price competition, lower consumer prices, improve product quality. If

you want to talk about a compelling fairness issue, consider this: The agreement would make necessities such as food and clothing more affordable, and more available to our poorest citizens. It would raise productivity and produce a higher standard of living throughout the continent.

Let me illustrate the stakes involved in the fast-track debate by discussing the Mexican component of the North American Free Trade Agreement. Trade with Mexico has helped both our countries. Just four years ago, we had a \$91 million trade deficit with Mexico. Today, we enjoy a \$28 billion surplus. This turnaround took place because Mexican President Carlos Salinas believes in free trade. He has slashed tariff rates for some goods from 100 percent to 10 percent. As a result, our exports to Mexico have doubled in the past four years. That export boom has created 320,000 new jobs in the United States, ~~good jobs~~. Each additional billion dollars in exports creates 20,000 new jobs here in the United States.

Now, I don't have to tell anyone in this room about Mexico's market potential -- 80 million consumers who want to buy our goods. Nor do I have to tell you that as Mexico grows and prospers, it will need even more of the goods we're best at producing -- computers, manufacturing equipment, high-tech and high-value products.

Unfortunately, we have a tough fight ahead of us. One of our Congressional opponents said the other day, "My concern is that our trade negotiators keep uppermost in their mind the

**impact of this agreement on American jobs, American companies, and American exports." ///**

I couldn't agree more.

Let's talk about his concerns. We've already seen what the reduction in Mexican tariffs has done for American exports. A free-trade agreement would eliminate the remaining tariffs entirely. That would stimulate exports, create new jobs, generate wealth and hope on both sides of the border.

**Let's take a look at the impact on American companies.** When trade barriers vanish, goods flow freely across borders. Investment flows freely across borders. And everybody -- businessmen and workers, to farmers and consumers -- reaps the benefits of growth.

**Consider the environment:** The North American Free Trade Agreement fits into a winning strategy for improving environmental quality. Opponents of fast-track and the trade pacts forget that prosperity offers the surest road to worker safety, public health and environmental quality.

This Administration wants to ensure that Mexican economic growth goes hand in hand with **environmental protection**. Our E.P.A. is already assisting the Salinas government with its environmental programs. President Salinas has shown he's serious about cleaning up the environment -- by requiring all new cars to have catalytic converters and recently by shutting down Mexico's largest oil refinery for pollution violations. I believe that President Salinas cares deeply about his nation and its people,

and that he means business when he says he wants to clean up Mexico's air and water.

Finally, consider the matter of working conditions in Mexico. The trade surplus has caused Mexican wages to rise very quickly over the last few years, and it has produced no tangible reduction in American wages. That being the case, someone ought to ask the opponents of fast track why they oppose prosperity in Mexico. Someone should ask why they oppose letting our neighbors enjoy the benefits of progress. Ask them what is wrong with increased productivity in the <sup>throughout continental</sup> both countries. Ask them why ~~Mexicans should not enjoy higher wages and better lives.~~

And ask them what's wrong with a more stable Mexico. As you know, Mexico is in the midst of a brain drain. It already graduates more engineers per capita than the U.S. does -- yet more and more good workers who can't find jobs head for the border every day. A free-trade pact would encourage investment, create jobs, lift wages and give talented Mexican citizens opportunities they don't enjoy today. A stronger Mexico, in turn, means a stronger United States, and a stronger North American alliance.

So you see, we have much to gain from extending fast track -- a new era of open, free and fair trade -- a future of unprecedented economic growth and regional harmony.

The vote on fast-track -- and on the trade agreements -- really is a vote on what kind of America we want to build. A "yes" vote expresses confidence in American know-how and

ingenuity. It says we believe in Mexico's ability to adapt to a level economic playing field. Free and open markets let people pursue their dreams by competing against other dreamers, entrepreneurs.

As with most good things in life, competition involves risk. But we always have been a nation of risk-takers, adventurers. Our forefathers hacked an industrial superpower out of a rough wilderness. We have tamed hostile land and explored deep space. We have created technologies and products unlike any others produced in human history. We have placed the wisdom of the ages within reach of anyone who can operate a computer.

We are the world's largest trader, and we have nothing to fear but the fear-mongers themselves. //

Opponents of fast track and the Free Trade Agreement like to focus on envy, suspicion, fear -- sentiments unworthy of us as a people. They like to pretend that the world has not moved into a new era of international competition and cooperation. They seem to be the only ones who haven't learned that defeatism produces defeat, while confidence and self-reliance produce greatness.

We stand ready to seize the opportunities that the new world economy offers us. With your help, I know we can conquer the demagogues of defeat. //

Thank you for your support, and God bless our great country.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 19, 1991

EXTENSION OF FAST TRACK AUTHORITY

FACT SHEET

FAST TRACK PROCEDURES

Historical Background to the Fast Track

- o For the better part of this century, the Congress and the Executive have recognized that the negotiation and implementation of trade agreements require special cooperation.
- o In the aftermath of the record-high rates of the Smoot-Hawley Tariff Act of 1930 and the Depression they helped fuel, both the Congress and the Executive branch recognized that only by working closely together could the two branches effectively bring down barriers to our foreign trade and open international markets for U.S. products and services.
- o This new partnership was reflected in the Reciprocal Trade Agreements Act of 1934, which gave the President authority not only to conclude tariff-cutting agreements but also to implement them without the need for subsequent legislation.
- o As countries began to rely less on tariff protection and more on non-tariff trade barriers, the scope of trade negotiations broadened, and the "fast-track" procedures were created by the Congress as the necessary complement to this broader trade agenda.
- o Fast track procedures for approval of trade agreements were included by the Congress in trade legislation in 1974, 1979, and again in the 1988 Trade Act.

Fast Track is Essential to Successful Trade Negotiations

- o While assuring the Congress meaningful participation throughout the negotiation process, fast track provides two guarantees essential to the successful negotiation of trade agreements: (1) a vote on implementing legislation within a fixed period of time, and (2) no amendments to that legislation.

- o These procedures reflect the understanding that trade agreements, in which results in one area are often linked to results in others, are particularly vulnerable to multiple amendments that, while possibly small in themselves, could unravel entire agreements.
- o Whether the balance of benefits contained in any trade agreement is in the overall interest of the United States can only be determined by looking at the whole package.
- o Through the fast track, the Congress gave the President the same bargaining power possessed by his counterparts: the ability to ensure that the agreement reached internationally would be the agreement voted on at home.
- o Without fast track, the President cannot assure our negotiating partners that the deal they strike is the deal that will be voted on by the Congress.
- o Without that assurance, foreign governments are reluctant to negotiate with the United States and will not make the tough concessions necessary to reach agreements the United States would be willing to sign. No trading partner will give its bottom line knowing that the bargain could be reopened.
- o Using fast track, the United States has negotiated and implemented three remarkable agreements that were each approved by an overwhelming majority in both Houses of the Congress. These agreements -- the results of the Tokyo Round in 1979, the Free Trade Agreement with Israel in 1985, and the Free Trade Agreement with Canada in 1988 -- have reduced barriers to trade and contributed to growth in the United States and worldwide.
- o The United States has much to gain from trade agreements that open markets and provide rules for free and fair trade. Maintaining the fast track will preserve our ability to continue our efforts to liberalize trade and open markets through the General Agreement on Tariffs and Trade, through other multilateral agreements and through bilateral agreements.

#### The Congress is an Essential Part of the Fast Track Process.

- o Fast track procedures preserve the role of the Congress during the negotiation, approval, and implementation of trade agreements.
- o To ensure congressional and private sector input, the fast track statute contains extensive notification and consultation requirements. At each step along the way, from

initiation through implementation, the Congress is an active partner.

- o To use the fast track for any agreement, bilateral or multilateral, the President must notify the Congress 90 calendar days before signature. By the time the President gives his 90-day notification, our many private sector advisory committees must report their views on the agreement both to the Congress and to the President. For bilateral agreements, the Congress must be given advance notice of the negotiations; during the following 60 legislative working days, either the Senate Finance or House Ways and Means Committee can vote to deny fast track treatment.
- o Once an agreement is reached, the Congress and the Administration work in close consultation to formulate implementing legislation. The process has involved the full participation of all committees of jurisdiction, not only those committees traditionally consulted in setting trade negotiating objectives. If the agreement and its implementing legislation are still not acceptable, they can be rejected by a majority vote of either House.
- o We are today engaged in bilateral and multilateral trade initiatives that hold unprecedented promise for the advancement of U.S. economic objectives. With such initiatives in train, it is clearly in the national interest to continue a partnership that has proved its worth for almost 60 years.

#### Use of Fast Track if Extended

- o In incorporating the fast track in the 1988 Trade Act, the Congress expressly contemplated that an extension might be necessary and appropriate in order for the President to pursue effectively the trade policy goals set out in the law.
- o If extended, the fast track would be available until June 1, 1993, and would be used to implement trade initiatives such as completing the Uruguay Round, negotiating a North America Free Trade Agreement (NAFTA) with Mexico and Canada, and pursuing the trade objectives of the Enterprise for the Americas Initiative.
- o Supporting fast track will allow these important initiatives to go forward without in any way detracting from the ability of the Congress to assess each agreement on its merits when presented for approval.

### A Vote Against Fast Track Denies Fast Track for all Agreements

- o Current fast track authority would have expired on June 1 if the President had not requested an extension by March 1. The requested extension is granted automatically unless either house passes a statutorily prescribed disapproval resolution before June 1.
- o The language of the disapproval resolution, which is set out in the statute, makes clear that disapproval eliminates all fast track authority, multilateral and bilateral.
- o The disapproval resolution cannot be amended to eliminate fast track for some agreements but not others because the resolution itself cannot be amended. It is not possible, for example, to vote against the fast track for the Uruguay Round agreements but preserve it for the NAFTA.
- o If a disapproval resolution is passed by either House, the fast track is gone for all purposes, and the President's ability to successfully negotiate any trade agreement requiring congressional approval, bilateral or multilateral, is severely crippled if not eliminated entirely.
- o Simply put, a vote against fast track is a vote against trade.

### Continuing Fast Track is Essential to Securing Economic Gains

- o As the world's largest trader, the United States has an enormous stake in the future of the global trading system. Exports have become a vital source of strength to the U.S. economy. In 1990, the nearly 8.5 percent growth in U.S. exports accounted for 88 percent of U.S. economic growth.
- o In order to sustain the expansion of exports and consequent growth, we must continue our efforts to open world markets. We must maintain our active leadership role. Without an extension of fast track, those efforts are futile.
- o Maintaining fast track procedures -- and the partnership between the Congress and the executive branch that fast track represents -- will keep on course our joint efforts to liberalize trade and open markets through the GATT, through other multilateral agreements, and through bilateral agreements. No country stands more to gain from those efforts than the United States.
- o As we approach the beginning of a new century, we should not hesitate to pursue the opportunities for expanded economic growth and prosperity presented by successful trade negotiations.

- o In order to turn those opportunities into realities, the Congress and the Executive must continue to work together in the manner envisioned by the fast track.

#### THE IMPORTANCE AND BENEFITS OF THE URUGUAY ROUND

##### Uruguay Round is the Most Ambitious of Trade Negotiations to Date

- o The world trading system is now vastly more complex than it was when the GATT was written in 1947. Over one-third of world trade, more than \$1 trillion, is inadequately covered by international trade rules.
- o The Uruguay Round negotiations -- in which 108 countries participate -- are an ambitious effort to strengthen and expand the global trading system as well as to further lower trade barriers. Launched in 1986 in Punta del Este, Uruguay, these negotiations are the eighth round of multilateral trade negotiations conducted under the auspices of GATT.
- o The United States led the call for the far-reaching agenda of issues in the Uruguay Round. The Congress established objectives for the Uruguay Round in the Omnibus Trade and Competitiveness Act, passed in August of 1988.
- o The negotiating agenda runs the gamut of U.S. interests, both in opening world markets and in establishing internal rules of fair play in areas vital to U.S. competitiveness -- services, investment, agriculture, and intellectual property. The negotiations fall into four broad categories:
  - market access (tariffs and non-tariff measures, natural resource-based products, tropical products, and textiles);
  - the "new" areas of services, trade-related intellectual property rights (TRIPs), and trade-related investment measures (TRIMs);
  - agriculture; and
  - GATT rules (dispute settlement, safeguards, GATT Articles including balance of payments reform, and the non-tariff measure codes, including subsidies and antidumping).
- o Moreover, unlike previous GATT negotiating rounds, developing countries are active participants in every aspect of the negotiations.

The Administration is Committed to Ensuring that the Uruguay Round Results in Agreements that Truly Meet U.S. Objectives

- o This resolve was demonstrated at Brussels in December 1990. The U.S. delegation and other important delegations determined that it was preferable to end the ministerial meeting without result rather than to lower ambitions and accept minimal Uruguay Round agreements.
- o The negotiations formally resumed in all areas on February 26, 1991, when a framework to negotiate agricultural reform was reached. The exact pace of negotiations will depend on how quickly we are able to reach an acceptable solution on agriculture.
- o The Administration is not prepared to accept an inadequate agreement for the sake of an agreement; but we are prepared to continue to negotiate to obtain a good result.

A Successful Uruguay Round Would Bring Substantial Benefits to the U.S. and World Economies

- o Exports have become a vital source of strength to the U.S. economy. Since the Round was launched in 1986, export expansion has been responsible for 40 percent of total growth in U.S. GNP. In 1990, export growth accounted for 88 percent of U.S. GNP growth.
- o An open multilateral trading system is the best guarantee that U.S. export opportunities continue to expand into the next century. The Uruguay Round is the most important initiative to expand these opportunities.
- o Specifically, a successful Uruguay Round would provide substantial benefits to the U.S. economy, including:
  - Lower tariff and non-tariff barriers to manufactured products and other goods, which could increase world output by \$5 trillion and U.S. output by over \$1 trillion over the next 10 years, meaning an additional \$16, 000 for every American family of four;
  - Rules to protect the intellectual property of U.S. entrepreneurs, who lose \$60 billion annually through theft and counterfeiting of their ideas;
  - New markets for U.S. services firms, which export \$115 billion annually and generate 90 percent of new U.S. jobs;

- An agreement opening world markets to investment, which helps generate \$240 billion, or two-thirds of total U.S. exports in goods;
  - Fair competition and open markets in agriculture, creating new opportunities for American farmers, who lead the world with more than \$40 billion in annual exports;
  - The full participation of developing countries in the global trading system, which could increase U.S. exports by \$200 billion over the next 10 years; and
  - Strengthened rules on dispute settlement, antidumping, subsidies and trade remedy provisions, which should provide predictability and certainty in access to foreign markets and ensure fair trade at home.
- o Conversely, failure to extend fast track authority will end the Uruguay Round negotiations, damaging prospects for world economic growth and cooperation.
  - o A collapse of the Round brought about by removal of U.S. fast track authority would increase worldwide pressures to raise trade and investment barriers. A sufficiently sharp movement away from open markets could contribute to a global recession, as it did in the 1930s.
  - o Although the ultimate success of the Uruguay Round cannot be guaranteed, the United States should continue negotiations because a successful Round is overwhelmingly in our long-term economic interests.

#### IMPORTANCE OF A NORTH AMERICAN FREE TRADE AGREEMENT

##### A NAFTA Would Create One of the World's Largest Free Trade Areas

- o A NAFTA would create an enormous market, encompassing some 360 million consumers and total output of \$6 trillion.
- o The progressive elimination of barriers to the flow of goods, services, and investment and strengthened protection of intellectual property rights would benefit a broad spectrum of businesses, workers, farmers, and consumers.
- o Creation of a NAFTA would be a catalyst for economic growth and development in the United States, Mexico and Canada through increased trade, investment, and jobs.

### The Importance of North American Trade

- o Canada and Mexico are America's first and third largest trading partners, respectively. In turn, the United States accounts for over two-thirds of their total trade. In 1990, three-way trade came to about \$237 billion.
- o Since 1980, U.S. exports to Mexico and Canada have doubled, rising from \$55.3 billion to \$111.4 billion. Our exports to our neighbors have grown substantially faster than those to the rest of the world.

### Removal of Barriers Would Create New Trade and Investment Opportunities

- o Since Mexico joined the GATT in 1986 and started its unilateral policy of lowering trade barriers, U.S. exports have more than doubled, growing from \$12.4 billion to \$28.4 billion.
  - U.S. agricultural exports to Mexico totalled \$2.5 billion in 1990, our third largest market.
  - Consumer goods exports from the United States to Mexico have tripled since 1986, rising from \$1 billion to \$3 billion.
  - U.S. exports of capital goods have grown from \$5 billion in 1986 to about \$9.5 billion last year.
- o We can do better. Mexico has greater barriers to U.S. exports than we impose on Mexican shipments to the United States. For example:
  - Mexican tariffs average 10 percent, compared to the average tariff of 4 percent we impose on Mexican exports to us.
  - Mexico still maintains a restrictive import licensing regime, one that affects 40 percent of U.S. agricultural exports to Mexico.
- o In addition, while Mexico has liberalized its investment regime, it is still closed to many U.S. investments, both in manufacturing and in services, and performance requirements distort export opportunities for U.S. products.
- o Mexico has already pledged to improve its protection for intellectual property rights, and we expect action on those pledges in the near future. A NAFTA will make those reforms secure.

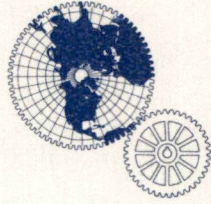
A NAFTA Offers Benefits to U.S. Producers, Workers and Consumers

- o Economic analyses show that a NAFTA will have a positive impact on the U.S. economy and U.S. employment.
- o U.S. producers and workers will benefit from a NAFTA through increased sales opportunities, improved operating efficiencies, and strengthened competitiveness vis-a-vis Asia and Europe.
- o U.S. consumers will enjoy increased access to lower cost, higher quality products.

A NAFTA Strengthens the Broader North American Relationship

- o A NAFTA would help cement the extensive historical, familial, cultural, and language links the United States has with both Mexico and Canada.
- o More prosperous neighbors are better neighbors and better customers for U.S. goods and services.
- o We have a broad agenda with both Mexico and Canada that goes well beyond trade, economic, and investment links. By boosting economic prosperity in all three nations, a NAFTA will help us make progress on issues such as the environment, drugs, and immigration.

# # #



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Home 212-866-3671

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Mex 25,300

both = .03% per capita basis

~2% of all graduating engs. in U.S.  
pop = 10%

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Dec 87  
July 88  
Aug + Sept 88  
90% Congress

trade agreement  $\neq$  treaty

econ = David Walters 3583

Grant/Dooley  
April 1, 1991  
A: Mextrade / Draft six

**PRESIDENTIAL REMARKS: HISPANIC FREE TRADE BREAKFAST  
THE HOUSTONIAN  
MONDAY, APRIL 8, 1991  
TIME? 8:00 a.m.**

X  
Host Committee, Lionel Sosa (producer)  
((Acknowledgements)) Mayor Whitmire, Judge Lindsay

Good morning. I've been looking forward to meeting with you today, because I want to discuss two issues important to us all: America's ability to compete in the global marketplace and our ability to negotiate with our trading partners. I've said many times that the hard work of freedom awaits us. Today, I've come to ask your help in that challenge.

Last month, I asked Congress to extend our "fast track" authority in trade negotiations. This mechanism lets our negotiators assure their counterparts that agreements they reach at the bargaining table will be the same ones voted on at home. It makes us good for our word.

X  
Fast-track doesn't affect Congress' power to accept or reject ~~treaties~~ <sup>trade agreements</sup>. It just prevents changing agreements we have reached, and forcing everyone involved to start from scratch.

We need fast track now to pursue vital trade pacts -- the North American Free Trade Agreement, the Uruguay Round and the Enterprise for the Americas Initiative. If we lose our fast track authority, **we lose all three of those agreements. We lose trade.** We surrender our role as a world leader and role model.

Those who oppose fast track cite a variety of issues -- wage rates, environmental quality, health and safety concerns.

*USTR*  
We care about those, too. And we're working on them, with a step-by-step plan to resolve each and every challenge.

Here's the key: A vote against fast-track is a vote against things we all hold dear -- growth in other lands -- prosperity at home. It ignores the dramatic and wonderful changes in the world economy.

We want to play a leading role in that emerging, exciting world; we don't want to hide from it. We want to join in the thrilling business of innovation; we don't want to chain people to outmoded technologies and ideas.

*USTR*  
Right now, we have the chance to expand opportunity and economic growth from the Yukon to the Yucatan. The North American Free Trade Agreement would link us with our largest trading partner, Canada, and our third-largest partner, Mexico. It would create the largest, richest trade zone on earth -- 360 million consumers in a market that generates \$6 trillion in output a year.

A unified North American market would let us all build on our strengths. It would provide more and better jobs for U.S. workers. It would stimulate price competition, lower consumer prices, improve product quality. If you want to talk about a compelling fairness issue, consider this: The agreement would make necessities such as food and clothing more affordable, and more available to our poorest citizens. It would raise productivity and produce a higher standard of living throughout the continent.

Total US

since 1986,



KAREN  
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~~DOSEY~~  
4594  
Treasury, OMB, USTR

Let me illustrate the stakes involved in the fast-track debate by discussing the Mexican component of the North American Free Trade Agreement. Trade with Mexico has helped both our countries. Just four years ago, we had a ~~\$91 million~~ <sup>4.9 billion</sup> trade deficit with Mexico. Today, we enjoy a ~~\$28 billion~~ <sup>def. 1.8 billion</sup> surplus. This turnaround took place because Mexican President Carlos Salinas believes in free trade. He has slashed tariff rates for some goods from 100 percent to 10 percent. As a result, our exports to Mexico have doubled in the past four years. That export boom has created ~~320,000~~ <sup>300,000</sup> new jobs in the United States, most in the areas of design, manufacturing and engineering. Each additional billion dollars in exports creates 20,000 new jobs here in the United States.

X  
USTR

→  
2.8 billion surplus

X  
XMOF

12.46-7  
28.46

USTR

Now, I don't have to tell anyone in this room about Mexico's market potential -- ~~86~~ <sup>85</sup> million consumers who want to buy our goods. Nor do I have to tell you that as Mexico grows and prospers, it will need even more of the goods we're best at producing -- computers, manufacturing equipment, high-tech and high-value products.

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Mex

86 million  
July 1980  
State Dept.  
Country Aff

Unfortunately, we have a tough fight ahead of us. One of our Congressional opponents said the other day, "My concern is that our trade negotiators keep uppermost in their mind the impact of this agreement on American jobs, American companies, and American exports." ///

I couldn't agree more.

Let's talk about his concerns. We've already seen what the reduction in Mexican tariffs has done for American exports. A free-trade agreement would eliminate the remaining tariffs entirely. That would stimulate exports, create new jobs, generate wealth and hope on both sides of the border.

**Let's take a look at the impact on American companies.** When trade barriers vanish, goods flow freely across borders. Investment flows freely across borders. And everybody -- businessmen and workers, to farmers and consumers -- reaps the benefits of growth.

**Consider the environment:** The North American Free Trade Agreement fits into a winning strategy for improving environmental quality. Opponents of fast-track and the trade pacts forget that **prosperity** offers the surest road to worker safety, public health and environmental quality.

This Administration wants to ensure that Mexican economic growth goes hand in hand with **environmental protection.** Our E.P.A. is already <sup>working w/</sup> ~~assisting~~ the Salinas government with its environmental programs. President Salinas has shown he's serious about cleaning up the environment -- by requiring all new cars to have catalytic converters and recently by shutting down Mexico's largest oil refinery for pollution violations. I believe that President Salinas cares deeply about his nation and its people, and that he means business when he says he wants to clean up Mexico's air and water.

Ted Garmey  
EPA  
382-7968

EPA

Mex

Javier Maldonado

215/667-7716

2-way trade ↑  
wages ↑

non-oil

mfr-

Finally, consider the matter of working conditions in Mexico. The trade surplus has caused Mexican wages to rise very quickly over the last few years, and produced no tangible reduction in American wages. That being the case, someone ought to ask the opponents of fast track why they oppose prosperity in Mexico. Someone should ask why they oppose letting our neighbors enjoy the benefits of progress. Ask them what is wrong with increased productivity throughout the continent.

Mex

And ask them what's wrong with a more stable Mexico. As you know, Mexico is in the midst of a brain drain. It already graduates more engineers per capita than the U.S. does -- yet more and more good workers who can't find jobs head for the border every day. A free-trade pact would encourage investment, create jobs, lift wages and give talented Mexican citizens opportunities they don't enjoy today. A stronger Mexico, in turn, means a stronger United States, and a stronger North American alliance.

medicine-close

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Margarita Colmenares

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NH.  
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Jose Tello  
415/866-5567

So you see, we have much to gain from extending fast track -- a new era of open, free and fair trade -- a future of unprecedented economic growth and regional harmony.

The vote on fast-track ~~and on the trade agreements~~ really is a vote on what kind of America we want to build. A "yes" vote expresses confidence in American know-how and ingenuity. It says we believe in Mexico's ability to adapt to a level economic playing field. Free and open markets let people

X

OSTP -

NSF

pursue their dreams by competing against other dreamers,  
entrepreneurs.

As with most good things in life, competition involves risk. But we always have been a nation of risk-takers, adventurers. Our forefathers transformed a rough wilderness into an industrial superpower. We have created technologies and products unlike any others produced in human history. We have placed the wisdom of the ages within reach of anyone who can operate a computer.

USTR  
We are the world's largest trader, and we have nothing to fear but the fear-mongers themselves. //

Opponents of fast track and the Free Trade Agreement like to focus on envy, suspicion, fear -- sentiments unworthy of us as a people. They like to pretend that the world has not moved into a new era of international competition and cooperation. They seem to be the only ones who haven't learned that defeatism produces defeat, while confidence and self-reliance produce greatness.

We stand ready to seize the opportunities that the new world economy offers us. With your help, **I know we can conquer the demagogues of defeat.** //

Thank you for your support, and God bless our great country.

# # #

WSJ 4/2/91

## REVIEW & OUTLOOK

### Mexican Reveille

House Majority Leader Richard Gephardt said last week he'll only support a U.S.-Mexico free-trade agreement with conditions—so many conditions that it wouldn't be worth a devalued peso. It looks like it's time to blow reveille at a White House still sleeping after its post-Iraq victory party. Indeed, we wonder if Mr. Bush knows just how much trouble his trade agenda is in on Capitol Hill. A motley crew of special-interest opponents is lining up Democrats and Republicans alike, while the White House admires its poll ratings.

It's not as if President Bush has anything more important on his agenda. With a capital-gains tax cut on the back burner, the North American free-trade agreement is Mr. Bush's only pro-growth economic proposal. It's also his most important foreign-policy priority, given the uncertainties in Moscow and the Middle East. A defeat in Congress on either the Mexico pact or the Uruguay round of world trade-opening talks would also be a political humiliation.

Trade rep Carla Hills could use some lobbying help against the motley crew, but John Sununu and Dick Darman seem distracted with a continuing defense of last year's budget deal. And the Secretary of State prefers to spend his time banging up against the Arab-Israeli conflict.

It's true President Bush has given a speech or two on trade, but an issue of this importance requires a higher profile. Members of Congress have to know they'll pay a price for opposition. Otherwise they'll take the easy way and side with the special pleaders. A public campaign for open trade risks cutting into Mr. Bush's postwar political capital, but it'd be spent securing an historic agreement. The point of a 90% approval rating is to accomplish something with it.

The protectionists aren't waiting for the White House to wake up. The "fast-track" negotiating process—an authority Congress has granted Presidents since the 1970s—is especially vulnerable this time because it would cover both the GATT and Mexican free-trade talks. All opponents need is a simple majority in either house of Congress before June 1 and the process goes down.

The AFL-CIO is mounting one of its largest lobbying campaigns ever, buttonholing Members one by one. Agriculture interests that used to support free trade are abandoning their prin-

ciples in fear of fresh Mexican tomatoes. Roger Milliken and the textile industry keep shoving campaign money at protectionists in Congress. They know that if they can defeat fast-track they can keep charging monopoly profits of up to 58% on every towel, shirt, dress and pair of underwear (according to the Federal Trade Commission).

These protectionists have been joined by the familiar anti-growth zealots. Sierra Club Chairman Michael McCloskey told Congress last month that "areas being rapidly industrialized as a result of freer trade agreements are usually environmental disaster areas." He also endorsed higher tariffs to achieve "certain social goals," presumably his own. Mr. McCloskey clearly hasn't compared free-trade Hong Kong with the air over Beijing lately.

Spokesman Paul Speck says the National Wildlife Federation opposes any agreement that doesn't "produce sustainable development," which means no development. Mexico's leadership clearly has other higher priorities, such as raising the country's average wage above 1989's \$2.32 an hour. President Salinas knows free trade didn't produce the environmental catastrophe now evident in the command-and-control economies of the former Soviet bloc.

The Child Labor Coalition wants any agreement to cover "sweatshops" in Mexico, as if faster economic growth flowing from freer trade won't do far more for child welfare. Ralph Nader's omnipresent Public Citizen seems afraid that lower prices may do more for consumers than his own lawyers-enrichment lobby ever has.

All of this opposition has coalesced in Mr. Gephardt, who vows to oppose any agreement unless it "fights for American jobs, preserves the world's environment and defends the rights of Mexican workers." Freer trade would do all three, but Mr. Gephardt will get away with this line of demagoguery unless the White House speaks up.

The analogy worth recalling here is "fairness" and taxes. Tax fairness was a nonstarter throughout the 1980s, until Mr. Bush abandoned his pro-growth, anti-tax platform last fall. Then Democrats made hay. They'll do it again on the trade issue if the White House doesn't start aggressively framing the debate on its real merits—namely growth or no-growth, trade or no-trade.

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91 APR 3 P2:59

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Number of pages including cover sheet 2

INDEX OF MANUFACTURING COMPENSATIONS PER  
WORKER

	ANNUAL % CHA NGE	REAL ANNUAL % CHANGE
1989		
JAN	40.874	4.689
FEB	34.254	6.644
MAR	29.725	7.117
APR	29.299	8.476
MAY	29.617	9.341
JUN	28.690	9.444
JUL	29.979	11.274
AUG	30.683	11.839
SEP	29.238	10.181
OCT	31.068	10.953
NOV	29.852	9.853
DEC	30.391	8.934

	ANNUAL % CHA NGE	REAL ANNUAL % CHANGE
1990		
JAN	29.911	6.071
FEB	28.721	4.166
MAR	29.651	4.262
APR	29.532	4.096
MAY	30.691	4.647
JUN	29.662	2.820
JUL	30.703	2.807
AUG	31.558	2.715
SEP	29.631	0.742

SOURCE: National Institute of Statistics (INEGI)

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Bob Fisher

OF (Organization)

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What other nation in history, when it became supremely powerful, has had no thought of territorial aggrandizement, no ambition but to use its resources for the good of the world.

-- Churchill, to Lord Moran, his doctor, The Diaries of Lord Moran, January 10, 1952

possibly in speech to Congress in 1952

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Mary Ingals

Narrison Wenzel

total us exports to mex 1990 28.3 b  
of that, .5 b was petroleum (or related products)

total us imports from mex 1990 30.2 b  
of that, 5.1 b was petroleum

all trade, def. of 1.8 b  
excluding petro, surplus of about 2.7 b

1986 us expo to mex 12.4 b  
of that, .3 b petro

1986 us impto fr 17.3 b  
of that, 3.7 b petro

total trade def 1986 4.9 b  
ex petro, trade def 1.5 b

trade def cut by 2/3

exclu petro, 1.5 def to 2.7 sur

*don't want to send message that we have surplus*

*Commerce Roger Wallace DUS Trade  
377-3917*

718/545-7108 (h)

David Goldman / Poleconomics

Narrow argument Mexico 1.6 billion/year trade deficit mostly to US; mostly in manufacturing and non-oil. There is no way we can lose jobs when we have a trade surplus with them and will continue it. Rebut Gep, who says we want to improve relations with Japan (they have surplus with us) and not Mexico (they have deficit with us).

They will be a hugely expanding market. 80 million people getting richer by the minute who want to buy our goods. 200 % tariffs down to 20% top; proposing to eliminate all tariffs. No lose win-win for us. Staggering markets.

Environmental: Salinas just shut down largest oil refinery in Mexico for pollution. He's serious. Shown determination.

Labor: Greater efficiency means more product means higher wages. Higher productivity will cause wage rates to rise in both countries. Mexican wage rates are already rising very quickly during last few years.

Mexico has already liberalized tariff structure; trade surplus has caused their wages to rise, not ours to fall.

Broader point: World revolution toward human freedom; Mexico is successful case study. However, much less statist-controlled economy than East Europe but people have decided to privatize industry, cut taxes, 150 % inflation to 14% by end of this year; negative economic growth to strong economic growth. Wave of freedom .. Mexico is leading edge toward free market economy. Not merely a matter of economic advantage to US; it's cutting edge of whole process. Our appeal to the world to adopt free enterprise has been listened to by countries in Third World. Mexico is not their model. All other countries in Lat Am are looking to Mexican revolution, Eastern Europe to follow. Shining example of what the economic component of what the New World Order. Exemplary role in this new world order.

Bob Fisher - USTR 5/16/83  
Chip Rowe -

Manuel ~~Suarez~~ Suarez-Mier

728-16664

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**TESTIMONY OF  
AMBASSADOR CARLA A. HILLS  
UNITED STATES TRADE REPRESENTATIVE  
BEFORE THE  
COMMITTEE ON WAYS AND MEANS  
UNITED STATES HOUSE OF REPRESENTATIVES  
MARCH 12, 1991**

**Introduction**

Thank you, Mr. Chairman, for the invitation to testify about the President's request to extend fast track procedures.

Fast track is crucial to United States leadership in the global economy. The procedure enables us together to pursue and implement United States trade policy, a policy which has been developed and implemented in a close working partnership with Congress and the private sector.

**Overview of Fast Track**

Still, there is a widespread misunderstanding about what fast track is and what it isn't; about its origins and its application today.

For more than 50 years, Congress and the Executive Branch have worked together in close coordination and consultation to negotiate and implement trade agreements.

In the aftermath of the disastrous Smoot-Hawley Tariff Act of 1930 and the Great Depression it helped fuel, your predecessors and mine realized that we, the Legislative and Executive Branches, must work together to craft a national trade policy that opens markets and promotes U.S. exports.

That meant institutionalizing a system of trust and partnership which was first reflected in the Reciprocal Trade Agreements Act of 1934. Congress delegated to the President the power to negotiate tariff-cutting agreements with other nations and to implement them by proclamation without the need for subsequent legislation. In the years after its enactment, the Reciprocal Trade Agreements Act proved a great success. Congress's action in passing the 1934 Act can be credited with helping make possible the extraordinary economic growth after World War II, both in the United States and around the world.

Our partnership in developing and implementing U.S. trade policy evolved in later years as trading nations began to rely less on tariffs to protect their markets and more on non-tariff

trade barriers. Consequently, the scope of trade negotiations, was broadened to include new areas previously uncovered by international rules.

The fast track procedures were created by Congress as the necessary complement to this broader trade agenda. Fast track procedures for approval of trade agreements were included by Congress in trade legislation in 1974, 1979, and again in the Omnibus Trade and Competitiveness Act of 1988. While giving Congress the assurance of meaningful participation throughout the negotiating process, fast track also provides two guarantees essential to the successful negotiation of trade agreements: First, a vote on implementing legislation within a fixed period of time; and, second, no amendments to that legislation.

These procedures reflect an understanding that trade agreements, in which results in one area are often linked to results in others, are particularly vulnerable to multiple amendments that, while possibly small in themselves, could unravel entire agreements. Whether the balance of benefits contained in any trade agreement is in the overall interest of the United States can only be determined by looking at the whole package.

Through the fast track, Congress has given the President the same bargaining power possessed by his counterparts: The ability to ensure that the agreement reached internationally would be the agreement voted on at home. Without that assurance, foreign governments are reluctant to negotiate with the United States and will not make the tough concessions necessary to reach agreements the United States would be willing to sign. No negotiating partner will give its bottom line knowing that the bargain could be re-opened.

### Myths of Fast Track

Let me take a few moments to dispel two myths about fast track:

Fast track procedures are not "fast" and are not an inevitable "track." The process is actually quite deliberate and relatively slow and the outcome is not assured.

To be more specific, fast track procedures have absolutely nothing to do with the pace at which we conduct negotiations. Let me reiterate an assurance that I have given to this Committee: We will not rush to conclude any agreement, merely for the sake of any agreement. We proved that in Brussels and our high standards have not changed. While we are eager to secure as soon as possible the benefits that trade agreements promise, we will take whatever time is needed to arrive at

agreements that are truly in the economic interest of the United States. We will consider all relevant issues in a negotiation and consult fully with you and the private sector. Until we arrive at good agreements -- ones that we believe you will agree are good -- there simply will be no agreements.

Your vote to approve fast track extension does not mean that whatever the Administration negotiates afterward is automatically, or even rapidly, approved. Fast track procedures preserve Congress's role during the negotiation, approval, and implementation of trade agreements. The fast track statute includes extensive notification and consultation requirements with both Congress and the private sector throughout the process. Each step of the way, this Administration will continue its close consultation with Congress and the private sector.

For example, we started formal and informal consultations with Congress on an FTA with Mexico almost a year ago, well before our formal notification of negotiations. We have been talking to a range of Committees and members about their objectives and advice, and will continue to do so once negotiations commence.

Once an agreement is reached, Congress and the Administration work in close consultation to formulate implementing legislation. The process has been open to all committees of jurisdiction. If the agreement and its implementing legislation are still not acceptable, they can be rejected by majority vote of either house.

### Economic Reasons for Extending Fast Track

The United States has much to gain through trade agreements that open markets and provide rules for free and fair trade. Maintaining the fast track will preserve our ability to continue efforts to liberalize trade and open markets through the GATT, through other multilateral agreements, and through bilateral agreements.

Opening markets and expanding trade is at the top of the President's agenda.

As 1991 begins, international trade is more important than ever to the United States. Our economy has enjoyed six years of record expansion. The engine of this expansion was U.S. exports. Over the past three years, exports of goods and services contributed more than 50 percent of the growth of GNP. And while exports expanded at a rate of 16 percent from 1987 through 1990, imports grew less than half as fast.

The U.S. economy now has entered a temporary recession. But the vitality of U.S. trade has not been interrupted. As the President said in his State of the Union Address, "Exports are running solid and strong."

In 1990, the rate of growth of U.S. exports was twice as fast as the rise in imports. The nearly 8.5 percent growth in exports generated 88 percent of our total economic growth last year.

This is because the global economy remains strong, and U.S. goods are in great demand around the world.

The flow of U.S. goods must be maintained and expanded lest exports -- our vital engine of growth -- sputter or stall. More than ever, we need the billions of dollars a year of economic stimulus that greater access to foreign markets could provide.

As Dr. Michael Boskin, chairman of the Council of Economic Advisers, said last week: "Fast track is integral to a strategy of American economic growth and success."

Opening markets and expanding trade also will enhance the economic growth of poorer nations, including the emerging democracies of Eastern Europe and Latin America. Such growth not only promotes political stability, but will also make those countries much better customers for U.S. products.

Without the impetus of a more open trading system, these nations will be drained by the massive costs of protections now imposed on them -- costs that now total two-and-a-half times all the aid they receive from industrialized countries.

We find ourselves at this critical time with real opportunities to open markets in areas that will expand our trade. It was precisely to take advantage of such opportunities that Congress contemplated in the 1988 Trade Act a two-year extension of the fast track procedures that would otherwise have expired in June of this year.

### Fast Track is Crucial to Concluding a Successful Uruguay Round

Our top priority is to complete a comprehensive agreement in the Uruguay Round of global trade talks and in so doing to strengthen and broaden the General Agreement on Tariffs and Trade, or GATT. The GATT is without doubt the world's most important trade agreement. Indeed, it is the Constitution of World Trade.

Under GATT sponsorship, the world's trading nations have held seven successful rounds of negotiations since World War II

in which tariff rates were slashed by more than 75 percent. As a result, trade exploded from just \$60 billion in 1950 to nudge the \$4 trillion mark this year.

This enormous expansion in global commerce has fueled a spectacular surge of the world and U.S. economies. Both have grown faster in the last 40 years than in any four decades of world history. Consequently, we have enjoyed unparalleled global prosperity.

The GATT has opened new markets for business, increased choices and lowered prices for consumers, and led to higher incomes and more jobs for workers.

But just as a thriving family outgrows its first house, so too has the family of 100 nations, who make up the GATT and account for 85 percent of world trade, outgrown the rules that have served us so well for so long.

Today, a third of world trade -- more than \$1 trillion of international commerce a year -- is not adequately covered by internationally agreed rules.

Areas inadequately covered by GATT rules, like agriculture, or not covered at all like services, investment, and intellectual property have taken on an enormous importance in global trade generally and to the United States in particular.

The United States led the call for the far-reaching agenda of issues in the Uruguay Round. Congress and the private sector supported this effort. Congress laid out the negotiating objectives for the Uruguay Round in the 1988 Trade Act.

Several members of this Committee, and your staffs, were with us in Brussels last December. Rather than conceding our goal of an ambitious agreement, together we agreed that no agreement was far better than a hastily negotiated face-saving solution.

After a three-month suspension, the countries that brought the talks to a halt returned to the table with a new-found willingness to negotiate specific commitments in the critical area of agricultural trade reform. As you know, this area is the linchpin of the Round; without real reform, many of the countries participating in the talks are not willing to negotiate in many of the Round's other important areas.

The prospects for a successful conclusion are better now, but we have tough negotiating ahead. We will continue to work with you to bring these talks to fruition.

The benefits the Uruguay Round could bring to America are enormous:

- o Lower tariff and non-tariff barriers to manufactured products and other goods could increase world output by \$5 trillion, and U.S. output by more than \$1 trillion over the next 10 years, meaning an additional \$17,000 for every American family of four;
- o Rules to protect the intellectual property of America's entrepreneurs, ending the \$60 billion lost each year through theft and counterfeiting;
- o New markets for U.S. service firms, which today export \$115 billion annually and create 9-out-of-10 of our new jobs;
- o Broader market opportunities for international investment, creating expanded opportunities in a sector that already helps generate more than \$240 billion of U.S. exports, or two-thirds of total U.S. exports in goods;
- o Fair competition and open markets for U.S. farmers, who lead the world with more than \$40 billion in annual exports;
- o Full participation of developing countries in our global trading system, which could increase U.S. exports 50 percent, or \$200 billion, by the year 2000;
- o And, strengthened rules on dispute settlement, antidumping, subsidies, and trade remedy provisions, that should provide predictability and certainty in access to foreign markets and ensure fair trade at home.

The fact is that a failure to extend fast track authority will effectively end the Uruguay Round negotiations. It will damage prospects for world economic growth and cooperation. A collapse of the Round brought about by the removal of fast track would increase worldwide pressures to raise trade and investment barriers. And, of course, the unraveling of the international trading system would deny U.S. consumers and workers the enormous benefits of open markets.

## Fast Track is Essential to Negotiate a North American FTA

Beyond the Uruguay Round negotiations, we continue to press for open markets.

A North American Free Trade Agreement more closely linking the economies of the United States, Mexico, and Canada could be a potent force for regional growth and prosperity. We expect these discussions to lead to market opening agreements that will create new and improved opportunities for U.S. exports across the entire spectrum of American industry.

The United States is Mexico's principal trading partner; Mexico is our third largest customer. Canada is our largest trading partner. Linking our complementary economies through free trade will strengthen these economic bonds and increase regional political stability. Ultimately, the creation of a North American Free Trade Area will create the largest, richest market in the world with 360 million consumers and \$6 trillion annual output.

Also, a North American Free Trade Agreement also will support our broader aim of open markets and expanded trade globally, for other countries will have greater incentive to seek open markets with us. It also can serve as a starting point for the pursuit of a hemispheric free trade area -- the long-term objective of the Enterprise for the Americas Initiative.

Despite these benefits, some critics claim that an FTA will be a "one-way street" with inexpensive Mexican goods flowing into the United States and few of ours going the other way. The evidence disproves this notion. Since 1986, when Mexico joined the General Agreement on Tariffs and Trade, and reduced its tariff protections from 100 percent to roughly 10 percent, U.S. exports to Mexico have more than doubled rising from \$12.4 billion to an annualized rate of \$28.4 billion in 1990. The doubling of U.S. exports created 320,000 U.S. jobs. Each additional \$1 billion of U.S. exports will mean more than 20,000 new U.S. jobs.

All sectors of the U.S. economy have benefited from this market opening: exports of automobiles and auto parts have quadrupled; exports of corn have tripled; and exports of telecommunications equipment have doubled. Exports of iron and steel, that were running a \$12 million deficit four years ago, now are tallying a \$300 million surplus. Just four years ago, we had a \$91 million deficit in textiles and apparel trade with Mexico. Today, we are running a surplus.

A free trade agreement would not only lock in these gains, but also spread them throughout the U.S. economy.

There is also a fear that a free trade agreement will export U.S. jobs to Mexico. But again, the experience of the last decade disproves this speculation.

During the 1980s, U.S. firms set up factories in Mexico at a record pace under the maquiladora program. As a result, thousands jobs were created and retained on the U.S. side of the border to support those facilities, according to some studies.

A good example is Deltec, a San Diego electronics manufacturer. Since it started a maquiladora five years ago, its sales have quadrupled and its workforce has tripled with employment in San Diego rising by 50 percent.

Many of its San Diego workers were retrained to fill higher-skill and higher-paying jobs. <sup>Helsinki, Finland</sup> Deltec's added business also generated new jobs in and around San Diego as its spending for raw materials and services there grew four-and-a-half times.

Indeed, the availability of Mexico as a factory site is saving U.S. jobs. Kendall Co., a Massachusetts-based medical equipment maker, says that were it not for the maquiladora program its ability to compete effectively in certain segments of the health-care market would have been significantly impacted. This fact could very well have jeopardized the approximately 3,000 jobs which currently exist within the United States. Other companies that would have been forced to relocate operations offshore to remain competitive instead are setting up operations in Mexico.

While the benefits of an FTA are apparent, the Administration recognizes that some groups worry about the consequences of increased competition from Mexico. We are sensitive to these concerns and want to work with Congress and the private sector to ensure that our negotiating objectives take these concerns into account.

In this regard, nothing we negotiate will be implemented overnight. We know that business, labor, and farmers on both sides of the border will need time to adjust. We will ensure that any agreement be phased in over time and provide an effective mechanism to protect against import surges. In the end, we will have a new economic regime that will benefit all.

Progress in the trade area also will support and reinforce progress in our broader bilateral agenda with Mexico. Long before there was any talk about an FTA with Mexico or a North American FTA, the United States and Mexico were discussing and acting upon a broad bilateral agenda extending far beyond trade. Our countries share a common goal of an improved way of life, both economically and socially, for our people. Agencies such as the EPA and the Departments of State, Justice, and Labor, have

been working in their area of expertise to promote our broader bilateral agenda. We have worked with Mexico to support and enhance its own efforts to address pressing social needs.

Progress in North American free trade negotiations would assist efforts on our broader agenda. Conversely, rejection of fast track would hinder our efforts in all areas.

The goal of United States trade policy is to open markets and expand trade for U.S. goods throughout the world and so provide a powerful stimulus for economic growth. A North American Free Trade Agreement will do just that and create on the North American continent a new era of opportunity and prosperity.

### Conclusion

Supporting fast track will allow these important initiatives to go forward without in any way detracting from Congress's ability to assess each agreement on its merits when presented for approval.

We have much to gain from extending fast track: an era of extraordinary economic growth, geopolitical stability, lower prices and greater choices for consumers, more jobs for workers, and a better standard of living for our people.

We have all this to lose, and more: after the enormous international respect and goodwill we have gained from our role in the liberation of Kuwait, to deny the President the ability to negotiate trade agreements would be a severe set back. For the United States, the world's biggest market, its largest exporter, the leader of the free world, not to be a real participant at the bargaining table would be an abdication of responsibility to the world trading system, the U.S. economy, and, above all, to the American people.

Congress and the Executive Branch must continue to work together. Fast track will facilitate that partnership.

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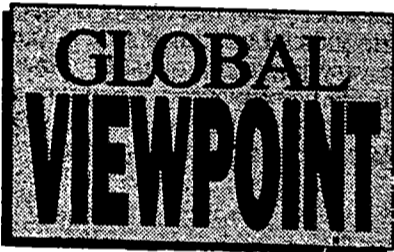
# Highballing on the fast track

It is no accident that the Bush administration and its allies want the U.S.-Mexico free-trade agreement to be considered on the congressional fast track, a procedure that prohibits amendments and significantly limits debate.

Otherwise, the American people might learn the facts about this agreement, particularly its disastrous potential for workers on both sides of the border.

What, specifically, do proponents of a free-trade agreement have to fear from public debate? For starters, we might get a full airing of what is going on with the maquiladora program, a miniature version of free trade that currently enables American firms to set up factories on the Mexican side of the border and export products back to this country with minimal duty charges.

The maquiladoras were touted as a godsend to Mexican workers — a source of desperately needed jobs and economic development for an



impoverished region. What actually happened, though, is that hundreds of U.S. companies, lured by Mexico's comparative advantages of rock-bottom wages and lack of effective government regulations, have shut down factories north of the border and relocated them in the maquiladora areas.

During the past decade, while hundreds of thousands of American workers were losing their jobs to this form of dislocation, more than a half-million Mexicans working in maquiladora plants were joining the ranks of the most crudely exploited humans on the planet.

Earning 60 to 80 cents an hour, many of these workers live in cardboard shacks with no heat, electricity or running water. Independent sources have documented widespread instances of child labor, illegal dumping of toxic wastes and the use of old chemical drums to hold drinking water.

The Wall Street Journal noted that the maquiladoras' very success is helping turn much of the border region into a sinkhole of abysmal living conditions and environmental degradation.

Clearly, the maquiladora program has not brought the kind of

development that has occurred in the Pacific Rim countries. Instead, it has turned the Mexican border region into an economic, environmental and social disaster.

A free-trade agreement with Mexico would expand this program beyond the border area to include the entire country. It would undoubtedly mean more factory relocations and more job losses in the United States.

There are those who still argue that the jobs it has brought to Mexican workers are better than no jobs at all. But are they really?

A few years ago, when Mexican wages were actually higher in dollar terms than they are today, an article in the pro-maquiladora Twin Plant News advised U.S. parent companies that they could keep their minimum wage people at the minimum wage by collecting donated clothing and blankets for their Mexican employees, because many of their houses are poorly heated, if heated at all, and warm clothing and blankets feel good on those cold nights.

As for food, the magazine suggested a free kilo of tortillas each week or a few kilos of frijoles.

If these jobs are so good for Mexican workers, why do workers need handouts to survive?

And to those who talk glowingly of the Mexican market of 88 million people that a free-trade agreement would open to American producers, what do they propose be sold to people who earn \$25 for a 48-hour week?

These are the kinds of issues that proponents of the U.S.-Mexico free-trade agreement want to avoid. Fast-track authority would help them do it by limiting the debate before Congress to one simple question: Are you for free trade or against it?

In this scenario, proponents are sure to argue that the agreement is a necessary step for America to compete in an era when Europe is heading rapidly toward a single market. But the proposed Yukon-to-Yucatan common market, which would also include Canada, has little in common with that of the European Community.

For instance, the European Common Market contains a social charter establishing rights to a minimum wage, social assistance, collective bargaining, vocational training and health and safety protec-

tions. The Europeans have also created a \$68 billion Regional Development Fund to narrow the gap in per capita income between rich and poor countries in the market — a gap that is only one-fifth as wide as the one between the United States and Mexico.

As currently described, the proposed U.S.-Mexico free-trade agreement would contain none of these social dimensions. And fast-track consideration would prevent Congress from insisting that such provisions be included.

In this way, the insistence on fast-track consideration speaks volumes about who this agreement is really intended to help.

The fact is that trade is good for workers on both sides of the border only when it is carried out side-by-side with minimum standards on wages, benefits, safety and environment. Without them, it merely serves as a vehicle for capital to locate where labor is cheap and government governs least.

The problems of poverty and economic development in both the United States and Mexico are too serious to be left solely to the interests of private capital. And the proposed free-trade agreement between the two countries is far too serious a matter to be kept from the realm of public debate and left largely to these same interests.

We need a full airing of views so that the American people can decide for themselves whether this agreement is in their long-term interests.

Undoubtedly, they will see it for what it is — a golden opportunity for the rich to get richer at the expense of the working poor.

## No Mexican standoff 53/84

It's a long way from the Yukon to the Yucatan, but U.S. citizens may find that distance shortened considerably in the years to come. Last week, the Bush administration sent Congress a request for "fast-track" procedures for congressional approval of international trade agreements, including a free-trade pact with Mexico. If the pact eventually becomes law, it could open all kinds of roads long closed to businesses and the consumers they serve.

The administration initiative comes at a time when most of the world is showing less interest in trade than in trade wars. The General Agreement on Tariffs and Trade, which has been floating around international conference rooms since 1986, was taking on lots of water when last seen in December. The European Community and the Japanese didn't want to cut their high-priced agriculture subsidies. American groups were concerned about having to give up textile and other quotas. In the end, consumers who would have benefited from freer trade and cheaper prices got little more than an expensive stalemate.

The administration hasn't given up on GATT, but it wouldn't mind setting up a North American free-trade zone incorporating the United States, Mexico and Canada in the meantime, one with 360 million people and a \$6 trillion economy. The United States already enjoys a free-trade agreement with Canada. The fast track President Bush is proposing to Congress would let him seek speedy congressional approval of a similar agreement with Mexico: Lawmakers would have to

submit such a pact to a yes-or-no vote. There would be no death by amendments.

As might be expected, groups that have enjoyed the fruits of protectionism aren't thrilled about the prospect of competition. The United Auto Workers fears low-wage Mexican workers. Growers fear low-cost produce from across the border. And so on. "A lot of workers will simply lose their jobs as whole factories are shipped down to Mexico," one lawmaker told the Congressional Quarterly. No one knows for sure whether the future would bear out these hair-raising warnings. But critics should remember that companies already can pull up stakes and head for Mexico if the place is all that great. A free-trade agreement won't change that fact.

The weakness of these complaints is the more obvious for the ones protectionists have turned to in desperation since. Some argue that a free-trade pact would spur the flow of illegal drugs, as though existing import barriers on, say, steel have somehow stemmed the flow where border patrols could not. Others are warning of a plague of Mexican pesticides, a variation on the good old killer-apple theme.

There must be a zillion ways to try to defend protectionism. But in the end, they all reduce to the suggestion that the government has to protect consumers from the likes of cheap avocados and inexpensive shirts. Mr. Bush, fortunately, isn't buying that argument. Consumers shouldn't either.

# -Free Trade With Mexico-

Thomas R. Donahue

## 184/130/53 Conspiracy for the Rich . . .

There are always a good many schemes floating around to help the rich get richer and the poor get poorer, but the one currently being considered here—the proposed North American free trade agreement—is in a class by itself.

Its scale is vast—Yukon to Yucatan. It would profoundly disrupt the \$6 trillion North American economy and throw 90 million Mexicans into cutthroat competition with 270 million Canadians and U.S. citizens. In fact, the list of FTA victims in all three nations would be colossal. In this country and Canada it would include hundreds of thousands of workers whose jobs would be exported to Mexico.

We have a preview of an FTA in the *maquiladoras*, the U.S.-owned plants that operate south of the border and exploit about 500,000 Mexican workers. Plenty of U.S. employees of Electrolux, Zenith, GE, Ford, AT&T, Chrysler and other companies have seen their jobs vanish, then suddenly reappear among the *maquiladoras*. Under an FTA, their numbers would mushroom.

How many people in the United States would be hurt by the upheavals? An International Trade Commission report admits that "unskilled workers" would suffer a "slight decline" in real income, but it happily reports that "skilled workers and owners of capital services" would benefit. For millions, the decline would actually be more than "slight"—but the important point here is that people on the bottom economic rungs would lose and those on the top rungs would win.

The commission mysteriously refuses to say whom it counts as "unskilled workers," but it reportedly includes all workers with four years of high school or less. This would mean that a majority of the working population—52.5 percent—would be hurt by an FTA.

Farther up the ladder, large corporations would hit the jackpot. Mexican plants are already a bonanza for them. They can take advantage of the terrible poverty in Mexico and pay workers a small fraction of average U.S. wages, and they don't have to pay for workmen's compensation, unemployment insurance, health insurance or other essentials of civilized life.

Would Mexican workers benefit from an FTA? Again, the *maquiladoras* are a gruesome preview. They pay employees about 60 to 80 cents an hour, hardly enough for subsistence. Workers in many *maquiladoras* live in shacks made of packing materials. Their drinking water is sometimes in large 50-gallon drums that previously contained toxic materials. The Wall Street Journal noted that the *maquiladoras* "very success is helping turn much of the border region into a sinkhole of abysmal living conditions and environmental degradation."

When the *maquiladoras* started, they were supposed to help Mexico join Hong Kong, Singapore, South Korea and Taiwan. But years later, northern Mexico remains an environmental, economic and social inferno. Small wonder. The original purpose of *maquiladoras*—their "comparative advantage" in international trade—was providing multinational corporations with a poor, frightened work force. That's never changed.

An FTA would turn much of Mexico into a huge *maquiladora*. Mexico's wealthiest classes would cash in, but most workers would suffer the fate their sisters and brothers along the border have endured for years.

So what keeps the FTA idea going? A glitzy brand name has something to do with it. The "free trade" label has political clout these days, especially with the European Community's 1992 Single Market on the horizon. But using "free-trade" to justify an FTA is like using "the sanctity of the family" to justify beating the children.

If the administration wants a continental arrangement to compete with the EC Single Market, it's doing it all wrong. The Single Market includes a Social Charter. It sets out rights to a minimum wage, social assistance, collective bargaining, vocational training and health and safety protection in all of the member countries, partly to discourage runaway plants. Besides, workers have recourse to such institutions as the European Parliament and Court of Justice.

The FTA's worker protections can be summarized in two words: "Tough luck."

The Europeans have a \$68 billion Regional Development Fund to narrow the gap between rich areas such as western Germany and poor areas such as Portugal. Here, the per-capita income ratio of the United States and Mexico is a staggering 10 to 1—far larger than anything in Western Europe. In a free-trade area, that would be an economic time bomb, but the FTA wouldn't provide a nickel to defuse it.

No matter. The administration has its FTA scenario all worked out. First, Congress will hand it "fast-track authority." In other words, the House and the Senate will forfeit their right to change anything in the final agreement. The administration will be firmly in control of negotiations. In the end, members of Congress will vote only on the full package. They can take it or leave it—but the administration is confident that they will take it.

All this could happen. If it does, a good many of the working people of North America will find themselves on the "fast track" to being either laid off or exploited.

*The writer is secretary-treasurer of the AFL-CIO and chairman of the Labor Advisory Committee for U.S. Trade Policy and Trade Negotiations.*

## Free Trade With Mexico

53  
184

**O**PPPOSITION to the future free trade agreement with Mexico is rising with startling speed. When the similar agreement establishing free trade with Canada was being negotiated three years ago, it stirred few feelings one way or the other in this country—but the Canadian standard of living is very close to the American. Now that the three countries propose to extend the continental free trade zone southward, it would join economies with very different wage levels. A number of industries and, especially, trade unions are protesting vehemently. Disinterested economists say that tariffs between the two countries have already been cut so low that the further step to free trade would have little immediate effect in this country. But it's not the disinterested economists who are carrying their fears to Congress.

The opponents are widening their objections to include the differences in environmental protection in the two countries. They ask whether it's fair to let producers go south to escape costly environmental requirements. The answer is that the agreement, when it's finally written, will probably have to try to reconcile some of the differences in pollution control standards.

The politics of the Mexican agreement is getting complicated. The people fighting it are working in close alliance with those who are

trying to block the much broader—and entirely separate—worldwide trade negotiations called the Uruguay Round. To get through Congress, both of these agreements will need the fast-track procedure. In return for giving Congress extraordinary influence over the negotiating process, this procedure assures the final deal a prompt up-or-down vote without being eroded by special-interest amendments. The fast-track legislation expires shortly, but President Bush can extend it—unless either house of Congress passes a resolution preventing it. The votes on those resolutions will probably come in the late spring. Without fast-track, the chances of getting either the Mexican agreement or the Uruguay Round approved drop close to zero, and American foreign economic policy collapses.

While the Mexican agreement may have little immediate effect on jobs here, in Mexico it will encourage investment, create jobs and lift wages. That, rather than more armed men on the border, is the way to discourage illegal immigration into this country's labor market. As for the Uruguay Round, it will open new markets for dozens of American industries.

A recession is never a good time to try to get trade legislation through Congress. But the country is counting on rising exports to pull its economy into recovery.

THE WHITE HOUSE  
WASHINGTON

Canada Free Trade —

finished negotiations —  
Dec. 1987

submit legislation —  
July 1988

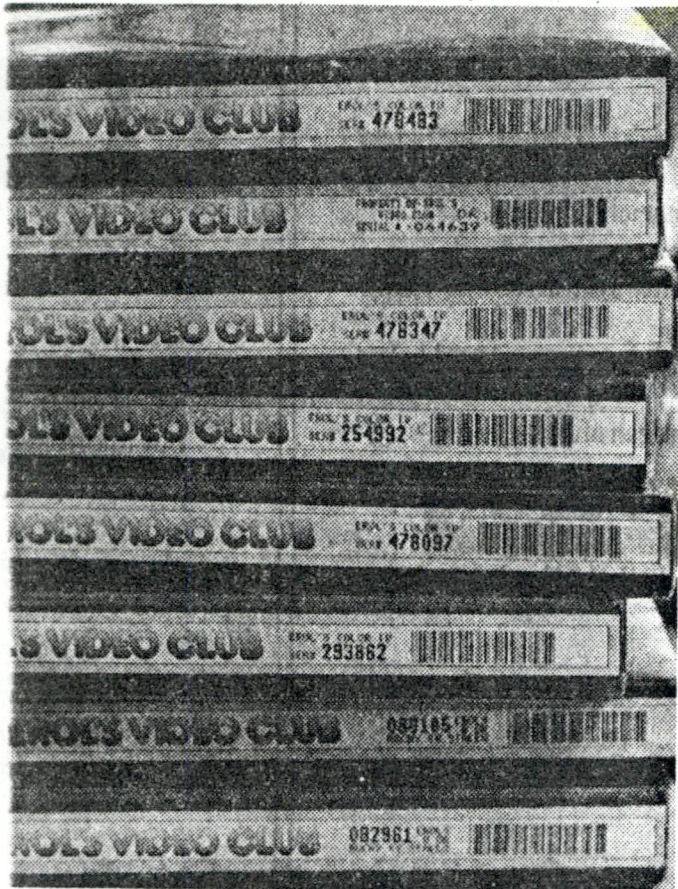
passed Aug + Sept. 1988  
90<sup>th</sup> Congress

ly would delay other as-  
plan.  
IC had not discussed any  
orrow money until earlier  
Gonzalez noted. Then the  
ted a plan to borrow \$15  
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kesman Alan Whitney said  
s gotten confused over the  
rowing plans and prom-

ised that FDIC Chairman L. William  
Seidman "will go to the hill and try to  
unconfuse the situation."  
He said the FDIC does not plan to  
borrow \$70 billion to pay for bank fail-  
ures, but has outlined borrowing plans  
that could provide that much money in  
case the nation should fall into a se-  
vere recession.  
Gonzalez said the banking commit-  
tee will begin hearings immediately af-  
ter the Easter break on FDIC financ-  
es, splitting that issue off from the  
300-page proposed rewrite of banking  
laws sent to Congress last week.  
"It would be a mistake for Congress  
See FDIC, B15, Col. 5

The dispute before the court in-  
volved a publishing company, Feist  
Publications Inc., that specializes in  
area-wide telephone directories. Feist  
asked the Rural Telephone  
Service Co., which operates in  
northwest Kansas, to purchase the  
right to use its local listings in com-  
piling its broader regional directory.  
Rural refused, but Feist used the  
information anyway, copying at least  
1,309 names, towns and telephone  
numbers of Rural subscribers. Rural  
then filed a copyright infringement  
suit.  
A basic principle of copyright law  
is that facts themselves cannot be  
copyrighted because they are not  
"original works of authorship." How-  
ever, compilations of facts can be  
copyrighted, under the 1976 copy-

practical effect to not meet that  
test.  
"It is not only unoriginal, it is prac-  
tically inevitable," O'Connor said of  
this arrangement. "This time-  
honored tradition does not possess  
the minimal creative spark required  
by the Copyright Act and the Consti-  
tution."  
O'Connor said a number of lower  
courts were wrong when they decid-  
ed compilations or other works were  
entitled to copyright protection by a  
"sweat of the brow" test in which the  
amount of effort that went into gath-  
ering the data is taken into account.  
Originality, not effort, is the  
"touchstone of copyright protection,"  
she said, noting that copyright "is  
not a tool by which a compilation au-  
See COPYRIGHT, B12, Col. 3



BY FRANK JOHNSTON—THE WASHINGTON POST

rol's name may not disappear from smaller outlets in the area.

## Gephardt: Safeguards Needed In Trade Pact With Mexico

By John Burgess  
Washington Post Staff Writer

House Majority Leader Richard A. Gephardt (D-Mo.) yesterday joined the chorus on Capitol Hill questioning President Bush's proposed free-trade pact with Mexico, saying he wanted safeguards against large numbers of American jobs moving across the border.

"My concern is that our trade negotiators keep uppermost in their mind the impact of this agreement on American jobs, American companies and American exports," Gephardt told reporters.

Gephardt said he also wanted provisions to aid displaced American workers and to assure that any American companies making the move would have to comply in Mexico with strict standards for pollution control, job safety and workers' rights.

Other influential members of Congress have already raised similar

questions about the pact, which would lower many trade and investment barriers between the two countries.

Combined with a similar free-trade agreement already signed with Canada, a pact with Mexico would move North America toward a single market of 360 million people with an annual output of about \$6 trillion.

The administration proposed the accord a year ago after concluding the Canada agreement. "We believe that by reducing trade barriers mutually that we will sponsor growth and jobs and economic development," U.S. Trade Representative Carla A. Hills told a gathering at the Brookings Institution on Tuesday.

Hills also said U.S. companies stand to increase exports to Mexico under such a pact. She cited tariff reductions and other reforms that Mexico has already made on its own as the reason U.S. exports to the

See GEPHARDT, B14, Col. 4

WP  
3/28/91

# Business for Hotel

ed out by the swamped government bureaucracy.

Poland's situation is similar to Hungary's. The Polish parliament is set to debate a land ownership law but no consensus has yet emerged on the extent of reprivatization or the type of compensation. Because a large portion of Polish farmland remained in private hands under communist rule, urban land is the key element.

In Germany, where the unification treaty set out procedures to deal with the problem of land claims stemming from the communist and Nazi eras, more than 1 million property claims have been filed and many investors are waiting for the courts to decide the issue.

In Bethesda-based Marriott's efforts to find a hotel site, the problem does not involve a pre-communist owner's claim for the building, but because the Budapest city council and the neighborhood council are squabbling over ownership rights, according to Juhasz and officials in the government and hotel industry, the winning council stands to gain a financial windfall, either from Marriott or perhaps from another bidder offering more money.

Juhasz said Technoimpex submitted a memorandum to city officials last year proposing the land purchase. He said the firm is trying to persuade the warring councils to come to terms over the Thomet House instead of waiting for a new land law from Parliament. He gives the deal a 50-50 chance of becoming a reality.

A Marriott spokeswoman in Bethesda refused to comment on the negotiations, saying only that the firm is "serious about development" of an approximately 500-room hotel in Hungary and is involved in talks. She re-

fused to confirm or deny the link with Technoimpex or the proposal to buy the Thomet House.

Even if an accord between the councils is worked out and Marriott buys the property, it would face another hurdle: the tenants. City officials say that under communist laws still in force, individual tenants cannot be evicted. They must be coaxed out of the building through compensation packages that could total \$500,000 or more for each tenant.

"It would cost a fortune," Juhasz admitted.

There's more. Like many buildings in Eastern Europe, the Thomet House's interior is in bad shape and virtually beyond hope for renovation. Juhasz said everything except the facade would be razed for construction of an entirely new building. That would take two to three years.

Marriott is not alone in trying to find a site in Hungary. About 15 major firms are "aggressively" searching for sites, according to Jeremy Holder, a director of the London-based International Hotel and Leisure Associates. Few have come close to striking a deal and one of the successful firms, Oberoi Hotels International, has mixed feelings.

Vijay Raina, a vice president of Oberoi, is unsure whether the firm would have embarked on its planned \$70 million acquisition of the Gresham Palace building if it had known how difficult the process would be. Even though it has received a green light from the city and neighborhood councils, Oberoi faces the daunting prospect of getting rid of the building's tenants.

"It has sapped a lot of our energy," he said.

But Raina, echoing many financial experts, said firms that turn their backs on Eastern Europe during these confusing, almost lawless days may lose a crucial opportunity. "The time to get in is now," he said. "It's tough to negotiate. But the cost of entry later will be much, much higher."

# Gephardt Calls for Safeguards

GEPHARDT, From B11

country rose from \$12 billion in 1986 to \$28 billion in 1990.

But some members of Congress and U.S. labor unions believe it would lead large numbers of American companies to shift production to Mexico, where workers earn as little as one-tenth what Americans in comparable jobs do.

Environmentalists have said that companies might go so as to avoid tougher U.S. standards for pollution.

Gephardt suggested that the treaty should be implemented over many years to soften the impact and should contain provisions that would allow the United States to back out if large numbers of jobs made the move.

In a letter to President Bush outlining his position, he also expressed concern that large numbers of Mexican workers might enter the U.S. labor market.



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# Mexico Becoming a Window of Opportunity for Central America

<sup>184/172</sup>  
 SAN JOSE, Costa Rica—Long known in Central America as a champion of the radical left and a strong advocate of big government, Mexico has made a full turn-about to become a promoter of free trade and private enterprise. This remarkable transformation, thanks to the policies of President Carlos Salinas de Gortari, has won praise from public officials as well as business leaders in the north. But little noticed has been Mexico's positive influence on the countries south of its border. The nations of Central America today seek Mexico's advice and cooperation in their own transitions to more open economies. And one stimulus to such discussions is Mexico's push for a free-trade zone with Central America.

Two weeks ago, Costa Rican President Rafael Angel Calderon went to Mexico—his

## The Americas

By Jaime Daremblum

second visit this year—to conclude a wide range of agreements that will eliminate some trade barriers to Costa Rican goods, increase air and land transportation between the two countries and encourage Mexican firms to invest in Costa Rica. One major Mexican financial organization—Serfin—already announced plans to open a bank in San Jose, and a group of prominent Mexican executives will come to Costa Rica in June to define investment plans. Mr. Calderon also obtained from his host promises of support for programs designed to assist industries in becoming more competitive and to cope with decreasing levels of protection.

President Calderon has not been the only Central American head of state trying to enhance economic ties with Mexico. In mid-January, Mr. Salinas invited Mr. Calderon and the presidents of Guatemala,

Honduras, El Salvador and Nicaragua to meet during two days in Tuxtla Gutierrez, the capital of the Mexican state of Chiapas. The summit produced a new arrangement concerning the payment of Mexican oil and formalized the plan for a free-trade zone with the Isthmus.

Mexico and Venezuela are the main providers of petroleum to Central America. (Oil imports of the five nations totaled some \$400 million last year.) Pursuant to the 1980 Pact of San Jose, importing nations pay 20% of their bill in local currency into their own central banks and use such funds in development projects. From now on, according to the new Chiapas declaration, Mexico and Venezuela will apply the remaining 80% to finance regional projects through the Interamerican Development Bank. In addition, if international oil prices exceed \$27 a barrel, the percentage kept by each country in local currency will increase to 30%.

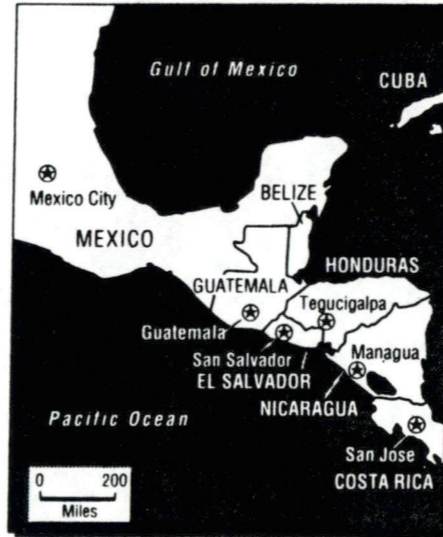
More important, the presidents also committed to create a free-trade zone by the end of 1996, possibly extending to Colombia and Venezuela. This is to be accomplished through a gradual reduction of tariffs, accompanied by measures to eliminate domestic subsidies and other unfair practices. Mexico's tariffs top off at about 20%, compared with a 40% average top rate in Central America, a substantial difference that should cushion the shock of competition for protected industries.

Although trade with Mexico has been relatively modest so far, the planned commercial integration holds a huge potential for Central America. Currently, Central American imports from Mexico consist mostly of oil, and exports to that country are largely foodstuffs and some finished products. Costa Rica, for instance, last year imported \$100 million of goods—half of it oil—and exported to Mexico only \$15 million worth, a third of which were foodstuffs.

As could be expected, the lowering of

protection faces resistance from the region's industrialists who are accustomed to protective barriers. Local producers would prefer duty-free access to foreign markets—as provided by the U.S. Caribbean Basin Initiative—while enjoying tariff protection at home. However, all but the most rigid protectionists seem to understand that the price to be paid for falling trade barriers is more than offset by the opportunities of entering the global economy.

The views of Samuel Yankelewitz, president of the Costa Rican Chamber of Indus-



try, are typical. He expresses concern about "Costa Rican producers becoming overdependent on Mexican suppliers of raw materials." However, he anticipates that the elimination of barriers is bound to stimulate Central American exports, particularly agricultural ones, for which there is increasing demand in Mexico. In addition, investment facilities may encourage Mexican firms to establish operations in Central America.

Central American nations would love to expand open export markets beyond Mex-

ico. But we must be realistic. For example, while Costa Rica has taken the lead in signing a framework agreement with Washington, protectionist pressures on Capitol Hill and existing limitations might not be so easy to overcome. Moreover, as a top U.S. diplomat told an audience here recently, Costa Rica and other small nations will have "to queue up" in order to negotiate a lengthy process in which the larger Latin American countries will, no doubt, take precedence. The new trade arrangements with Mexico will be much faster and less difficult to achieve than bilateral agreements with the U.S. under the Bush initiative.

Of course, by itself access to larger markets does not guarantee expanded exports or sustained economic growth. To succeed in the new international environment, local entrepreneurs must be unshackled from oversized state bureaucracies, red tape and high taxes. Costa Rica and its neighbors have pursued programs in conjunction with the International Monetary Fund and the World Bank meant to balance their governments' accounts. But little can be achieved in this regard if, at the same time, taxes are raised to wash away mounting government expenses and fiscal deficits.

Mexico's current revolution goes far beyond foreign trade. It involves a wide and unprecedented liberalization of the economy. Undoubtedly, it has a long stretch ahead, and its economic liberalization still needs to be coupled with a more determined commitment to political democracy. But the dynamic is right, and it just may help to pull prospective Central American commercial partners in the direction of open markets.

*Mr. Daremblum is a Costa Rican business lawyer and a columnist for La Nación newspaper.*

# Concerns Raised on Mexican Trade

184/53/20  
By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, Feb. 20 — The United States trade representative, Carla A. Hills, today ran into a fusillade of hostile questions at a House Ways and Means Committee hearing on a projected free trade agreement with Mexico, signaling a tough battle ahead in selling an accord to Congress.

The principal concerns were about weaker Mexican environmental rules and lower Mexican wages that under free trade conditions, several lawmakers said, might erode standards in this country.

Representative Donald J. Pease, a Democrat representing an industrial area outside of Cleveland, said he feared the agreement would cause factory wages to slide in his district

as companies struggled to meet the low-wage Mexican competition.

Representative Frank J. Guarini, Democrat of Jersey City, said Mexico had a "lax track record" in enforcement of environmental regulations and that as a result more American companies might move south of the border to cut regulatory and other costs.

While expressing their concerns, many of the lawmakers still voiced general support for the free trade idea. As Representative Richard T. Schulze, Republican of Pennsylvania, put it: "While I have said at this early stage that I support a U.S.-Mexico Free Trade Agreement, I cannot stress enough that my support is not unconditional."

Sam Gibbons, Democrat of Florida, chairman of the Ways and Means Committee's Trade subcommittee, told Mrs. Hills that despite the antagonistic questioning, "I think you

will have successful negotiations."

A number of other concerns, involving items ranging from steel and beer to fruits and vegetables, were highlighted as the committee, which has jurisdiction over trade matters in the House, held its first hearing on President Bush's request for authority to negotiate a trade agreement with Mexico.

## North American Trade Zone

The goal is a comprehensive North American trade agreement linking 360 million people who produce \$6 trillion of goods and services a year in what would become the largest free trade zone in the world. Canada would participate in the negotiations, which could lead to certain modifications — what officials are calling "enhancements" — in its two-year-old free trade agreement with the United States.

Provided the Bush Administration gets the authority to negotiate a pact that would be submitted to Congress for approval or disapproval without amendments, the United States would start talks with Mexico in June and expects to wind them up by the end of the year.

Mrs. Hills, who spent nearly four hours fielding questions at the packed hearing, said those who do not support freer exchanges with Mexico view trade as a "zero sum game" and did not take into account mutually reinforced growth that would make both Mexico and the United States more prosperous.

## 'Win-Win Situation'

"Reduced barriers will improve the efficiency and productivity of U.S. and Mexican industry and enhance their competitiveness in international markets," she stressed, calling a free trade agreement a "win-win situation."

She strongly disputed assertions that jobs would be lost or standards slide in the United States as a result of a trade agreement.

A number of Government studies, including ones published by the Labor Department and the International Trade Commission, have projected overall benefits for the economy.

On the question of environmental standards, she said environmental issues might needlessly complicate an agreement about lowering tariffs and other trade matters, but stressed that the Administration still "wants to insure that Mexico does as much as is humanly possible to protect the environment."

She pointed to commitments on environmental improvement made by President Carlos Salinas de Gortari of Mexico, including a requirement that all new cars be equipped with catalytic converters this year, and noted that the Environmental Protection Agency was already assisting the Mexicans with their environmental programs.

*Carla Hills arguments*