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Grant/Dooley
March 28, 1991
A:Mextrade / Draft one

PRESIDENTIAL REMARKS: HISPANIC TRADE BREAKFAST
THE HOUSTONIAN
DATE? TIME?

((Acknowledgements))

Good morning. Last month, I had the pleasure of meeting with the national leadership of the Hispanic Alliance for Free Trade, one of our most important allies in the upcoming fights for free and fair trade. I said that day that the hard work of freedom awaits us -- the task of building a better America and a better world. Today, I've come to ask your help in that challenge. Side-by-side, shoulder-to-shoulder, we can open new markets, create new jobs, and bring new business opportunities to all Americans.

Here's how: The North American Free Trade Agreement. With it, we have the chance to expand opportunity and economic growth from the Yukon the the Yucatan. A free trade agreement with Canada, our largest trading partner, and Mexico, our third largest partner, will create the **largest, richest market in the world.** Think about it: 360 million consumers and $6 trillion annual output.

And think about the benefits: more and better jobs for U.S. workers; lower prices and higher quality for consumers; reduced pressure to immigrate across the border; more competitive U.S.-made products; increased productivity and a higher standard of

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

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Good morning. ~~Last month, I had the pleasure of meeting with the national leadership of the Hispanic Alliance for Free Trade, one of our most important allies in the upcoming fights for free and fair trade.~~ I said that day that the hard work of freedom awaits us -- the task of building a better America and a better world. Today, I've come to ask your help in that challenge. Side-by-side, shoulder-to-shoulder, we can open new markets, create new jobs, and bring new business opportunities to all Americans. ① Fast track

Here's how: The North American Free Trade Agreement. With it, we have the chance to expand opportunity and economic growth from the Yukon the the Yucatan. A free trade agreement with Canada, our largest trading partner, and Mexico, our third largest partner, will create the **largest, richest market in the world.** Think about it: 360 million consumers and $6 trillion annual output.

And think about the benefits: more and better jobs for U.S. workers; lower prices and higher quality for consumers; reduced pressure to immigrate across the border; more competitive U.S.-made products; increased productivity and a higher standard of

living throughout North America. Like any good business deal, with this agreement, **everybody wins.**

Let me tell you why. We already have a trade surplus with Mexico -- now standing at $28 billion. Four years ago we had a $91 million deficit with Mexico in textiles and apparel trade. But ever since then, when Mexico unilaterally began slashing its tariff rates from 100 percent to roughly 10 percent, our exports to Mexico have doubled. That meant economic growth for us -- in fact, last year the nearly 8.5 percent growth in exports generated 88 percent of our total economic growth. And it meant a higher standard of living, more jobs and higher wages for them. And I don't have to tell anyone in this room that Mexico is a hugely expanding market of 80 million consumers who want to buy our goods. And I don't have to tell anyone that <u>both</u> countries are interested in creating jobs and opportunities.

Unfortunately, we have a tough fight ahead on this. In fact, 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."** ///

<u>I couldn't agree more</u>.

Let's start by looking at the impact on American jobs. It's a fact: the doubling of U.S. exports to Mexico over the last four years created no less than <u>320,000 U.S. jobs</u> -- right here, in America. We estimate that each additional $1 billion of U.S. exports will mean more than <u>20,000 new U.S. jobs</u> -- higher-

paying, more skilled jobs than before. As exports continue to grow, American businesses will enjoy more opportunities for sales, improved efficiencies and a more competitive edge in the global marketplace. As these changes occur, adjustments will have to be made. But these potential losses will be offset by the many more new jobs created in the capital equipment, high tech, and food processing industries.

And let's take a look at the impact on American companies. The barriers are broken down to the flow of goods, services, and investment, a broad spectrum of businesses, workers, farmers and consumers in both countries stand to gain. Take a look at the (examples from USTR)

And finally, **American exports.** We've already seen our exports double when Mexican tariffs dropped to 10 percent. The Free Trade Agreement would eliminate those tariffs entirely. And we've already seen the economic growth in this country when our exports to Mexico jumped from $12 billion to $28 billion in four years. **Increased exports are the fuel for the job creation machine which will pull our economy out of this recession.**

But that bright future of economic growth is in jeopardy. Last month, I sent up to the Congress our request for extension of our "fast track" authority in trade negotiations. Through this mechanism, Congress has made sure that the President went to the table equipped with the same bargaining powers as our foreign counterparts: the ability to ensure that an agreement reached at the table would be the same on voted on at home. But as Carla

Hills has said, fast track is neither -- it's not fast, and it's not on a sure track. It simply enables Congress to vote up-or-down on a completed trade agreement within a reasonable period of time. We need fast track now to pursue vital trade agreements -- not only the North American Free Trade Agreement, but also the Uruguay Round and the Enterprise for the Americas Initiative. **To vote against fast track is to vote against trade. Against ourselves. Against our neighbors.**

Those who oppose fast track are doing so because they are concerned about a variety of issues outside the realm of trade negotiations -- labor issues, environmental, health and safety concerns. So are we. Right now, the Administration is working on a step-by-step action plan to meet these challenges. Our representatives at the table are preparing to negotiate a series of agreements addressing these concerns concurrent to our talks on the trade pact. **But voting against fast track means those talks are over before they've even begun.**

We want to work with Mexico to ensure the cleanest, safest working and living conditions for all our people. It's a fact that development brings with it safer workplaces, social stability, and most importantly, **a cleaner environment.** This Administration wants to ensure that Mexican economic growth goes hand in hand with environmental protection -- and so our E.P.A. is already assisting the Mexican government with its environmental programs, and both Ambassador Hills and EPA Administrator Reilly have been meeting with U.S. environmental

groups to discuss their concerns. And President Salinas has shown he means business -- by requiring all new cars to have catalytic converters; and just last week, shutting down Mexico's largest oil refinery for pollution violations.

We're concerned as well about the low wages Mexican workers earn compared to U.S. workers. But Mexican wage rates have begun to rise very quickly during last few years. That's because economic growth demands greater efficiency. And where's there's more efficiency, there's more product -- which means one thing: higher wages. The trade surplus has caused Mexican wages to rise, but American wages have not fallen one penny -- as some critics feared. And as productivity in both countries increases, so will wages -- in both countries.

More businesses, more jobs and more take-home pay. When these are available, talented people usually stick around. But 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. By encouraging investment, creating employment and lifting wages, we're offering people the incentive to build homes, set down some roots, and build lives for themselves and their families together in their native land. A stronger Mexico, in turn, means a stronger United States, and a stronger North American alliance.

And so you see, we have much to gain from extending fast track -- a new era of open, free and fair trade, a future of unpredented economic growth for all Americans, lasting regional

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PRESIDENTIAL REMARKS: HISPANIC TRADE BREAKFAST
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I. The NAFTA
A. Mexico is our third largest trading partner; Canada #1. Creation of NAFTA will create **largest, richest market in the world** with 360 million consumers and $6 trillion annual output.

B. **Implications:**
- US made products will be more competitive at home and globally
- more and better jobs for US workers
- increased productivity throughout NA
- reduced migration pressures
- benefits for consumers throughout NA
- increased standard of living for all

II. Free trade with Mexico
A. **Trade surplus:** Since 1986, when Mexico joined the GATT, it unilaterally reduced its tariff protections from 100 percent to roughly 10 percent, U.S. exports to Mexico have roughly doubled. Four years ago, we had $91 million deficit in textiles and apparel trade with Mexico; now it's a surplus.

B. **Results of surplus are US econ growth** + Mexico ↑ standard of living etc
In 1990, the rate of growth of US 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.

C. **A no-lose proposition:** I don't have to tell anyone in this room that Mexico is a hugely expanding market. 80 million people getting richer by the minute who want to buy our goods. Win-win for us.

III. **Answering the critics:**
Yet the same people who say that on one hand, we'll lose jobs to Japan because of trade deficit also say that on the other hand, we'll lose jobs to Mexico because of trade surplus. (Sounds like they could use a hand)

Gephardt: "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." Okay, let's take a look ...

American jobs : ~~High tech answer~~; U.S producers and workers will benefit from FTA through increased sales opps, improved efficiencies and stengthened competitiveness re: Asia and EC. ~~U.S. consumers will enjoy more access to lower cost, high quality goods.~~ The doubling of US exports created 320,000 US jobs. Each

living throughout North America. Like any good business deal, with this agreement, everybody wins.

Let me tell you why. We already have a trade surplus with Mexico -- (figure). Four years ago we had a $91 million deficit with Mexico in textiles and apparel trade. But ever since then, when Mexico unilaterally began slashing its tariff rates from 100 percent to roughly 10 percent, our exports to Mexico have doubled. That meant economic growth for us -- in fact, last year the nearly 8.5 percent growth in exports generated 88 percent of our total economic growth. And it meant a higher standard of living, more jobs and higher wages for them. And I don't have to tell anyone in this room that Mexico is a hugely expanding market of 80 million consumers who want to buy our goods. And I don't have to tell anyone that <u>both</u> countries are interested in creating jobs.

Yet there are some people who say that on one hand, we'll lose jobs to <u>Mexico</u> because of our trade <u>surplus</u>; yet, on the other hand, they also say we'll lose jobs to <u>Japan</u> because of our trade <u>deficit</u>. ~~(Sounds like they could use a hand)~~

In fact, 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

Alright -- let's start by taking a look at the impact on American jobs. It's a fact: the doubling of U.S. exports to Mexico over the last four years created no less than <u>320,000 U.S.</u>

jobs -- right here, in America. We estimate that each additional $1 billion of U.S. exports will mean more than 20,000 new U.S. jobs -- higher-paying, more skilled jobs than before. As exports continue to grow, American businesses will enjoy more opportunities for sales, improved efficiencies and a more competitive edge in the global marketplace. As these changes occur, sure, some jobs will be lost. But these potential losses will be offset by the many more new jobs created in the capital equipment, high tech, and food processing industries.

And let's take a look at the impact on American companies. The barriers are broken down to the flow of goods, services, and investment, a broad spectrum of businesses, workers, farmers and consumers in both countries stand to gain. Take a look at the (examples from USTR)

And finally, **American exports.** We've already seen our exports double when Mexican tariffs dropped to 10 percent. The Free Trade Agreement would eliminate those tariffs entirely. And we've already seen the economic growth in this country when our exports to Mexico jumped from $12 billion to $28 billion in four years. **Increased exports are the fuel for the job creation machine which will pull our economy out of this recession.**

But that bright future of economic growth is in jeopardy.

Grant/Dooley
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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 ~~to~~ for 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~~ negotiators 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. <u>We lose trade</u>.** 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 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 opportunites 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 <u>open</u>, <u>free</u> and <u>fair trade</u> -- 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.

# # #

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

- 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.

- 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.

- 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.

- 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.

- 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

- 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.

- 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.

- 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, 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.

- 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.

- 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.

- 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.

- 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.

<u>The Congress is an Essential Part of the Fast Track Process</u>

- Fast track procedures preserve the role of the Congress during the negotiation, approval, and implementation of trade agreements.

- 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.

- 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.

- 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.

- 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

- 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.

- 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.

- 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

- 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.

- 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.

- 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.

- 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.

- Simply put, a vote against fast track is a vote against trade.

Continuing Fast Track is Essential to Securing Economic Gains

- 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.

- 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.

- 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.

- 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.

- 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

- 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.

- 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.

- 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.

- 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).

- 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

- 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.

- 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.

- 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

- 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.

- 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.

- 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

- 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.

- 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

- 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.

- 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.

- 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.

- 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

- Economic analyses show that a NAFTA will have a positive impact on the U.S. economy and U.S. employment.

- 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.

- U.S. consumers will enjoy increased access to lower cost, higher quality products.

A NAFTA Strengthens the Broader North American Relationship

- A NAFTA would help cement the extensive historical, familial, cultural, and language links the United States has with both Mexico and Canada.

- More prosperous neighbors are better neighbors and better customers for U.S. goods and services.

- 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.

# # #

Armstrong

WILLIAM W. ADAMS
CHAIRMAN OF THE BOARD
PRESIDENT

March 15, 1991

Miss Barbara H. Franklin
President
Franklin Associates
Suite 506
2600 Virginia Avenue, N.W.
Washington, DC 20037

Dear Barbara:

I'm replying to your March 14 letter, on the aspects of a North American Free Trade Agreement. We presently have only modest interests in Mexico, so we cannot comment intelligently on the second and third questions from Ambassador Hills.

Last year, we entered into a joint venture agreement in Mexico which will create jobs in the United States. We acquired a significant interest in a ceramic floor tile manufacturing plant owned by Interceramica S.A. That plant is the cornerstone of a plan to expand our ceramic tile flooring business, under both the American Olean and Armstrong brand names. The product lines from that plant will enable us to expand distribution and sales of all our ceramic floor tile plants -- in Lansdale and Quakertown, Pennsylvania; Jackson, Tennessee; and Fayette, Alabama. Further, the joint venture plant (in Chihuahua) has technology which can be employed in our U.S. plants.

Of particular significance is the fact that about 50% of ceramic wall and floor tile sold in the United States is imported (including that which comes from Mexico). As has been the case for years with Dal Tile, one of our principal competitors, our Mexican manufacturing arm will enable our U.S. plants to compete against imports from Europe and Asia.

As you know, we support the President's "Fast-Track initiative." We were part of a Business Roundtable group that met with various members of the House and Senate last week to urge them not to interfere with the Fast-Track Authority.

Sincerely,

Bill

ECK

WASH.POST:03-13-91

Administration Urged to Widen Mexican Free-Trade Proposal

53
184

By Stuart Auerbach
Washington Post Staff Writer

House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.) warned U.S. Trade Representative Carla Hills yesterday that any U.S.-Mexico free-trade agreement faces congressional defeat unless it deals with problems ranging from drugs to the environment, issues not usually part of trade pacts.

Other members of the committee said that labor-generated opposition to a Mexican agreement could frustrate another of President Bush's economic efforts, the successful conclusion of the Uruguay Round of global trade talks. They suggested that the administration separate its request for special amendment-free consideration of the two trade pacts to save the global trade talks. Hills rejected the idea.

The United States, Mexico and Canada are preparing to begin negotiations on an agreement that would remove barriers to trade and investment throughout the three countries. The persistent questioning of Hills yesterday by Republicans and Democrats alike reflected widespread concerns in Congress, fed by the AFL-CIO, that a free-trade pact with Mexico would lead to a flight of U.S. manufacturing jobs south of the border.

"There are a lot of opponents to the Mexican free-trade agreement on the floor of the House, more than on the Ways and Means Committee," Rep. Robert T. Matsui (D-Calif.) told Hills.

Rostenkowski and Senate Finance Committee Chairman Lloyd Bentsen (D-Tex.) wrote Hills saying lawmakers want any Mexican pact to include provisions on labor's rights to organize workers, on health and safety standards in the workplace and on environmental laws. Rep. Charles B. Rangel (D-N.Y.) added greater Mexican drug enforcement efforts to that list.

Hills, who opposes broadening the free-trade talks into non-trade areas, told the committee yesterday that Mexico already has appropriate laws but often falls short in enforcing them.

To meet congressional concerns, the administration is likely to try to negotiate a series of agreements with Mexico covering labor, environmental and health and safety issues to be presented in tandem with the trade pact, administration officials said.

U.S. TIES SUMMIT TO TREATY

Vowing not to attend a superpower summit just to bolster the beleaguered government of President Gorbachev, the White House is demanding the Kremlin start complying with a conventional treaty before a meeting is held.

But top White House, Pentagon and State Department officials now believe Gorbachev cannot shake Soviet military objections to treaty compliance, possibly dooming the next summit scheduled in June.

"There 's a lot of concern about what's happening. There's a lot of uncertainty," said a senior Bush administration official. Another official expressed concern that the Soviet military is taking control of foreign affairs and arms control from the Foreign Ministry....

A senior Pentagon official said it is unlikely that treaty violations by the Soviet Union will be explained and cleared up in time to organize a summit.

"But there is still hope. It's hard to gauge," said a Bush administration official. **(Paul Bedard, Washington Times, A1)**

COMMERCE CHIEF DEFENDS JAPAN TRADE EXPANSION PROGRAM

Commerce Secretary Mosbacher defended Thursday an export expansion program with Japan even though he acknowledged that the 20 U.S. firms selected to accompany him there next week may get a competitive edge over 108 firms not chosen.

In a meeting with reporters, Mosbacher said the Commerce Department's Japan Corporate Program would be "good for exports" and could help open the door for other U.S. companies to sell more goods to Japan...

Asked if the 20 businesses making the trip might get special attention and treatment from the Japanese in their bid to sell more products there, Mosbacher said "starting out, yes."...

Mosbacher said whatever increased exports to Japan result from these meetings could open up the trading door a bit more and make it easier for other companies to sell goods to the reluctant Japanese. **(Bud Newman, UPI)**

BENTSEN SAYS ADMINISTRATION SHOULD ANSWER QUESTIONS ON MEXICAN PACT

Sen. Bentsen says the Bush administration could boost congressional support for a free trade agreement with Mexico by explaining how it will deal with labor and environmental concerns.

Bentsen has asked President Bush to outline May 1 how he would address disparities in wages and environmental regulations between the two countries during negotiations to lift trade barriers throughout North America....

Asked Thursday whether he thought the administration was doing a good job lobbying Congress to extend the fast-track, Bentsen said: "They'll have done a better job when they answer some of the questions I've asked them." He supports the extension.

(Jennifer Dixon, AP)

2 GAZA ARABS DIE AND A JEW IS STABBED

JERUSALEM -- Two Palestinians were shot and killed by Israeli troops in the Gaza Strip Thursday, and one elderly Jew was stabbed and wounded by a Palestinian in Jerusalem's Old City....

While Israelis want to know what move Washington might make next [to advance peace in the region], the continuing violence in Israel and the occupied territories is probably having a more dramatic and detrimental effect on the chances for peace than any plans that might come from the State Department.

With seven Jews killed and 11 wounded in attacks by Palestinians since early March, already the Gulf war and the bright moments afterward when all things seem possible now seem only a dim memory to many people here.

(Joel Brinkley, New York Times, A3)

ISRAELIS KILL THREE BORDER CROSSERS

JERUSALEM -- Three unarmed Arabs crossed the border from Jordan into Israel early Friday and were shot dead by Israeli soldiers, the army said.

The three young unidentified males, believed to be about 20, 15 and 12 years old, crossed the border just north of Jericho shortly after midnight....

"They were suspicious people. You can't always tell right away whether they have arms or not," said an Israeli official, who asked not to be identified. "The soldiers acted according to procedure."

(UPI)

FRANCE TO HELP HUSSEIN END JORDAN'S DIPLOMATIC ISOLATION

PARIS -- French leaders planned talks on the Middle East Friday with King Hussein of Jordan, easing his diplomatic isolation and underlining strong links between Paris and Amman that survived the Gulf war....

King Hussein will meet President Mitterrand, Prime Minister Rocard, Foreign Minister Dumas and Defense Minister Joxe....

Mitterrand's spokesman Hubert Vedrine said Thursday that the French leader "attached great importance to King Hussein's analysis of the current situation and to the important role of Jordan in the coming weeks and months."

"It will be much easier to improve relations with the West, who know Jordan's geopolitical importance, than with the Arab countries," said one Jordanian government source....

"The only chance we have is to make peace with the Israelis," another government source in Amman said.

(Douglas Hamilton, Reuter)

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3RD STORY of Level 1 printed in FULL format.

Proprietary to the United Press International 1991

March 27, 1991, Wednesday, BC cycle

SECTION: Washington News

LENGTH: 510 words

HEADLINE: Gephardt may not support free trade pact

BYLINE: BY BUD NEWMAN UPI Business Writer

DATELINE: WASHINGTON

KEYWORD: FREETRADE

BODY:

House Democratic leader Richard Gephardt of Missouri said Wednesday he would not support creating a North American Free Trade Zone unless it protects American jobs, the environment and defends Mexican worker rights.

At a news conference, Gephardt released a letter he sent to President Bush, who had solicited Gephardt's backing for the free trade agreement that would involve Mexico, Canada and the United States.

Congress will decide shortly whether to give Bush the authority to extend for two years the ''fast track'' authority he wants to negotiate an agreement.

The proposed U.S.- Mexican Free Trade Zone would allow American companies to move part of their operations to Mexico to help control manufacturing costs. While such moves would cut the price of U.S. products on the world market and help spur the Mexican economy, they also would cost U.S. jobs.

''I am prepared to lend my full support to a North American Free Trade Zone if the agreement fights for American jobs and exports, preserves the world's environment and defends the rights of Mexican workers,'' Gephardt wrote to Bush.

''As one who cares deeply about the effect of trade policies on working Americans, my concern is that our trade negotiators keep uppermost in their minds the impact of this agreement on American jobs, American companies and American exports.

''Therefore, my support for the administration's proposed North American Free Trade area is contingent upon the inclusion of assurances that American jobs will not be lost in droves,'' he wrote.

He said he wanted to support an agreement, ''but I will not support one at the price of dozens of American companies leaving, thousands of American jobs lost and millions of American dreams deferred.''

With the opening of baseball season early next month in mind, Gephardt told reporters that ''a bad deal is far worse than no deal at all.''

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''While I think the right kind of free trade agreement with Mexico and Canada will be good for America and the rest of the world, I am equally concerned that reaching any agreement for the sake of reaching an agreement may produce the worst deal since the (Boston) Red Sox traded Babe Ruth'' to the New York Yankees, Gephardt said.

He said any free trade agreement with Mexico ''must contain provisions that will stem any hemorrhage of American jobs across the border.''

He said he asked Bush to go beyond normal trade issues, like tariffs and other restrictions, during the negotiations and discuss issues like wage disparity, environmental protection and worker rights.

''Neither Mexico nor Canada nor America would be benefited by a system that benignly looked on massive air pollution, poisonout pesticides and child labor as 'comparative advantages,''' Gephardt said. ''And I cannot imagine that Congress would approve any agreement that did.''

Gephardt, long a key congressional player on trade issues, is designated under the law to introduce implementing legislation for a possible U.S.- Mexico free trade agreement.

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13TH STORY of Level 1 printed in FULL format.

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March 13, 1991, Wednesday, Final Edition

SECTION: FINANCIAL; PAGE C3; DAVID WARSH

LENGTH: 861 words

HEADLINE: Democrats Should Reflect on Their Gulf Position When It Comes to Trade Stance

SERIES: Occasional

BYLINE: DAVID WARSH

BODY:

Might the Democrats now shoot themselves in the other foot? Having badly embarrassed themselves by systematically opposing President Bush over the Persian Gulf War on the grounds that "he's too heavy even if he is my brother," there are abundant signs that many congressional leaders may attempt to sabotage the rekindled General Agreement on Tariffs and Trade talks, derail free-trade talks with Mexico, even boost a trade war with Japan.

Unless they quickly disentangle these goals and abandon most of them, the results will likely be the same as in the run-up to the gulf war: failure and humiliation. Granted, opposition to GATT will never stir the emotions of the electorate the way the war did. Still, it is serious business. Note that this time the situation is just the opposite -- George Bush wants to stay at home and make nice, while the Democrats want to do the bashing.

Sen. Lloyd Bentsen (D-Tex.) introduced a bill last week to toughen U.S. trade policy against Germany and Japan; Rep. Richard Gephardt (D-Mo.) is preparing to ride herd on negotiations over the Mexican free-trade agreement; environmentalists are lining up against the bill.

You remember the Uruguay Round. American insistence on major European Community concessions in agriculture brought the talks to a halt in December. Since then, the Europeans have blinked a bit. Now the talks are going full steam again, and the potential gains are as great as ever: new rules on trade in services and high-technology goods from developing countries in return for less-subsidized competition in food products from the industrial giants.

But to do the trade deal, the administration must prevent Congress from rescinding its "fast-track" authority, under which Congress must vote on the highly complex deal the negotiators contrive, rather than debating each provision, dooming it to death by a thousand cuts. The administration last week formally requested a two-year extension of that authority.

Many in Congress are expected to try to fight the request. Sen. Max Baucus (D-Mont.), chairman of the trade subcommittee of the Senate Finance Committee, estimated earlier this month that there might be 35 to 40 confirmed votes against Bush, another 40 committed to him and some 20 to 25 votes still on the fence. The labor movement and the textile industry are leading the fight.

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Meanwhile, the Japanese are bracing themselves for what they fear will be another wave of resentment from the Congress in the wake of Japanese foot-dragging on the gulf war. Indeed, the great ground swell of Japanese opinion against getting involved was reflected in its politics: The Liberal Democrats couldn't get their bill for $ 9 billion in aid past the Diet until a week after the war ended. A poll showed that only 31 percent of Japanese favored making the contribution; 49 percent opposed altogether the use of force by the United Nations.

The result is that several years of jabber about Japan assuming a new global role has gone down the drain. The Japanese have embarked on a new round of soul-searching and Bush has politely thanked them for their help. But the Japan-bashers are once again a rising chorus, especially with a slowing Japanese economy.

Formally opening the Mexican border to trade might touch off an unprecedented migration of firms and jobs south -- not just American firms, but Japanese and other Asian nations looking for an easy point of entry to the American free-trade zone.

"We're talking about some truly major trade distortions in the case of the Mexican-American border," says Jagdish Bhagwati, an economist at Columbia University. "We are talking about 50-cent-an-hour wages compared with $ 12 or so up here. The closest thing to this with which we have any experience was when Spain and Portugal joined the European Community, and that was a differential in wages of 1 to 4, not 1 to 25. I can understand a lot of the worry about what might happen."

Can the Democrats disentangle their ability to torpedo the fast-track authority over Mexico from that which governs GATT? It isn't clear, though insiders last week were betting that they could. Torpedoing GATT would surely be another major blow to the Democratic Party's reputation as an internationalist organization capable of leading America among other nations.

The administration may even be able to paint opposition to its trade bill with Mexico as a bid to reverse all the remarkable economic liberalization in Latin America during the 1980s -- but it's less likely they'll succeed completely here. The greater likelihood instead is that the administration can be forced to give Congress a major voice in its negotiations with Mexico.

So once again the trail leads to Rep. Dan Rostenkowski's House Ways and Means Committee, where trade leadership is vested in the House. Once again the big man's got a heavy load on his shoulders. For if the Democrats follow their mistake on Saddam Hussein with another one on trade, they probably won't see the White House again until they've lost their majorities in the Senate -- and conceivably even the House.

David Warsh is a columnist for the Boston Globe.

TYPE: COLUMN

SUBJECT: INTERNATIONAL TRADE; TRADE REGULATION; INTERNATIONAL ECONOMIC POLICY; U.S. CONGRESS; POLITICAL PARTIES

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17TH STORY of Level 1 printed in FULL format.

The Associated Press

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February 27, 1991, Wednesday, PM cycle

SECTION: Business News

LENGTH: 422 words

HEADLINE: President to Seek Extension of Fast-Track Negotiating Authority

BYLINE: By JENNIFER DIXON, Associated Press Writer

DATELINE: WASHINGTON

KEYWORD: Free Trade

BODY:

President Bush says he will seek a two-year extension in "fast-track" trade negotiating authority, setting the stage for the administration's first battle with Congress over a free-trade agreement with Mexico.

Congressional leaders said the president told them Tuesday that later this week he will request authority to conduct trade negotiations not subject to amendment by Congress. He gets the authority automatically unless either the House or Senate votes by June 1 to deny the authority.

Bush is expected to use the fast-track authority to negotiate a North American free trade agreement with Mexico and Canada, and to continue international trade negotiations under the Uruguay Round of the General Agreement on Tariffs and Trade.

Sen. Lloyd Bentsen, D-Texas, chairman of the Senate Finance Committee, predicted the administration will have a fight on its hands as it seeks the fast-track extension.

Bentsen said supports the extension, but cautioned that the administration and Congress should agree on some of the goals of the negotiations.

"We have to keep in mind concerns about the environment. With wages one-seventh of ours, we want to be sure we're going to wind up with a net increase in jobs," he said.

"I think we'll certainly consider it very carefully," House Speaker Thomas S. Foley, D-Wash., said of the extension. "I think there is some interest in having some assurances from the administration on some of the subjects that'll be included in the negotiation.

"In general, I think the administration seems willing to try to find an agreement on the negotiating pattern in order to move forward on the fast-track," Foley told reporters.

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The Associated Press, February 27, 1991

Concerns are being raised in Congress that a U.S.- Mexico free trade agreement would cause massive job losses here and serious environmental problems in Mexico as U.S. industries move south of the border, lured by cheap wages and lax pollution standards.

The domestic fruit and vegetable industry is also concerned about competition from Mexican produce, and on Monday, the National Knitwear & Sportswear Association urged Congress to deny the president fast-track authority.

Last week, Rep. Dante B. Fascell, chairman of the House Foreign Affairs Committee, urged the president to put environmental and worker safety issues on the negotiating table.

Fascell, D-Fla., said he was concerned about "unequal levels of government intervention in agriculture," including environmental regulations, restrictions on the use of pesticides and worker health and safety.

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The Associated Press

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February 7, 1991, Thursday, PM cycle

SECTION: Business News

LENGTH: 627 words

HEADLINE: Labor, Businesses Clash Over U.S.- Mexico Free Trade Agreement

BYLINE: By JENNIFER DIXON, Associated Press Writer

DATELINE: WASHINGTON

KEYWORD: Free Trade

BODY:

Business and union interests are clashing over whether eliminating tariffs and other trade restraints between the United States and Mexico would create jobs for Americans or lengthen unemployment lines.

Spokesmen for organized labor argued that under a free trade agreement, cheap wages and lax pollution controls would lure businesses south of the Rio Grande and create massive job losses in the United States.

But business interests, from automakers and airlines to pharmaceutical makers and food processors, said free trade could increase business opportunities on both sides of the border.

The two sides staked out their position Wednesday at the first congressional hearing on the negotiations since President Bush announced last summer he would seek a free trade agreement with Mexico.

U.S. Trade Representative Carla Hills said tearing down trade barriers would enhance U.S. competitiveness worldwide. But members of the Senate Finance Committee questioned the impact on border facilities, the environment, and unskilled labor.

Several senators said they were concerned about industries moving south to take advantage of cheaper labor, less stringent pollution controls and worker safety protections.

"I urge you to dig a little more deeply to find a way of dealing with these issues," Sen. Max Baucus, D-Mont., told Mrs. Hills.

Sen. Donald Riegle, D-Mich., said he was concerned that the disparity in average Mexican and U.S. wages - 57 cents an hour vs. $$10.47 - would cause "manufacturing jobs to slide away."

Mrs. Hills said that while the fruit and vegetable and glass industries could be hurt, "we don't see a tidal wave of harm coming to any of our industries."

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At the same time, however, "I can't claim there is going to be a mass of winning sectors because the Mexican economy is so small in relation to ours," she said.

In a letter to Senate Finance Committee Chairman Lloyd Bentsen, D-Texas, 443 corporations and business associations said they endorsed free trade and investment negotiations.

"By the year 2000, Mexico will have 100 million consumers. As Mexico's economy grows, its citizens will prosper, resulting in ever-increasing demand for consumer goods. American companies are the logical source for those goods," said Kay R. Whitmore, chairman, president and chief executive officer of Eastman Kodak Co., who presented the letter to Bentsen on behalf of the Business Roundtable.

But Thomas R. Donahue, secretary-treasurer of the AFL-CIO, said the free trade agreement is certain to destroy the jobs of tens of thousands of U.S. workers.

"The only uncertainty is now many tens of thousands of jobs," said Donahue, representing the 14.2 million-member labor federation.

Donahue said the agreement would be "an economic and social disaster for U.S. workers and their communities and (would) do little to help the vast majority of Mexican workers."

"Why should firms invest in the United States if they can move a hundred yards across the Rio Grande River and dramatically reduce their labor costs," he said.

Donahue also argued that the agreement would not substantially boost exports of U.S. goods to Mexico, as backers claim.

"Given the extreme poverty of Mexico, there are only about 10 million who are in the position to buy much of anything at all," he said. "The other 75 million are merely trying to survive."

Donahue said a free trade agreement could aggravate already serious health and pollution problems on the U.S.-Mexican border.

President Bush announced Tuesday that Canada would join the negotiations, which are expected to be completed by year's end. The administration is seeking to conduct the negotiations in a fast-track procedure under which the agreement could not be amended by Congress.

GRAPHIC: LaserPhoto WX7

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The Associated Press

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February 6, 1991, Wednesday, PM cycle

SECTION: Business News

LENGTH: 624 words

HEADLINE: Study Finds Winners, Losers in U.S.- Mexico Free Trade Agreement

BYLINE: By JENNIFER DIXON, Associated Press Writer

DATELINE: WASHINGTON

KEYWORD: Free Trade

BODY:

There will be winners and losers under a free trade agreement with Mexico, but on balance the U.S. economy will benefit, the government's International Trade Commission says.

An ITC study said there could be losers north of the Rio Grande under the agreement, including retailers on the Southwestern border who depend on Mexican shoppers, fruit and vegetable growers, producers of inexpensive household glassware, cow-calf operators, and segments of textile industry.

Winners could include grain and oilseed producers, alcoholic beverage exporters, cement makers, producers of major household appliances and capital goods such as machine tools and industrial equipment.

Other potential beneficiaries include farm and construction machinery, food processing equipment and pollution control equipment.

The study, however, said the jury is still out on autos and auto parts, and that the picture is mixed for steel.

"This study reaches a significant conclusion: on balance, free trade with Mexico can produce economic benefits for the United States," Sen. Lloyd Bentsen, D-Texas, said Tuesday in releasing the study.

"An agreement has the potential to provide new jobs and other benefits for Texas and the United States as a whole. But the study also shows that there will be winners and losers," Bentsen said.

Under the agreement, tariffs and other barriers to unobstructed trade between the United States and Mexico would be lifted. A similar arrangement between the United States and Canada has been in effect since 1988.

The study said an agreement will benefit the U.S. economy overall by expanding trade opportunities, lowering prices, increasing competition and improving the ability of U.S. firms to exploit economies of scale.

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But relative to the size of the U.S. economy, those benefits are likely to be small, at least initially, because many trade barriers between the United States and Mexico have already been reduced or eliminated, the study said.

President Bush, however, in announcing Tuesday that Canada would be joining the negotiations, said an agreement would link the three countries' economies in "bold and far-reaching ways."

"A successful conclusion of the free trade agreement will expand market opportunities, increase prosperity, and help our three countries meet the economic challenges of the future," Bush said.

Bentsen said he believes including Canada in the negotiations could delay the progress of free trade talks with Mexico, which are expected to get under way formally next month and conclude by year's end.

A free trade area encompassing all three countries would create a North American market of 360 million people with annual production of more than $$6 trillion, Bush said.

"The sheer size of that market will increase the competitiveness of the firms of the three countries," said Jaime Serra Pucha, Mexico's commerce secretary.

"At the same time, it will allow for the three economies to complement each other and to combine the power (of) Mexico, a labor-abundant country, and the United States, a more capital-abundant country," he said.

Bentsen said the study's findings underscore the need to negotiate an agreement "that is responsive to all American industries and all American workers. If our negotiators don't bring back that kind of agreement, it is unlikely to be approved by Congress."

The president intends to negotiate the free trade agreement under a fast-track procedure under which the pact could not be amended by Congress.

However, there are several checkpoints at which Congress can kill the negotiations. The first comes later this month, when a vote by either the House Ways and Means Committee or the Senate Finance Committee could sidetrack the agreement.

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The Associated Press

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February 4, 1991, Monday, PM cycle

SECTION: Business News

LENGTH: 640 words

HEADLINE: Opponents Lining Up Against Mexico Free Trade Agreement

BYLINE: By JENNIFER DIXON, Associated Press Writer

DATELINE: WASHINGTON

KEYWORD: Mexico Free Trade

BODY:

Members of Congress who see economic peril, not promise, in a free trade agreement with Mexico are gearing up to sidetrack the negotiations.

Supporters, who acknowledge there will be winners and losers when trade barriers along the 2,000-mile U.S.-Mexico border come tumbling down, are also girding for a tough fight as Congress enters a crucial point on the timetable for free trade negotiations.

For supporters like Sen. Phil Gramm, R-Texas, there is the prospect of Corpus Christi and San Antonio becoming world trade centers and impoverished Texas border cities becoming major distribution hubs. For opponents, there is the fear of massive job losses to cheaper Mexican labor.

The Bush administration and U.S.- Mexico free trade supporters in Congress favor keeping the negotiations on the fast track, which would culminate in an agreement that could not be amended by Congress.

Without the fast track, supporters say, there can be no pact because Mexico will not negotiate an agreement subject to a chain of amendments from special interests.

Like the United States' current free trade agreement with Canada, the pact with Mexico would eliminate tariffs and other trade restraints.

While opponents say they're not necessarily opposed to freer trade with Mexico, they favor a go-slow approach. They'll have their first chance to try to do that sometime later this month, when a vote by either the House Ways and Means Committee or the Senate Finance Committee could kill the agreement.

Opponents have another shot at the agreement this spring, when either the House or Senate could vote against extending the administration's authority to negotiate non-amendable bilateral trade arrangements through June 1, 1993.

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Michael G. Wilson, a policy analyst for conservative Heritage Foundation who is monitoring the negotiations closely, said he believes opponents will first focus their attention on Democrats on the Ways and Means Committee to force a vote against the fast track.

The Senate Finance Committee is chaired by Texas Democrat Lloyd Bentsen, who is expected to do some arm-twisting to keep the agreement on the fast track, Wilson said.

Wilson, who also supports the agreement, said he believes opponents will not be able to "muster up enough support to sidetrack and derail it. It's something the administration is lobbying very hard for."

The opponents include labor unions, which fear they will not be able to compete against cheap Mexican labor, environmental groups, textile manufacturers and fruit and vegetable growers, Wilson said.

Bentsen acknowledged there will be winners and losers in a free trade agreement, and that Mexico sees some of its greatest export opportunities in industries that have faced stiff import competition in recent years - textiles, steel and fruits and vegetables.

And with Mexican wage rates one-seventh of U.S. levels, "these industries and others are rightly concerned that free trade will shift jobs south of the border," Bentsen said.

"It's essential that we get a good agreement," he said. "In the months ahead, we must pay attention to the needs and concerns of those who see peril, not promise, in an agreement with Mexico."

Bentsen suggested that in sensitive areas, trade barriers be reduced gradually, and that assistance be provided to help workers and companies adjust, retrain and diversify operations.

Opponents, however, say they're still concerned that the negotiations - expected to formally begin in March and conclude by year's end - are moving too quickly.

"I fear that a hastily concluded trade agreement could have immediate adverse consequences for American industry and labor without producing significant, long-term reciprocal trade benefits for the U.S. economy," said Rep. John J. LaFalce, D-N.Y., chairman of the House Small Business Committee.

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2ND STORY of Level 1 printed in FULL format.

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March 22, 1991, Friday

SECTION: THE WORLD; Pg. 6

LENGTH: 603 words

HEADLINE: Mexico Closes Huge Oil Refinery to Cut Pollution

BYLINE: By David Clark Scott, Staff writer of The Christian Science Monitor

DATELINE: MEXICO CITY

BODY:

MEXICAN ecologists are gasping with surprise and delight over dramatic government measures to reduce pollution in the most smog-choked city in the world.

President Carlos Salinas de Gortari on Monday ordered the immediate shut down of one of the largest oil refineries in the country. Pumping an estimated 88,000 tons of contaminants into the air each year, the government-owned ''18th of March'' refinery has long been a target of environmentalists. Built outside Mexico City limits in 1934, the refinery is now surrounded by residential neighborhoods.

Losing this refinery cuts Mexico's oil refining capacity by about 7 percent and will cost the country about $500 million. But closing this one plant will also reduce some contaminants by 4 to 5 percent reduction, according to government estimates.

''This is a dramatic and courageous step for the government to take,'' said Luis Manuel Guerra, president of the Autonomous Institute for Ecological Research. ''It's a 180-degree turnabout in the government's combat against pollution. I'm astonished.''

President Salinas presided Tuesday over yet another round of pollution-fighting measures. During the next two years, 40,000 city taxis must be fitted with catalytic converters that reduce exhaust gases. Some 12,000 minibuses will be phased out. Eighty percent of the cost will be covered by the Mexican government and a World Bank loan.

Cars with catalytic converters must use unleaded gasoline, which only became available here last September. But unleaded gas is 30 percent more expensive. In announcing the program, Mexico City mayor Manuel Camacho Solis asked Salinas to reduce the cost of unleaded fuel.

Some observers suggest these steps are an attempt by Salinas to counter growing opposition in the United States Congress to a free-trade pact based on the lower environmental standards here. Mexico's Undersecretary of Ecology Sergio Reyes Lujan and Commerce Secretary Jaime Serra Puche will be in Washington on Thursday lobbying for the pact. Others note this is a congressional election year.

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Salinas stated simply: ''We want cleaner air for our children.'' The anti-smog program is in response to popular demand ''to protect the health of the inhabitants of Mexico City.''

Indeed, the pollution-fighting steps come on the heels of one of the most contaminated winters on record. Conditions are worse in the winter because dry, windless days tend to trap smog in the mountain-ringed city.

In recent weeks, there have been reports of birds falling dead from the sky. There is a growing clamor for closing schools during high-pollution days. Hospitals reported a jump in respiratory complaints in recent months. Later this month, a company plans to open oxygen booths on major streets in the city. For 5,000 pesos (about $1.65), one can breathe fresh air for one minute.

For three days earlier this month, as part of an emergency antipollution program, 71 factories were forced to cut production by 50 percent. Out of 30,000 factories within this metropolis of 20 million people, about 1,500 are considered major polluters by the Secretariat of Urban Development and Ecology (SEDUE).

Ecology groups have accused SEDUE of understating the pollution problem by reporting average daily contaminant levels. The readings are also the basis for enacting emergency measures. On Tuesday, SEDUE chief Patricio Chirinos Calero announced a new reporting system with more monitoring stations.

Pollution peaks will be reported on an hourly basis throughout the day, rather than at the end of each day when it is too late to take preventative measures.

GRAPHIC: PHOTO: MEXICO CITY TRAFFIC: Drivers in this mountain-ringed capital have been reluctant to buy newly available unleaded gas, which is 30 percent more expensive. Local officials have urged Mexican President Salinas to reduce the price., ROBERT HARBISON - STAFF

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4TH STORY of Level 1 printed in FULL format.

The Associated Press

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March 19, 1991, Tuesday, AM cycle

SECTION: Business News

LENGTH: 529 words

HEADLINE: Mexico to Finance New Vehicles To Cut Capital's Pollution

BYLINE: By CHRIS ANGELO, Associated Press Writer

DATELINE: MEXICO CITY

KEYWORD: Mexico-Pollution

BODY:

The government said Tuesday it will help finance new taxis and minibuses to replace old smoke-belching models, and will issue hourly pollution readings to let the public know how dirty the city's air is.

The announcement is part of a major anti-pollution campaign that began Monday with the closing of a state-owned oil refinery in a northern industrial suburb.

The 18th of March refinery, a major polluter, supplied fuel for Mexico City's more than 15 million residents and in closing it the government will have to turn to imports temporarily to meet demand for gasoline.

Mayor Manuel Camacho Solis indicated the closing was a warning to other industries.

"If it could be done with the ... refinery, it can be done with any industry," he said at a Tuesday signing ceremony for the vehicle replacement.

Officials blame Mexico City's 3 million-plus vehicles for 75 to 80 percent of the air pollution. Mexicans use vehicles an average 11 years. Nine out of 10 taxis are more than six years old.

The government program will provide about $$1.3 billion credit to taxi and minibus owners to speed conversion to new models that have catalytic converters and use unleaded gasoline, officials said at the ceremony at the presidential residence, Los Pinos.

"We want cleaner air for our children ... and a society that shares responsibility in the solution of problems that affect it," President Carlos Salinas de Gortari told an audience of taxi and minibus drivers.

Mexico City's pollution is among the worst in the world. Since the 1940s the capital has been a magnet for industry and immigrants, and effluvia are trapped inside a bowl-like valley that has neither brisk winds nor a river to carry them away.

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Visitors flying into the brown air of Mexico City can smell the sulfurous smog thousands of feet above ground. Even healthy residents of the capital suffer from smarting eyes and burning nasal passages.

The pollution-control program will replace 40,000 taxis and 15,000 minibuses over the next two years. All present models would be replaced over the next four years. The subway system will be expanded and its light trains modernized.

Diesel engines in the 3,500 city buses have been replaced with new ones that meet California's pollution standards, said Fernando Menendez Garza, city coordinator of environmental projects.

Camacho said he was asking the president to cut the price of unleaded gasoline, put on the market just last year.

While government-established maximums for pollution concentrations are about the same as those of the U.S. Environmental Protection Agency, environmental groups accuse the government of covering up the pollution problem by releasing 24-hour averages for contaminants rather than peak readings.

The urban development and ecology secretary, Patricio Chirinos, promised Tuesday that pollution readings will be issued hourly and posted on electronic signs in five smog-monitoring districts.

Under a 1988 program, Mexico City residents are told to keep their vehicles off the streets one weekday each week. Environmental groups say many people have bought second cars - in many cases old clunkers - for the off-day.

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9TH STORY of Level 1 printed in FULL format.

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October 15, 1990, Monday, BC cycle

LENGTH: 379 words

HEADLINE: MEXICO UNVEILS NEW ANTI-POLLUTION PLAN

BYLINE: By Tom Brown

DATELINE: MEXICO CITY, Oct 15

KEYWORD:
ENVIRONMENT-MEXICO

BODY:

The government of President Carlos Salinas de Gortari unveiled a long-term programme on Monday to combat pollution in Mexico City, one of the world's biggest and dirtiest cities.

The 2.5-billion-dollar programme, designed to reduce the more than four million tonnes of pollutants dumped on the city last year, includes new restrictions on industry, reforestation plans and measures to cut smoke emitted by public bath houses, laundries and bakeries.

It was hailed by Salinas as the beginning of a concerted effort "to make the 90s the decade of environmental recovery" and "to guarantee the future of Mexico City", polluted by 30,000 industries and over three million automobiles.

But in announcing the programme in a speech at the National Palace in the smog-choked heart of the capital, Salinas acknowledged that efforts "to recover the health and beauty of the city" face enormous challenges because of "the complexity and magnitude of the problems".

Over 40 per cent of the funding for the 2.5-billion-dollar plan, entitled "Integral Programme Against Environmental Pollution", will be provided abroad.

Government officials singled out Japan, France, Germany, Britain and the United States as leading allies in the battle against pollution which Salinas said should be waged "for ourselves, and above all for our children and our children's children".

Many of the measures announced as part of the programme have already been enacted, including a government requirement that all cars from 1991 on be equipped with catalytic converters so they can run on unleaded gasoline. Lead is one of the leading pollutants in Mexico City.

Industry in Mexico City faces new restrictions under the programme, which calls for a ban on the establishment of any new industries in Mexico City determined to be highly contaminating.

The programme also calls for close monitoring of existing industries and the closure or transfer to alternate sites in the countryside of industries that emit high levels of pollutants.

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(c) 1990 Reuters; October 15, 1990

It says fiscal incentives will be offered to help foundries and steel mills relocate.

One of the biggest single sources of pollution in Mexico City, a giant state-run oil refinery in the northwestern Azcapozalco district, will not be relocated, however.

SUBJECT:
POLITICS

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10TH STORY of Level 1 printed in FULL format.

Copyright (c) 1990 Seattle Times Company
The Seattle Times

October 7, 1990, Sunday, Final Edition

SECTION: TRAVEL; Pg. J1

LENGTH: 2757 words

HEADLINE: A NATION'S SOUL -- VAST MEXICO CITY EMBRACES THE RICHNESS OF MEXICO'S PAST, VITALITY AND POVERTY OF ITS PRESENT, THE CHALLENGES OF ITS FUTURE

BYLINE: BY JACK BROOM

DATELINE: MEXICO CITY

KEYWORD: MEXICO A NATION'S SOUL

BODY:

CUTLINE: JACK BROOM / SEATTLE TIMES: MONDAY THROUGH SATURDAY, CRAFTSMEN LOOKING FOR WORK SIT ALONG A FENCE IN THE TOWN SQUARE, ADVERTISING THEIR SERVICES - SUCH AS "PLOMERO" FOR PLUMBER - ON SMALL SIGNS. "SE DESTAPAN CANOS" MEANS "WE UNPLUG PIPES." JOBS ARE BECOMING HARDER TO FIND AS MEXICO CITY'S POPULATION SWELLS.

CUTLINE: AS SHE HAS FOR 25 YEARS, CONSUELO ROMIREZ SHAVES NEEDLES AND EDGES OFF CACTUS LEAVES, WHICH ARE COOKED AND SERVED WITH MEAT.

MEXICO CITY - The words had always seemed part advice, part invitation, part challenge:

"Until you have seen Mexico City, you have not seen Mexico."

Friends told me this. Guidebooks insisted on it.

Five times in the past 10 years, I had journeyed south into the land of Montezuma. And though my destination differed each time (maybe Cabo San Lucas, maybe Cozumel) my objective had been the same:

To find a stretch of beach where the water was warm and gentle, the cerveza cool, the souvenirs cheap, the natives friendly.

Never on those trips had I considered Mexico City as a destination.

And why should I? Isn't Mexico City a teeming megalopolis of nearly 20 million, where four times the population of Washington state is packed into an area a third the size of King County?

Isn't Mexico City where luggage gets lost, where pockets get picked and where lungs fill up with soot, smoke and carbon monoxide?

Even travel agents note that it's not the most relaxing city to visit, that vacationers looking for "R and R" often plan just a few days in Mexico City before heading to one of the country's coastal resorts.

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But despite the challenge, can a city of this magnitude, with its power, culture, history and significance, be ignored?

There is a sense of intrigue, perhaps even obligation, in the words: Until you have seen Mexico City, you have not seen Mexico.

I am thinking of those words again, this Sunday afternoon in September, as I sit on a cool, concrete curb in a corner of the Zocalo, looking out over Mexico City's mammoth town square.

In front of me, a boy of about 6 chases a sausage-shaped balloon decorated with the green, white and red and eagle emblem of the Mexican flag. As it drifts to earth, he wraps his small arms around it, then begs his father to launch it again.

Behind them, an old woman sits on a rainbow-colored blanket, offering jewelry, trinkets and flowers to people streaming from a subway exit.

Nearby, a man with a weathered face and tattered hat climbs a makeshift platform to talk politics and pass out handbills. Oblivious to his presentation, six teen-agers zoom by on skateboards, challenging each other with jumps and turns.

Around the square, vendors push metal carts of tacos, pastries, pistachios, corn on the cob. Children toot noisemakers, young couples hold hands, families stroll through the last sunlight of the weekend.

Just as seeing Mexico means seeing Mexico City, seeing Mexico City means seeing the Zocalo (SO-call-oh). Here, in the heart of the heart of the nation, Mexico is alive with color, pageantry, contrast and diversity.

As a mustachioed gentleman in a charcoal suit hails a cab, a child in rags begs for coins. As a middle-aged couple in Sunday finery chat pleasantly, a man with no hands plays harmonica, a tip can wedged between his ankles.

This open square, the Plaza of the Constitution, is the size of a large city block. Second only to Moscow's Red Square in size, it is flanked by the National Palace, the Metropolitan Cathedral, city government buildings and grand hotels.

Here, in the city center, Mexico's past meets its present in a striking juxtaposition: At one corner of the square, the ground is torn open, revealing the carved-rock foundation of the Templo Mayor (Great Temple) built by the Aztecs more than 600 years ago.

Although historians knew of the temple's existence, its exact location wasn't known until 1978, when it was found by workers digging a tunnel for a subway-system electrical line.

The adventure of seeing Mexico City may start at the Zocalo, but it certainly doesn't end there. A few blocks west is the Alameda area, with its picturesque park, marble Palace of Fine Arts and 44-story Latin American Tower, capped with an observation deck.

To the south and west is the fashionable Zona Rosa, where the shops, hotels and restaurants carry a European air, reflected even in the names of the

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streets (Londres, Florencia, Liverpool and Hamburgo).

And just beyond are the 1,650 acres of Chapultepec Park, with its woods, gardens, zoo and the nation's most prestigious museum, the National Museum of Anthropology, rated as one of the finest displays of archaeological treasures in the world.

Despite Mexico City's vast size, most of its main attractions lie near its center, many within walking distance of one another.

This is a city with strong ties to its past. Major intersections curl around monuments to national heroes; holidays marking battles and victories are celebrated with tenacious pride and patriotism.

Seeing Mexico City means seeing - on flags, balloons, pillars and posters - the emblem of a eagle perched on a cactus, devouring a snake.

That was the sign, legend says, that the Aztecs saw about the year 1325, a signal that the lakes and islands of the Valley of Mexico,7,300 feet above sea level, would provide them protection from their enemies and a home where they could prosper.

Two centuries later, the Spanish conqueror, Hernan Cortes, also liked what he saw here. Cortes imprisoned the Aztec ruler Montezuma, crushed the seat of Aztec power and built his own city on top of it.

What neither the Aztecs nor Cortes knew - but the modern-day visitor sees quite readily - is the long-term effect of building a civilization on spongy lakebed.

Large buildings sink gradually into the earth. Brick churches lean like ships on a stormy sea. Stairways down to the sidewalk are replaced by bridges up to it. The Palace of Fine Arts, finished in Italian marble, has sunk about 15 feet since it was completed in 1934.

Just as Mexico City's history contributes to its identity, so does its diversity, vitality and sheer size. Guidebooks invariably call it the largest city on Earth, although reference sources often place it second to the Tokyo-Yokohama area of Japan.

Either way, it's immense. The city and its suburbs form a metropolitan area nearly 30 miles long, filling a mountain valley, climbing the hills that surround it, and swelling by an estimated 1,000 residents a day.

Every weekday, 5 million people ride the city's subway, while millions more use its 5,000 surface buses and thousands of taxi cabs.

Mexico City is not actually a city, in the conventional sense. It is the Distrito Federal (Federal District), governed by a mayor appointed by the president. Suburbs stretch well beyond the district's borders into the adjoining states of Mexico and Morelos.

Altogether, it is an area of wide contrasts: there are fine homes and teeming slums; wide, tree-lined boulevards and narrow, congested streets. It is a city of financial power, a city of widespread poverty.

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The city still bears the scars of the 1985 earthquake that killed - depending on which source you believe - from 6,000 to 20,000 residents. Skeletons of buildings, their exterior walls gone, lurk behind wire fences. Many are being rehabilitated; many are not.

The terremoto also shook this city's tourist trade, and it is only now beginning to recover. Last year's count of 3.2 million visitors (2 million Mexicans, 1.2 million foreigners) was a slight increase over 1988, and the first year-to-year increase since the quake.

"It takes many years to construct a good reputation - good service and good attractions," said Hesiquio Aguilar, tourism director-general for the Federal District, "but it only takes seconds for your reputation to go down. That is what happened to Mexico City."

These days, just over half of Mexico City's visitors come at least partly for business, but take some time to enjoy other attractions as well.

For the visitor, seeing Mexico City means making choices. The area boasts 65 museums, 300 theaters, 1,400 historical building and monuments, hundreds of churches and countless galleries, parks and plazas. There are 23,000 "tourist-caliber" hotel rooms and more than 2,000 restaurants, featuring nearly every cuisine on the planet.

Dotted around town are fancy shops and bustling markets, including places to hunt for bargains on Mexican arts and crafts, and others to watch the locals shop for their daily needs.

As the county's hub for the performing arts, Mexico City hosts ballet, opera, symphony, mariachi bands and rock. Sports include bullfighting, soccer, jai alai, baseball and Grand Prix auto racing.

But Mexico City's size and relentless growth, factors that historically helped make it alive and exciting, are damaging its livability.

On many days, the city lies under a yellow-brown haze, a noxious brew of exhaust of 2 1/2 million cars, emissions of hundreds of factories and the dried dust of human waste blown aloft from some outlying communities that lack sewer systems.

Municipal services are taxed to the breaking point. Rush-hour traffic chokes major arteries.

Nursing a cup of strong coffee in a Zona Rosa cafe, author Homero Aridjis offers his assessment of his city's plight. "I have said that Mexico City was conquered twice: first by the Spanish and second by the crowds," he said. "And the second has been more devastating."

Aridjis is president of Grupo de Los Cien, (The Group of 100) formed five years ago by artists, writers and intellectuals concerned about the environment. The group wants strong government action against polluters, and incentives for businesses and industries to locate outside the city.

"Behind every ecological problem, there is a political problem," Aridjis said. Case in point: Although Mexico City's vehicles must pass emission tests,

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stories are common about car owners who bypassed the tests simply by bribing the appropriate official.

Recently, under the government of President Carlos Salinas de Gortari, Mexico has been fighting back against Mexico City's corruption and pollution.

To help clear Mexico City's air, catalytic converters are required on all new cars, and unleaded gasoline is finally making its appearance.

On the street, the most visible aspect of the new campaign are the patches of color on each vehicle's license decal. Each color corresponds to a day of the week, and on that day, that vehicle must not be driven.

The "Day Without a Car" program, government officials say, has reduced air pollution by more than 10 percent since it started last November. Largely because of that program, Mexico City Mayor Manuel Camacho Solis last month received a United Nations commendation for environmental protection.

Aridjis praised the government action, but says it's barely a start. Yes, the program cut smog initially, he said, but the growing population is quickly making up the difference.

And many drivers, he said, have now purchased a second car to use when their primary car has to stay at home - and these once-a-week cars are invariably older and more polluting than the vehicles they replace.

Unfortunately, any step the government may take to improve life in Mexico City has the potential to do the exact opposite. Extending or improving water, sewer or electrical systems ultimately makes the city a more attractive alternative to peasants and farmers moving in from the country.

For that reason, many say the answer to Mexico City's problems lies not in Mexico City, but in the countryside.

Many small communities in rural Mexico suffer from a lack of food and water. Small farms have become barren, lacking adequate irrigation and crop rotation.

Chasing the promise of a better life, many people desert their villages. Some head to the United States, others to Mexico City.

One effect of this migration is quickly apparent: Seeing Mexico City means seeing vendors, peddlers and street merchants. Sometimes it seems the entire city is one vast marketplace.

The rule in Mexico is that those who don't work don't eat. With traditional employment stagnant, many turn to capitalism in its most basic form: trying to sell something - anything - for more than it cost.

On the sidewalks and in subway stations, men, women and children lay out blankets covered with items for sale, items they may have just purchased in quantity at a wholesale market a few blocks away.

These aren't just crafts and souvenirs, they are the stuff of everyday life. On the sidewalk in front of Metropolitan Cathedral, one can haggle over the price of ball-point pens, plastic sunglasses,

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Scotch tape, artificial flowers, cloth puppets, extension cords, kitchen tools and whisk brooms.

At the hotel entrances, vendors sell blankets and puppets. In the public squares, they sell gliders on a string and medicinal herbs. In booths outside a busy market, they sell tape decks and compact-disc players.

Some of the most resourceful work along the Paseo de la Reforma, the broad boulevard that mimics Paris' Champs Elysees. When traffic lights turn red, young men step between the rows of cars, selling lottery tickets, candy and roses.

The most surprising entrepreneurs I saw were a brother and sister, neither of whom could have been 9 years old. At every red light, they jumped into traffic, offering to wash windshields - even though it meant climbing up the front bumper of a Volkswagen van to reach the glass.

Another type of professional tarnishes Mexico City's reputation - pickpockets working crowded buses and subway cars. Here, the traveler should take precautions: only a minimal amount of cash should be carried; wallets should be in the front, not back, pockets. Despite the thefts, however, violent crime against visitors is rare.

Seeing Mexico City also means seeing the row of middle-aged men squatting near the cathedral, tool boxes at their feet. Monday through Saturday, they come here to sell their own time and skills. Hand-painted signs announce their services: plomero (plumber), albanil (bricklayer), azulejo (tile.)

Under the yellow-and-brown Aokland A's baseball cap is Gonzalo Gonzales, 45, looking for work laying tile or doing general construction.

Jobs are becoming harder to find, he said. He may work a couple of days and make $ 50, then not again for three weeks. "I think we're in very big trouble," he said.

Gonzales used to work for construction companies; but now such positions are scarce. And on many projects, he said, the architect, contractor and foremen take such large cuts that little is left for the laborers.

These days, much of his work comes on emergency home repairs. And for the few jobs available, there is more competition, thanks to the number of newcomers in the city. Gonzales and his friends call the new arrivals "parachuters," who drop in from the countryside with no home, no work and no idea how they will survive.

Survival, for Gonzales' family, means saving money from the good times to get through the bad. His wife sells refreshments at a school; his oldest son is working on a construction job.

The family owns a small patch of land on the city's outskirts. Gonzales said some day they'll build an house, but for now, home is a makeshift structure of corrugated metal divided into four small rooms.

The Mexico City Eduardo Fabian sees is much like the one Gonzales sees, but Fabian, a shopkeeper in an artisans' market across town, is more optimistic.

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Business is down and problems are up, said Fabian, 26, but he still sees Mexico City as his nation's land of promise. By working seven days a week at his shop, Fabian is putting himself through college.

If all goes well, he'll get a degree, work as an architect and hire someone to run the shop.

Fabian, who moved here from a small town seven years ago, said education holds the key to advancement - advancement he hopes his 3-month-old son may one day find.

And when the time comes, that young man may find that advancement, education and success still lie where his father found them - in Mexico City.

"This is where there is opportunity," Fabian said. "This is where there is action."

GRAPHIC: PHOTO: MAP JACK BROOM / SEATTLE TIMES: A VENDOR SELLS MEXICAN FLAGS IN THE ZOCALO, THE HEART OF MEXICO CITY AND LARGEST TOWN SQUARE IN THE COUNTRY. IN THE BACKGROUND ARE THE TWIN TOWERS OF THE METROPOLITAN CATHEDRAL. ED WALKER / SEATTLE TIMES: MAPS OF MEXICO (FOR ADDITIONAL CUTLINES SEE END OF TEXT)

SUBJECT: TRAVEL, PERSONAL; TRAVEL AND RESORTS; POVERTY

TYPE: TIMES SPECIAL

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11TH STORY of Level 1 printed in FULL format.

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The San Francisco Chronicle

JULY 23, 1990, MONDAY, FINAL EDITION

SECTION: BUSINESS; Pg. C1

LENGTH: 1066 words

HEADLINE: VW Beetles Still Hot In Mexico

BYLINE: CHRIS RICHARD, Chronicle Foreign Service

DATELINE: Mexico City

MEXICO

BODY:

The Volkswagen Beetle hasn't been made in Germany for 12 years. But in Mexico, the only country still producing the VW Bug, the model is the best-selling car.

Behind the car's surprising popularity is a historic pact announced almost a year ago between Volkswagen of Mexico and President Carlos Salinas de Gotari to make the Beetle available at two-thirds the price of its closest competitor.

The industry-government deal, which cut the price of a made-in-Mexico VW Bug by more than $ 1,000 to $ 4,900, was touted as a way of offering the middle classes affordable transportation and boosting Mexico's economy as the automobile market boomed.

While Beetle sales have soared in the 11 months since the announcement, Mexico's second-biggest problem after its economy -- pollution -- could turn the deal sour.

It's still unclear whether Beetles -- known here as Sedans -- can meet stringent new air pollution standards for Mexico City, its biggest market. If it can't, or if design changes cost too much, Mexicans might have to choose between inexpensive cars or a cleaner environment. It's a choice that may grow increasingly difficult as political pressure for clean air grows in Mexico City.

Last August, Salinas eliminated a million pesos -- about $ 360 -- in sales and value-added taxes on new Bugs. Volkswagen marked down its factory price by an equal amount and Beetle dealers cut another $ 360.

That put the Beetle's August 1989 price at $ 13.75 million pesos -- still a luxury at about $ 4,900 in a country where the average annual wage is $ 1,955 -- but the best offer going.

Fernando Mendez, a Volkswagen of Mexico spokesman, said company Chairman Martin Josephi proposed the deal while Salinas was campaigning for the presidency in 1988. Salinas queried other auto companies about whether they would cut prices for a similar tax break. But only Volkswagen, which has been turning out Beetles in Mexico since 1964, agreed to the idea, Mendez said.

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(c) 1990 The San Francisco Chronicle, JULY 23, 1990

Manuel Guerra, a leading pollution researcher who is advising the World Bank on a $ 300 million loan to Mexico City for pollution mitigation, questioned the deal.

''I think it was a political move whose environmental consequences were not clear to the president,'' he said. ''This is a bind that the system has put on itself.''

Still, sales are going well at the world's last remaining Beetle plant.

Since October, the Bug's price has risen slightly, to $ 5,180, under a provision that allows Volkswagen to raise prices to follow increases in the minimum wage, Mendez said. By contrast, the Nissan Tsuru -- the local version of the Sentra and the Sedan's closest competitor -- sells for $ 7,860.

The low Beetle price has tripled sales. In the first quarter of this year, Mexicans bought 21,814 Sedans, up from 8,564 in the first three months of 1989, Mexican Auto Industry Association figures show. By contrast, Volkswagen sold only 9,567 Golfs, up from 8,008 for the same period last year, and 6,670 Jettas, up from 5,572 in 1989.

Meanwhile, Mexicans bought 22,171 Tsurus, down slightly from the 22,272 sold in the first quarter of 1989.

Mendez said the Puebla plant has built about 1 million Beetles since 1967. Before the agreement, the Puebla plant produced 150 Bugs a day. It now builds 450, and executives are aiming for 600 daily by the end of the year, he said.

In the past month, Beetle sales helped push Volkswagen to first place with 35.5 percent of the new car market, sales director Carlos Fernandez said. Nissan was second with 24.5 percent.

Of an estimated 2 million cars in Mexico City, 400,000 are Bugs, Mendez said. And out of about 5 million cars throughout the country, he claimed 2 million are Bugs.

According to city transportation department statistics, around 42,000 of the city's 100,000 full-time taxis are Beetles.

A Nissan spokesperson acknowledged the VW lead, but disputed the margin. According to her statistics for January through May, Volkswagen had 27.2 percent of the market and Nissan 21.6 percent.

But industry association figures seem to confirm Fernandez's claim.

Soon after the Volkswagen-government deal was announced, Nissan of Mexico Chairman Shoichi Amemiya spurned it as an attempt to revive an obsolete design.

The Nissan spokeswoman acknowledges Volkswagen's success but said Nissan is not interested in competing with the Bug.

''We don't compete with them,'' she said. ''We're in different segments of the market. We can't sacrifice the quality of our product to compete with Volkswagen.''

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Pollution researcher Guerra predicts that Mexico City residents and government officials, at least, will grow increasingly dissatisfied with the Beetle.

In an emissions study for the Mexico City government he conducted last year, the cars produced more contaminants than any other car sold in the country, Guerra said.

''The engine was excellent from a mechanical point of view in the 1930s. But it's stayed grossly behind ecologically since the 1970s,'' he said. ''It produces 10 times more carbon monoxide than the Golf, the Rabbit or the Tsuru.''

In a study of 1,600 mothers and newborn infants within the Federal District last year, 70 percent had over 10 micrograms of lead per deciliter of blood drawn from umbilical cords, he said.

''That means that in the moment of birth, before breathing their first air, babies already have a handicap in neurological development,'' Guerra said. ''It's been shown that above 20 micrograms per deciliter causes mental retardation in the majority of cases. That has big implications for Mexico. It means that we can be creating a new generation of mentally retarded children.''

In 1991, all new cars in Mexico must have catalytic converters and will be allowed to produce no more than 7 grams of hydrocarbons, 7 grams of carbon monoxide and 1.4 grams of nitrogen oxide per kilometer.

Two years later, the standard will drop to .25 grams of hydrocarbons, 2.11 grams of carbon monoxide and .62 grams of nitrogen oxide.

With 20 million inhabitants and air contamination that has been termed the worst in the world, pollution is a big issue in Mexico City. According to Guerra, in 1989 the Federal District had 1,200 hours -- the equivalent of 50 whole days -- above the maximum recommended ozone level of .11 parts per million. By contrast, Los Angeles had 340 hours above the World Health Organization standard, Guerra said.

GRAPHIC: PHOTO,The VW Beetle Sedan is now being produced only in Mexico , BY ASSOCIATED PRESS

FOREIGN; AUTOS; SALES; BUSINESS Volkswagen

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NORTH AMERICAN FREE TRADE AGREEMENT

GENERATING JOBS FOR AMERICANS



U.S. DEPARTMENT OF COMMERCE

NORTH AMERICAN FREE TRADE AGREEMENT

Generating Jobs for Americans

Successful conclusion of the free trade agreement will expand market opportunities, increase prosperity and help our three countries meet the economic challenges of the future.

President George Bush

Prepared by

U.S. Department of Commerce
International Trade Administration
Office of Mexico

March 1991

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EXECUTIVE SUMMARY
by Secretary of Commerce Robert A. Mosbacher

A North American Free Trade Agreement is essential to assure a strong U.S. economic future. By creating the largest free market in the world it will:

ensure U.S. made products are more competitive both at home and in the global marketplace;
produce more and better jobs for U.S. workers;
increase North American productivity;
reduce migration pressures;
benefit consumers in the United States, Mexico, and Canada;
increase the standard of living for all Americans.

International economic boundaries and trade barriers are rapidly being erased. Europe's resurgence, as it moves forward to the goal of economic union (EC92), demonstrates that dismantling trade barriers spurs growth, productivity gains and job creation. *Countries that seize the opportunities created by economic cooperation will deliver rising standards of living to their citizens. Countries that do not are in danger of being left behind.*

A North American Free Trade Agreement will place the United States in the middle of a market of over 360 million consumers, with a combined output of $6 trillion--20 percent larger than the European Community. This market likes U.S. goods--the United States already provides over two-thirds of Canadian and Mexican purchases from abroad.

The potential for growth in the Mexican market alone is impressive. Mexico has been transformed through the leadership of President Salinas into a more open, energetic, and market-oriented economy. The citizens of Mexico today import more per capita from the United States than do the citizens of the European Community. By the year 2000, Mexico will be an even more dynamic and prosperous market of 100 million consumers.

But we will not achieve this vision without the extension of the "fast track" procedures. Fast track enables the President to negotiate an agreement in cooperation with Congress and then submit it for a vote without amendment. The prospect of a balanced and carefully crafted agreement subjected to unravelling by special interests would doom the negotiations before they began. Our negotiating partners could not make the tough concessions we will demand without the assurance that the agreement reached at the bargaining table will be the agreement voted on by Congress. Every major trade agreement since 1974 has been successfully negotiated using fast track procedures.

Opportunities to build a better life for all of our citizens don't come often. By creating the largest free market in the world, our three countries can face the challenges of the next century with confidence. We owe it to ourselves and our children to make this vision a reality--more jobs in the United States, a better standard of living for all, and a more competitive America.

North American Free Trade: Generating Jobs for Americans

To increase trade and move toward the goal of a hemispheric free trade system, we are pursuing a Free Trade Agreement with Mexico and Canada. The goal of this agreement is to foster sustained economic growth for all three countries, which together compose a market of over 360 million [people] and $6 trillion in output. . . . This FTA should expand and lock in recent trade and investment liberalizations achieved by the Salinas Administration.

Nicholas F. Brady
Secretary of the Treasury

NORTH AMERICAN FREE TRADE AGREEMENT: GENERATING JOBS FOR AMERICANS

Introduction

On February 5, 1991, the Presidents of the United States and Mexico and the Prime Minister of Canada announced their intention to begin negotiations on a North American Free Trade Agreement (NAFTA).

Successful negotiation of such an agreement will create the world's largest free trade area, comprising over 360 million people with a combined annual output of $6 trillion.

After months of intensive study, all three governments concluded that a NAFTA will promote economic growth through expanded trade and investment. The benefits of continental free trade will enable all three countries to meet the economic challenges of the decades to come.

The staged elimination of barriers to the flow of goods, services, and investment coupled with strong intellectual property rights protection (patents, trademarks, and copyrights) will benefit businesses, workers, farmers, and consumers. The NAFTA will be a catalyst for economic growth and development in all three countries by increasing trade, investment and the jobs that support them.

Exports: Engine of Prosperity

Exports are key to U.S. economic growth. Since 1986, exports accounted for over 40 percent of U.S. economic (GNP) growth.

Merchandise exports have expanded by nearly three-fourths, rising from $246 billion in 1986 to $424 billion in 1990--an increase of 72 percent. In 1990 alone, exports accounted for almost all (88 percent) of the growth portion of GNP.

Export growth gives an additional boost to the economy by spurring investment in the manufacturing and other export sectors. While the economy expanded by only 0.9 percent last year, investment in producers' durable equipment rose nearly three times faster (2.4 percent), stimulated in large part by export expansion.

The importance of exports to American jobs and prosperity is a prime factor in President Bush's decision to pursue the free trade option with Mexico and Canada: freer trade means more exports. An FTA would clearly increase U.S. exports to Mexico and to Canada.

Canada and Mexico: Our Partners in Trade

Since 1980, U.S. exports to Mexico and Canada have doubled from $55.3 billion to $111.4 billion. Our exports to our neighbors have grown 56 percent faster than our exports to the rest of the world.

Canada and Mexico are the United States' first and third largest trading partners. In turn, the United States is their primary trading partner, accounting for over two-thirds of their total trade.

Combined three-way trade in 1990 amounted to $234 billion.

The overwhelming significance of our trade relationship with our neighbors is the reason we entered into the U.S.-Canada Free Trade Agreement in 1989 and are pursuing freer trade with Mexico now.

U.S.-Canada FTA: Success in Open Markets

American public and private sector successes managing the U.S.-Canada Free Trade Agreement (CFTA) enable the United States to turn southward with confidence.

Economists recognize that a quantitative assessment of the CFTA's impact on the large U.S. economy is premature given the agreement's ten-year phase-in period and the fact that Canada's economy is only one tenth the size of the U.S. economy. Yet we know today that in spite of the current economic downturn, the CFTA is contributing to the increased flow of trade and investment between the United States and Canada.

Bilateral trade in goods and services between the two countries, the world's two largest trading partners, reached nearly $195 billion in 1990. U.S. merchandise exports to Canada reached $83 billion in 1990, an 18 percent increase since implementation of the CFTA on January 1, 1989. We expect that export growth will accelerate as Canada's economy resumes stronger growth in the future.

The CFTA has already achieved a number of notable successes in facilitating trade and investment.

Accelerated Tariff Removal U.S. and Canadian companies are anxious to move to free trade as demonstrated by the number of industry petitions to remove bilateral tariffs faster than specified in the CFTA. Based on industry requests, the tariffs on some 400 products, accounting for almost $6 billion in bilateral trade, were removed in April 1990. Additional petitions are being considered for the second round of accelerated tariff elimination.

Standards Simplification Under the CFTA umbrella and through the efforts of the private sector, progress has been achieved in harmonizing standards. For example, twelve Canadian and U.S. standards have been combined to form one single binational heating and air conditioning standard. The big winners are manufacturers, who now can produce to only one standard; and consumers have wider product selection at lower cost.

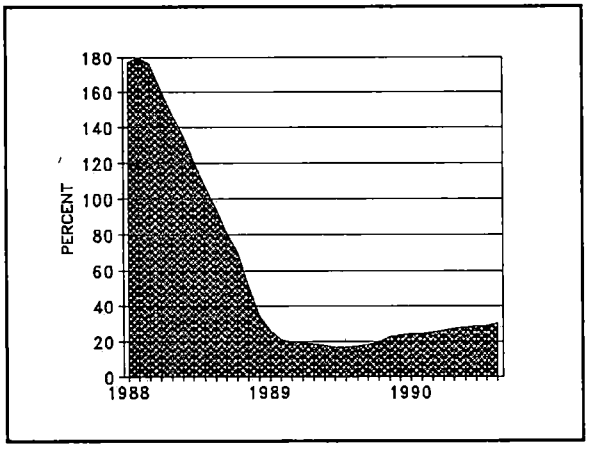
New Government Procurement Opportunities Since implementation of the CFTA, over 200 additional Canadian government contracts, totaling nearly $13 million, have been awarded to U.S. companies of all sizes. Without the CFTA, these contracts would not have been open to U.S. exporters.

Because of the CFTA, Americans and Canadians are discovering new ways to work together in business, tourism, education, and the environment.

A New Brunswick manufacturer of file

folders recently began buying paper stock from a U.S. company in Raleigh, North Carolina. Canadian tariffs on paper, as high as 25 percent just three years ago, now stand at 10 percent and will be eliminated in 1993, making American products more price competitive.

Canadian investment in the United States is active. Culinar, Inc., a Canadian based manufacturer of food products, recently purchased Drake Bakeries in the United States. Culinar's advanced food processing technology will enhance Drake's name recognition and well-developed distribution network to make for a more successful company.



MEXICO'S ANNUAL RATE OF INFLATION

Mexico's Economic Reforms

Over the past several years Mexico's trade and investment climate has changed dramatically. A free trade agreement with that country is now in order.

Mexican President Salinas has implemented stunning economic reforms, raising business confidence and making the Mexican economy more open and competitive. The government budget deficit declined from 16 percent of gross domestic product (GDP) in 1987 to 4.3 percent in 1990. Inflation has fallen from 160 percent in 1987 to around 30 percent in 1990. Mexico's real GDP grew 4 percent in 1990, outpacing population growth for the third year in a row.

Far-reaching changes have improved many areas important to business. Over 25 areas of the Mexican economy have been deregulated, including trucking and many financial services. Mexico has sold or closed over 600 state-owned companies. In 1989, Mexico made substantial reforms in its rules for foreign investment, providing greater transparency, increased foreign participation, and greater efficiency in the application process. Now many sectors are expressly open to 100 percent foreign ownership.

Mexico joined the General Agreement on Tariffs and Trade (GATT) in 1986. Prior to this, Mexico's tariffs had been as high as 100 percent and licenses were required for virtually every import. As part of its accession to the GATT, Mexico bound its applied tariffs to a ceiling of 50 percent. Since then Mexico has unilaterally reduced its tariffs to a maximum of 20 percent. The current average applied tariff on U.S. goods is about 10 percent --comparable to

Canadian tariffs before the U.S.-Canada FTA.

The result of these changes is that U.S. exports to Mexico have doubled, growing from $12.4 billion in 1986 to $28.4 billion last year. Our agriculture exports totalled $2.5 billion in 1990, making Mexico our third largest market. Consumer goods exports from the United States to Mexico have tripled, rising from $1 billion to $3 billion. Capital goods exports went from $5 billion in 1986 to $9.5 billion in 1990.

Why Free Trade With Mexico?

A NAFTA will mean greater access to the dynamic and growing Mexican market through the removal of tariffs and import permits, a more open services and investment regime, and the protection of intellectual property rights. U.S. business will enjoy a competitive advantage--free from tariffs and other barriers that will still apply to our competitors.

The nature of our two economies means that U.S.-Mexico trade, capital, and technology flows tend to be complementary and play to each country's comparative advantages.

Industrial components, semi-manufactured goods, and tropical products which U.S. and Canadian producers and consumers need are made in Mexico. U.S. producers sell machinery, capital goods, high-technology equipment, and temperate climate vegetables to Mexico.

By and large, the United States, Canada, and Mexico are not direct competitors in the same products. A recent U.S. International Trade Commission study concludes it is unlikely that a NAFTA would encourage wide-scale increases in imports that directly compete with U.S. production.

Indeed, our industries are becoming more integrated. Mexico has diversified its exports away from reliance on petroleum, and our trade patterns have also been changing. Our relationship was once characterized by U.S. purchases of raw materials and sales of finished manufactures. In 1980, only 35 percent of Mexico's exports were manufactures; by 1990, this had increased to 75 percent. Most of this growth is in components and semi-manufactures that complement U.S. production and retain jobs in the United States.

The complementarity in our economies means that there is great room for growth and efficiency gains from free trade. Increasing economic ties through an FTA will result in net growth for <u>both</u> partners.

An FTA will solidify Mexico's recent market opening and create more opportunities for doing business across the border. In the absence of an agreement, Mexico would be free to raise all its tariffs to 50 percent, its GATT -bound level. An FTA will enable more efficient production through economies of scale and lower costs for inputs and create a more predictable business environment. Stability and predictability are essential elements for investment and trade to grow and

Mexico now provides both. Continued growth in Mexico will allow that country to pay for the rapid upgrading of infrastructure necessary to support existing trade. It will create additional opportunities for business to participate in these modernization efforts through direct exports and joint ventures.

Growth will also enrich Mexico's consumer base and create additional opportunities for U.S. firms and workers to make and sell the products that the Mexican market already knows and likes.

The bottom line will be more jobs, lower prices, greater consumer choices for North American workers, and an enhancement of their competitive position in the world.

Free Trade Opens More Opportunities

As shown earlier, freer trade with Mexico has led to more trade, and that is in the best economic interest of both countries.

In spite of Mexico's impressive reforms to date, more can be done. Mexican tariffs are still high (10 percent on average) compared to the average tariff of 4 percent that we impose on Mexican exports to us. Some Mexican tariffs are 20 percent--and import licensing still affects 40 percent of our agricultural exports to Mexico and severely limits U.S. exports of motor vehicles.

While the Mexican investment regime has been opened up a great deal, it is still closed to many U.S. investments both in manufacturing and in services. Performance requirements associated with investments distort export opportunities for U.S. products. Local content requirements, for example, deny U.S. parts producers the opportunity for direct supply to Mexican manufacturers. Some Mexican Government programs are only available to Mexican investment.

Other areas where a free trade agreement can make advancements include regulations in services industries, standards harmonization, temporary business travel, and opportunities to supply the Mexican government. Free trade agreements have been used to address all these issues.

Free Trade Will Improve our Relationship

We have a broad bilateral agenda that goes well beyond trade and investment links. U.S. agencies, including the Environmental Protection Agency and the Departments of Justice, State, and Labor are actively engaged in working with Mexico on such important issues as the environment, narcotics, immigration, human rights, and worker standards. By boosting economic prosperity in the United States and Mexico, an FTA would enhance each country's ability to deal with each of these important issues. Experts are making significant progress on these and other bilateral issues and are looking for continued parallel progress as an FTA moves forward.

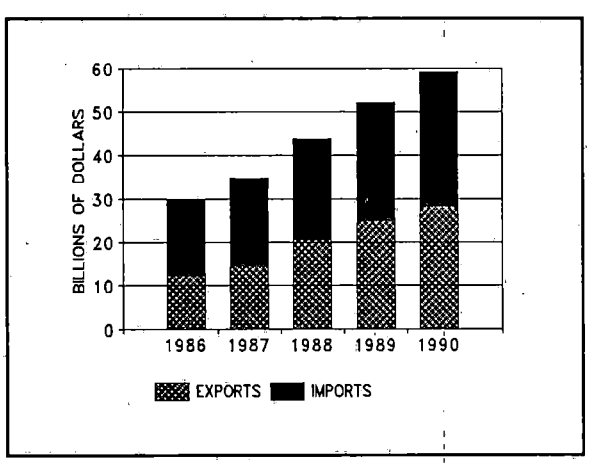
Many nontrade agreements between the United States and Mexico have already been concluded in the past two years. For example, the **1983 Border Environment Agreement** addresses environmental problems in the border

area, to prevent, reduce and eliminate sources of pollution affecting air, water and the land. The **1989 Mexico City Agreement** commits the countries to address the air and other pollution problems of one of the world's largest cities. The 100-year old **International Boundary and Water Commission** is constructing major sewage treatment systems in three border cities: Laredo, San Diego and Nogales.

A Growing Market for Trade and Investment

Mexico's economy is ranked fifteenth among the nations of the world. Mexico's estimated GDP reached $228 billion in 1990, with per capita GDP at $2,650.

U.S.-Mexico trade hit a record $59 billion in 1990, doubling in four years.



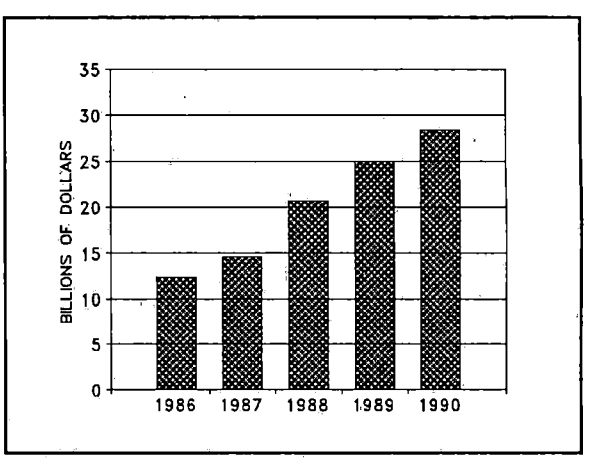
U.S.-MEXICO TOTAL TRADE

Mexico has always been an important destination for U.S. investment activity, estimated at $7.1 billion in 1989--a 62 percent share of all foreign direct investment in Mexico. Bilateral investment flows are expected to increase under an FTA.

Mexico's population grew nearly 10 percent between 1984 and 1989, to 85 million. This is a sizable market for U.S. companies to target in their export strategies. Furthermore, Mexico's population is expected to reach 100 million by the year 2000. U.S. producers are in an excellent position to supply this growing market, where consumers are eager to purchase U.S. goods.

Mexico Is One of Our Best Customers

Mexico is a top U.S. customer. We export more products to Mexico than to any other foreign market, with the exceptions of the industrial nations of Canada and Japan. U.S. sales to Mexico are double those to either Korea or Taiwan, three times those to Hong Kong, four times those to China, and five times those to Brazil.

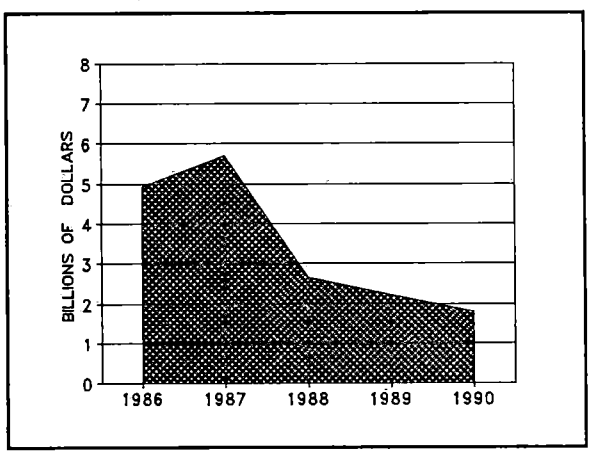


U.S. EXPORTS TO MEXICO HAVE GROWN RAPIDLY

Mexico prefers U.S. goods. The United

States accounts for almost 70 percent of Mexico's imports; only in Canada does our share of the import market come close to this level.

Geographic proximity has meant that Mexicans are comfortable and familiar with U.S. products and services. Exports to Mexico will be easier and more profitable once trade-distorting barriers are removed. In fact, as Mexico has liberalized its trade regime, our trade deficit with Mexico has been shrinking.

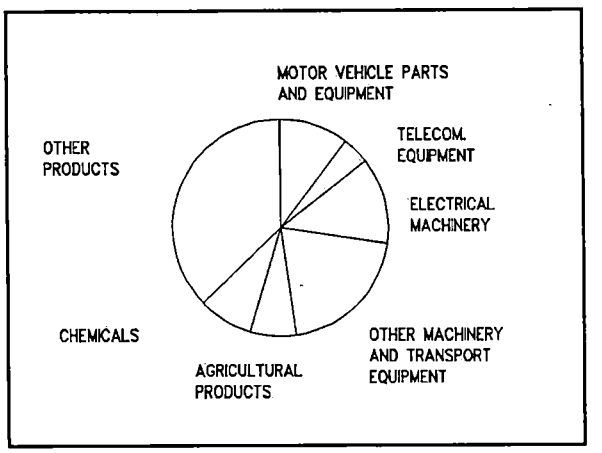


U.S. TRADE DEFICIT WITH MEXICO HAS SHRUNK

Per capita, Mexico imports $295 from the United States compared with $266 for the EC and $9 for Eastern Europe.

Leading U.S. exports are motor vehicles parts and equipment, telecommunications equipment, electrical machinery, transport equipment, cereals, and chemicals.

Mexico is also a major supplier to the United States. Our leading imports from Mexico are crude oil, motor vehicles and



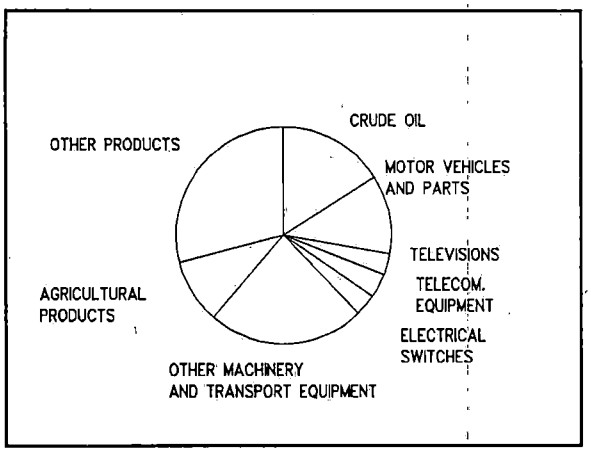
COMPOSITION OF U.S. EXPORTS TO MEXICO, 1990

parts, televisions, telecommunications equipment, electrical switches, machinery and transport equipment, and vegetables.

As Mexico's market develops further, there will be unprecedented demand for many goods. A North American FTA will position U.S. suppliers to take advantage of this dynamic market.

The Impact on Employment

A NAFTA will help keep jobs in the United States by strengthening the ability of U.S. firms to compete against Asian and European companies. Many American manufacturers have noted that joint production arrangements with Mexico have saved U.S. jobs and created new ones. Working together, North American technology, capital, and labor will produce competitive goods and services for the world market.



COMPOSITION OF U.S. IMPORTS FROM MEXICO, 1990

Tariff removal will enhance U.S. competitiveness at home and abroad since companies using North American components will realize significant cost savings.

Two recent analyses by the U.S. International Trade Commission and KPMG Peat Marwick indicate that the overall impact of a North American FTA on U.S. employment would be positive.

U.S. workers are among the most productive in the world. Our labor productivity in manufacturing showed strong growth in 1990, up 3 percent. Depending on the measure, output per employed person in the United States is roughly 5 or 6 times that of Mexico. Since 1980, output per person employed in manufacturing has grown 2.5 times faster than in Mexico. Consequently, higher real incomes and wages in the United States reflect superior U.S. productivity.

The Impact on Investment

Both U.S. and foreign investors will continue to invest heavily in the United States. Our educated, highly skilled, and productive workers; our developed and reliable infrastructure; and proximity to high quality, dependable suppliers and markets will ensure that both U.S. and foreign investors will continue to invest in the United States. These advantages will continue in a NAFTA. As trade expands, the manufacturing sectors of all three countries are likely to grow in production and real wages.

U.S. investment in Mexico helps strengthen a company's ability to meet the global competitive challenge. A 1988 study by the U.S. International Trade Commission revealed that the vast majority of the 900 firms surveyed felt that assembly in Mexico had improved their overall international competitiveness. Most of the firms indicated that the alternative to moving part of their labor-intensive operations to Mexico (where a substantial amount of U.S. components are used) was to move their entire operation to Asia. This obviously would result in the purchase of fewer U.S. components and machinery. Investment in Mexico also leads to greater U.S. exports: of every dollar Mexico spends on imports, 70 cents goes to purchase goods produced by U.S. workers.

The North American partnership will create business opportunities as a whole range of expanded areas of production

materializes. Businesses within a NAFTA will increase their markets. They will improve their access to financial resources, technology, and an abundance of skilled and relatively inexpensive labor. They will benefit from being located in one of the world's richest natural resource endowments.

The Results of Free Trade

Free Trade Agreements have promoted growth for the European Community, for Australia and New Zealand, and for others.

Even when trade agreements occur between economies with different levels of development, the net result is positive. The accession of Greece, Spain, and Portugal to the European Community did not depress real wages within the EC. In fact, during the 1980s, real manufacturing wages rose in the Germany, France, and the United Kingdom by at least 20 percent. Continued economic integration in the EC has lowered barriers to trade and investment and prompted a renewal of economic and job growth.

A North American Free Trade Agreement will power the region's economic growth, productivity, and global competitiveness into the 21st century.

Fast Track Is Essential

We are committed -- this administration is committed to America's leadership role in the global economy and to the extension of Fast Track. We want to continue our active partnership with the Congress and with the private sector in expanding trade. Congress has a very special role in international trade.

It'll also give us the same bargaining power that our counterparts already enjoy: the ability to ensure that the agreement reached at the table is the same one voted on at home. Supporting Fast Track will allow our important initiatives for economic growth to go forward. And if a disapproval resolution is passed by either house, the Fast Track for all purposes is history -- it's gone.

President George Bush

FAST TRACK IS ESSENTIAL

Historical Background

For the better part of this century, Congress and the Executive have recognized that the negotiation and implementation of trade agreements require special cooperation.

In the aftermath of the record-high rates of the Smoot Hawley Tariff Act of 1930 and the subsequent Depression, both Congress and the Executive recognized that only by working closely together could the two branches effectively bring down barriers to foreign trade and open international markets for U.S. products and services.

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.

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 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, in 1979, and again in the 1988 Trade Act.

Fast Track Is Essential to Successful Trade Negotiations

While assuring 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.

These negotiations are complex and involve balance. Special interest amendments introduced after negotiations have been finalized can unravel the most carefully crafted 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 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.

Without fast track, the President cannot assure our negotiating partners that the deal they strike is the deal that will be voted on by Congress. Without that assurance, foreign governments are reluctant to negotiate with the United States. No trading partner will give its bottom line knowing that the bargain could be re-opened.

Using fast track, the United States has negotiated and implemented three remarkable agreements which were each

approved by an overwhelming majority in both houses of Congress. These agreements--the results of the Tokyo Round in 1979, the FTA with Israel in 1985, and the FTA with Canada in 1988--have reduced barriers to trade and contributed to growth in the United States and the global marketplace.

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 liberalize trade and open markets through the GATT, through other multilateral agreements, and through bilateral agreements.

Congress Is an Essential Part of the Fast Track Process

Fast track procedures preserve Congress' role during the negotiation, approval, and implementation of trade agreements.

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, Congress is an active partner.

To use the fast track for any agreement, bilateral or multilateral, the President must notify Congress 90 calendar days before signature. By the time the President gives his 90-day notification of the completed agreement, the many private sector advisory committees must report their views on the agreement both to Congress and the President.

For bilateral agreements, Congress must be given advance notice of the negotiations; during the following 60 legislative working days, either the Senate Finance or House Ways & Means Committee can vote to deny fast track treatment.

Once an agreement is reached, Congress and the Administration work in close consultation to formulate implementing legislation. The process has involved the full participation of all committees of jurisdiction, and not only those committees traditionally consulted in setting trade negotiating objectives.

There are no time deadlines for preparing the agreement's implementing legislation. If the agreement and its implementing legislation are still not acceptable to Congress, they can be rejected by majority vote of either house.

Today the United States is engaged in bilateral and multilateral trade initiatives that hold unprecedented promise for the advancement of the nation's economic objectives. It is clearly in the national interest to continue a partnership that has proved its worth for almost sixty years.

Use of Fast Track if Extended

By incorporating the fast track in the 1988 Trade Act, 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.

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 FTA with Mexico and Canada, and pursuing the trade objectives of the Enterprise for the Americas initiative.

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

A Vote Against Fast Track for Any Reason Denies the Fast Track for All Agreements

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.

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.

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 and perhaps eliminated.

Continuing Fast Track Is Essential to Securing Economic Gains

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 8.3 percent growth in U.S. exports accounted for 88 percent of U.S. economic growth.

In order to sustain the expansion of exports and consequent growth, the United States must continue its efforts to open world markets. The United States must maintain its active leadership role.

Maintaining fast track procedures -- and the partnership between Congress and the Executive Branch which 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.

As the beginning of a new century approaches, we must not hesitate to pursue the opportunities for expanded economic growth and prosperity presented by successful trade negotiations.

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

Export Growth as the Engine of Prosperity

. . . a NAFTA (North American Free Trade Agreement) will link the U.S., Mexican and Canadian economies in bold and far reaching ways. By eliminating trade and investment barriers among our nations, we will stimulate the dynamism of our economies, enhance the competitiveness of our businesses and farmers, and set a standard for trade liberalization for the hemisphere and the world. . . .the FTA would be a catalyst for economic growth and development in Mexico and the United States. . . . We should seize this opportunity and build a firm foundation for growth throughout North America into the 21st Century.

Ambassador Carla Hills
U.S. Trade Representative

EXPORT GROWTH AS THE ENGINE OF PROSPERITY

Export expansion has been a vital source of economic growth for the U.S. economy in recent years.

Exports have become increasingly important to U.S. economic growth. Over the last four years U.S. merchandise exports have expanded by nearly three-fourths, rising from $246 billion in 1986 to $424 billion in 1990. This $178 billion expansion in U.S. exports accounted for over 40 percent of the four year growth in U.S. GNP.

In 1990, merchandise exports expanded by 8.3 percent or just over $30 billion. Export expansion accounted for 88 percent of the growth portion of U.S. GNP last year.

Export growth gives an additional boost to the economy by spurring investment in the manufacturing and other export sectors. While the economy expanded by only 0.9 percent last year, investment in producers' durable equipment rose nearly three times faster (2.4 percent), stimulated in large part by export expansion.

Export expansion should help moderate the current economic downturn and hasten the recovery.

The current outlook for a relatively short, shallow recession hinges in part on sustained U.S. export growth. To add one percentage point to GNP growth, U.S. exports of goods and services would need to grow by no more than 6.6 percent this year. In 1990, goods and services exports grew by 9.1 percent.

The outlook for exports this year is good. The dollar exchange rate over the last year has increased the price competitiveness of U.S. goods and services in many foreign markets.

American firms and workers in the export sectors have made great strides to enhance their international competitiveness in recent years. Manufactured exports have grown extremely rapidly since 1986. Manufacturing as a share of U.S. constant dollar GNP, at 23.1 percent, reached a post-World War II record high in 1988 (most recent available data).

The United States has successfully created a favorable environment abroad for U.S. export expansion in the 1980s by resisting the imposition of new barriers against American producers and by opening foreign markets further to U.S. exports. From a 1987 peak of $152 billion, the U.S. merchandise trade deficit fell to a deficit of under $100 billion last year.

Extension of fast track procedures is key to the further opening of foreign markets to U.S. exports.

The current economic environment is generally favorable to U.S. export expansion. The failure to renew fast track authority, however, would be the death knell for Administration efforts to successfully negotiate a North American free trade agreement with Mexico and Canada. U.S. export potential would suffer if the Administration is denied the tools required to negotiate broad foreign

market-opening agreements--and U.S. workers and businessmen will be competing with one hand tied behind their backs.

A missed opportunity to open-up markets through trade negotiations may lead to increased pressures to raise trade and investment barriers around the world. Just as falling barriers over the last four decades have stimulated growth in trade and living standards, increasing barriers could reduce trade and economic growth. A sufficiently sharp movement away from open markets could contribute to a global recession.

The North American Business Experience: American Companies Competing in the Global Market Place

A free-trade agreement would boost the international competitiveness of both U.S. and Mexican firms. . . . a free-trade agreement would make U.S. firms more competitive against imports in the United States and against other countries' exports in the world market.

Michael Boskin
Chairman
Council of Economic Advisers

THE NORTH AMERICAN BUSINESS EXPERIENCE:
AMERICAN COMPANIES COMPETING IN THE GLOBAL MARKETPLACE

It does not take a macroeconomic model to understand that the explosion of U.S. exports to Mexico over the past four years (from $12 billion to nearly $29 billion) has been a powerful job generator for American workers. The Commerce Department estimates that a billion dollars in exports creates 22,000 jobs. Thus we extimate over 600,000 U.S. jobs are related to U.S. exports to Mexico, with half these jobs generated in recent years.

The following companies, ranging in size from United Technologies to the Imperial Pump Company, have been chosen to illustrate how some of these jobs have been either created or retained in the United States.

The far-reaching benefits of freer trade with our neighbors can only accelerate with the implementation of a North American Free Trade Agreement.

Warnaco

The dramatic steps President Salinas has taken to liberalize and stabilize the Mexican economy offer a preview of the considerable benefits that will flow to the U.S. apparel industry from a properly negotiated free trade agreement between Mexico and the United States. We have already experienced rapid economic growth resulting from the reduction of trade barriers between the United States and Mexico and can expect this growth to accelerate as the FTA is implemented. The vision and initiative of President Bush in expanding these negotiations to include Canada will ensure that North America is the economic force which leads the world into the next century.

Linda J. Wachner
President and CEO

Warnaco's longstanding trade and investment relationship with Mexico, its maquiladora sewing operations and the Warnaco-owned subsidiary operations in Mexico have been beneficial. In addition to employing approximately 1,600 Mexican workers in the company's sewing facilities in San Luis, Mexicali, and Juarez, Warnaco's Mexican operations have provided skilled cutting, distribution and sales employment in the U.S. to workers in Georgia, Alabama, Connecticut, Pennsylvania and California. Warnaco's assembly operations in Mexico support the jobs of over 1,000 Warnaco employees in the United States, fully one-fifth of the company's American work force.

* * *

Semtech Corpus Christi

[We] would not be in business if not for the maquila operation.

James Russell
Plant Manager

Semtech Corpus Christi is a Texas-based manufacturer of power semiconductors recently acquired by Semtech Corp. of California. Using 70 percent U.S. inputs, manufacturing takes place in the larger Corpus Christi plant with assembly done in the nine year old Reynosa, Mexico plant. Currently, Semtech Corpus Christi employs about 100 people in Corpus Christi and an additional 50 at its plant in Reynosa, Mexico.

AT&T

AT&T has made Mexico a cornerstone of its competitive global strategy.

One thousand jobs in Dallas, Texas, have been retained directly due to AT&T's wholly owned plant in Matamoros, Mexico. AT&T also has a contract repair facility in Mexico for its cordless telephones. The average turnaround time at this facility is three to four weeks, compared to the lengthy turnaround time when the repairs were done in Asia (transportation alone averaged 17 weeks).

AT&T has just been awarded a major contract to supply electronic switches to Telnor, which provides telecommunications services to Mexico's northern states. This high-tech equipment is to be solely manufactured at AT&T's Oklahoma City factory.

AT&T is expanding its business in Mexico on other fronts as well. AT&T has won a major contract with TELMEX, Mexico's telephone operating company, to supply 60 percent of the new fiber optic network. Product sales under this contract are estimated at $140-$160 million, much of which is manufactured in the United States.

AT&T's total annual product and equipment sales to Mexico, excluding long distance service, has grown from less than $1 million in 1987 to over $40 million in 1990. In 1987, AT&T had only one person working in Mexico; it anticipates employing 5,000 personnel in Mexico by the end of 1991. All of AT&T's Mexican activities support or have led to increases in U.S. employment by making AT&T products and services more competitive.

Mexico's improved economic and investment climate is credited for AT&T's increased presence in Mexico.

* * *

Whirlpool

> *Maquiladora operations are a contributor to the economic vitality of the U.S., and support American jobs by providing low cost, high quality components for our domestic industries.*
>
> William D. Marohn
> Executive Vice President

Whirlpool has operations in McAllen, Texas, and Reynosa, Mexico. The maquiladora operations have helped to offset competitive pressures from offshore manufacturers in other parts of the world, maintain Whirlpool's markets in the United States, and ensure continued domestic and global growth for the company.

Trico

The maquiladora program preserved Trico's presence in North America and 1,400 good jobs in the United States.

Richard L. Wolf
President and CEO

In 1917 Trico invented windshield wipers. Today, it is the world leader in the design and manufacture of Windshield Wiper Systems. Trico has operations in North America, Great Britain, and Australia.

While it has dominated the windshield wiper market during the first 75 years of operation, in the early 1980s it became apparent to Trico that its facilities in the United States could no longer compete in the world market. Trico's alternatives were to sell the company to off-shore interests, move it to the Pacific Rim, or locate some of its manufacturing facilities in Mexico. Seeking to maintain as much of the company in the United States as possible, Trico established a maquiladora operation in Mexico.

By locating part of its production in Mexico, Trico was able to preserve its presence in North America and 1,400 American jobs. Most of these are high paying jobs in engineering, marketing, and sales. Trico currently employs 1,000 at its Buffalo, New York, world headquarters and 400 at its Brownsville, Texas, plant.

* * *

The Celadon Group

The Celadon Group is the largest U.S. total transportation group operating in Mexico. It provides trucking, international air and ocean freight forwarding, logistics management, and corporate travel services between the United States and Mexico. Celadon trucking handled 40,000 full trailer crossings between the United States and Mexico in 1990.

Founded in 1985 with one office and three people, the Celadon Group now employs approximately 1,100 workers in their 24 U.S. and two Mexico offices.

Annual revenues from Celadon's Mexican business have grown from $5 million in its first year of operation to $56 million last year.

Imperial Pump Company

Imperial Pump's exports to Mexico have surged since 1989. This small pump manufacturer exports roughly 50 percent of its annual production to Mexico--about $150,000-$200,000. Thanks to the export increase, U.S. employment in its Lubbock, Texas facility has more than doubled.

* * *

Deltec

This San Diego electronics manufacturer started a maquiladora five years ago. This move resulted in a 400 percent increase in sales and a 300 percent increase in total employment (San Diego and Mexico), with San Diego-area employment rising by 50 percent. Operational dollars spent for raw materials and services in San Diego increased by 450 percent, or $18 million. Many of the firm's San Diego employees were retrained to fill higher skilled data entry and clerical positions once the labor-intensive work was moved to Mexico.

* * *

Navistar International

Chicago-based Navistar International Transportation Corporation recently signed an agreement to supply DINA Camiones of Mexico, a major Mexican truck manufacturer, with diesel engines. The engine supply agreement could add 3,000-5,000 engines annually to the production schedule at Navistar's Melrose Park, Illinois, engine plant. Navistar believes that its Mexican contract will further solidify 800 jobs at its Melrose Park engine plant. Navistar is the leading manufacturer of medium and heavy trucks in North America. With this agreement, Navistar engines will soon become the major power plant for DINA medium trucks.

* * *

Stratus Specialty Vehicles, Inc.

Based in Kansas City, Missouri, Stratus Specialty Vehicles, a small family-owned ambulance manufacturer, made its first sale into Mexico less than two years ago. Stratus supports free trade with Mexico because it will increase its access to the Mexican market. Stratus predicts that further expanding sales into the Mexican market will bring its total costs of production down, translating into lower prices for its product for both its U.S. and Mexican customers. Stratus is one of the oldest ambulance manufacturers in the United States.

Procter & Gamble Company

Procter & Gamble's Mexico operation produces nondurable consumer goods for the Mexican market. It is not a maquiladora. The company's net exports of raw materials, finished products, equipment and services to Mexico support approximately 1,500 jobs in the United States. U.S. employment supported by Procter & Gamble's local subsidiary's sales in Mexico has approximately doubled in the past three years and is continuing to grow rapidly. In effect, for every two Procter & Gamble employees in Mexico, Procter & Gamble supports one job in the United States.

* * *

Control Module

Control Module, a leading manufacturer of microprocessor-based bar code equipment based in Enfield, Connecticut, won a bid last December to supply Servicios Cupones of Mexico up to 20,000 validation terminals. The value of this contract could exceed $8 million. To fulfill this contract, Control Module expanded its manufacturing operations in terms of employment, equipment, raw materials, and services input.

* * *

United Technologies, Automotive Products Division

United Technologies believes that its production-sharing plants in Mexico are essential to its continued viability in the U.S. automotive wire harness and related components business. Combined production from the Mexican and U.S. plants has captured 15 percent of the U.S. wire harness market. United Technologies' operations in Mexico support approximately 3,800 Americans in manufacturing, engineering, and administrative positions in the U.S. automotive parts division.

* * *

Otis Elevator Company

The Otis maquiladora plant has led to a net increase in U.S. jobs. Three-fourths of the elevator systems produced by the low-cost Mexican plant are sold, installed, and serviced across North America by U.S. workers (the rest are exported to Europe and Asia). Ninety percent of the components used in the maquiladora are produced in the United States, and jobs have been created by an increase in these exports. Otis also employs a technical and managerial support staff based in Tucson, Arizona for its Mexican operations.

Micro Forms, Inc.

Micro Forms, Inc., is a small contract manufacturer that sells metal stampings and fabrications from its Texas plant to other manufacturers and assembly operations along the U.S.-Mexico border. Sales to maquiladoras alone average $400,000 - $600,000 annually, which equals about 25 percent of Micro Forms' business. Forms' management credits maquila-generated business with helping the company to both maintain steady growth over the last ten years and also to bring larger contracts. Currently, Micro Forms has a staff of 20. The company has been in business since 1967.

* * *

Zenith Electronics Corporation

> *Operations in Mexico have helped Zenith remain competitive with high-quality consumer electronics products and a world-class cost position.*
>
> Jerry K. Pearlman
> Chairman, President, and CEO

To maintain its position in the face of intense and unfair competition from foreign-owned competitors, Zenith Electronics Corporation, headquartered in Glenview, Illinois, had to consider establishing off-shore production facilities. Zenith turned to Mexico as a key component in the company's competitiveness program.

By establishing operations in Mexico instead of the Far East, Zenith was able to keep intellectual property development and the associated technical jobs in the United States. Because of cost-competitive Mexico operations, Zenith has been able to enter several new businesses, each of which has added new jobs in the United States, both at Zenith and at its vendors. Zenith also has been able to save U.S. jobs related to its picture tube, plastics molding and final assembly operations in the United States. In total, Mexico operations have helped to preserve about 8,000 U.S. Zenith jobs--as well as thousands of U.S. jobs at Zenith's vendors for packaging, glass, and printed-circuit boards and other components.

Since establishing its first operation in Mexico in 1971, Zenith's operations have grown to include plants in five Mexican cities.

Questions and Answers about the North American Free Trade Area

WHY DOES THE UNITED STATES SEEK TO CREATE A NORTH AMERICAN FREE TRADE AREA?

The United States shares a 4,000-mile border with Canada and 2,000-mile border with Mexico. Removal of trade distorting barriers under a free trade agreement will make North American free trade easier and more profitable, allowing the United States to take full advantage of continental business opportunities.

Under the two-year old U.S.-Canada Free Trade Agreement, business opportunities are increasing for U.S. firms. Lower tariffs under the agreement and the strong Canadian dollar have created an attractive environment for increased U.S. exports. Government procurement opportunities also offer significant opportunities for large and small U.S. companies.

Canada and Mexico have always been important destinations for U.S. foreign direct investment. U.S. investment in Canada stood at $63 billion in 1990, nearly 20 percent of all U.S. foreign direct investment, and at $7.1 billion in Mexico in 1989. Investment flows are expected to increase under a free trade agreement that includes all three countries. While many U.S. companies sell directly to Canada and Mexico, both countries increasingly are important markets for joint ventures, licensing, and affiliate sales as well.

HOW WOULD A NORTH AMERICAN FREE TRADE AGREEMENT BENEFIT THE UNITED STATES?

Benefits of the U.S.-Canada Free Trade Agreement are already being seen. These include increased U.S. exports, expanded investment opportunities, more Canadian Government procurement contracts going to U.S. firms, accelerated tariff reductions, and progress on border crossing procedures and standards harmonization.

A NAFTA will help stimulate faster economic growth in Mexico. This will increase the Mexican demand for U.S. products. Expanding U.S. exports translate into increased jobs in the United States. It is estimated that each $1 billion in U.S. exports creates over 22,000 U.S. jobs. U.S. consumers also will benefit from access to a wider variety of products and services at lower prices.

A larger, more dynamic North American market will be a more attractive place to invest, further strengthening the nation's production capacity and adding to the number of U.S. jobs.

HOW CAN MY COMPANY BENEFIT?

The agreement will open up access to the growing Mexican market for U.S. producers, service providers and investors.

Companies will enjoy easier and cheaper access to U.S., Canadian and Mexican components.

A larger market base and cheaper inputs reduce the total cost of your production. This will make your company more competitive in other markets such as Europe and Asia.

WHAT ARE THE BARRIERS TO TRADE THAT A NAFTA MIGHT ADDRESS?

Tariffs, import licensing requirements, import quotas, restrictions on foreign investment, and certain technical regulations and standards can be trade barriers. Their effect can be to raise the price of a product or service for consumers.

Tariffs are taxes placed on imported products to reduce import competition. Different licensing and standards requirements between countries make it difficult for exporters to comply.

Import quotas place caps on the quantities of imports permitted. Restrictions on foreign direct investment can distort both trade and investment patterns and provide unfair advantages and protection to domestic investment.

Negotiation of a North American Free Trade Agreement will include consideration of all these issues.

WHAT IS A MAQUILA?

Maquilas or maquiladoras are export-oriented assembly plants that operate under special Mexican regulations. They can benefit from U.S. and Mexican provisions that allow the plant to import components and raw materials duty-free from the United States and re-export finished and semi-finished products. The goods that return to the United States are subject to import tariffs only on the value of non-U.S. components and Mexican value-added. Under certain conditions, up to 50 percent of the production of maquiladora plants can be sold in Mexico.

WHY DO WE NEED AN FTA IF U.S.-MEXICO TRADE IS INCREASING SO MUCH?

It is important to ensure that the changes undertaken in recent years are secured for the future. An FTA will further open that market. Also, business needs the stability and predictability provided by international trade agreements in order to confidently make the decisions necessary to expand production in the United States to serve that market.

HOW WILL THE NAFTA BE IMPLEMENTED?

The process of eliminating trade barriers will be done gradually over a number of years in order to allow the different sectors in the United States, Mexico, and Canada time to adjust in an orderly way to changing competitive conditions. Exact details of NAFTA implementation will be part of the negotiations.

The U.S.-Canada Free Trade Agreement is being implemented over ten years. It took effect on January 1, 1989, but won't be fully implemented until January 1, 1998.

WHAT IS THE DIFFERENCE BETWEEN A FREE TRADE AREA AND A COMMON MARKET?

A common market has a common external tariff and may allow for labor mobility and common economic policies among the participating countries. The European Community is an example of a common market.

By contrast, the free trade agreement being proposed deals only with the flow of goods and services and investment among trading partners. It would not address labor mobility across borders or other common policies such as taxes. Member countries of a free trade area maintain their own individual tariff rates for countries outside the free trade area.

WHAT ROLE DOES THE PRIVATE SECTOR PLAY IN THE NEGOTIATIONS?

Government officials involved in the trade negotiations rely on U.S. business to assist in setting goals for the negotiations and to advise the U.S. team throughout the negotiation process.

The Industry Consultations Program, co-chaired by the Department of Commerce and the U.S. Trade Representative, is the principal method to secure advice from hundreds

of private sector advisors organized into various sectoral and functional advisory committees.

Public hearings will be held in 1991 by numerous U.S. agencies and offices to seek the advice of business, labor, agriculture, and academia. Private sector representatives may appear in person or submit written briefs. Notices of such hearings often appear in the Federal Register.

The better and more extensive the private sector advice, the better job U.S. negotiators can do. Companies may write to the U.S. Department of Commerce for further information or to provide their views. A number of other sources of information on the negotiations also exist. Addresses are listed in the appendix.

WILL FREE TRADE WITH MEXICO AND CANADA MEAN THE UNITED STATES WILL LOSE JOBS?

Free trade is not a zero sum game. It has a positive impact on the American economy and jobs. Trade agreements reduce barriers to commerce and open markets.

The U.S. Department of Commerce estimates that every $1 billion in exports generates 22,000 jobs in the United States. By that yardstick, U.S. exports to Canada already account for 1.9 million U.S. jobs. Moreover, since the CFTA was implemented, 264,000 jobs have been created in the United States as a result of increased exports to Canada.

Trade between the United States and Mexico has increased jobs in both countries. Mexico made the commitment to free trade and joined the General Agreement on Tariffs and Trade in 1986. The U.S and Mexico embarked on framework trade agreements to open their markets in 1987. Since then, U.S. exports to Mexico have doubled. And Mexican exports to the United States have also grown. This means jobs are being supported and created in both countries.

A February 1991 report by the International Trade Commission, a 1990 study commissioned by the Department of Labor, and recent studies commissioned by business associations all indicate that freer North American trade will result in a net increase of jobs in each country. As Chairman Michael Boskin of the President's Council of Economic Advisers has said, "It is a simplistic argument that a North American Free Trade Agreement will cause the United States to lose jobs to Mexico. It will make the United States more competitive. It will keep jobs from going to Asia."

WON'T A NAFTA MEAN THAT IMPORTS FROM MEXICO WILL PUT U.S. COMPANIES OUT OF BUSINESS?

The experiences of two years of phasing-in the U.S.-Canada Free Trade Agreement demonstrate that no dramatic changes in trade, investment or employment have occurred, nor were they expected.

Tariff and nontariff barriers are being eliminated gradually, just as they will be with Mexico. New market openings that result from an agreement can be phased in with adequate transition periods. Safeguard mechanisms can be put in place to ensure businesses and workers have time to adjust to free trade and to avoid unanticipated surges affecting an industry's smooth transition to the new environment.

Laws that protect U.S. companies against unfair competition from subsidized or dumped goods will continue to be enforced under a free trade agreement.

WILL A FREE TRADE AGREEMENT ENCOURAGE U.S. COMPANIES TO MOVE TO MEXICO TO AVOID U.S. LABOR AND SAFETY STANDARDS?

For several reasons, it is not expected that the Free Trade Agreement will encourage significant movement of U.S. production to Mexico to avoid U.S. health and safety standards. Under the NAFTA, the United States will remain a very attractive place to invest. Investment decisions take into account many factors, such as infrastructure, capital, technology, and the availability of a skilled workforce.

On a legal basis, Mexican worker rights and labor standards compare favorably with those in the United States, Europe and other industrialized countries. Mexico has a comprehensive system of laws and regulations on occupational safety and health. Mexican law grants workers the right to form unions, to strike and belong to international associations. Workers are protected against anti-union discrimination.

Mexican procedures for enforcing its occupational health and safety laws include tripartite health and safety monitoring committees on which labor is represented. Authority exists and is used to impose fines or shut down plants for health and safety violations.

It is true, however, that enforcement of health and safety standards could be significantly improved in some cases. Mexico is a developing country and does not have resources comparable to the United States to devote to enforcement of labor laws. The increased growth stimulated by the NAFTA will enable Mexico to expand its enforcement of health and safety laws.

IS THE FREE TRADE AGREEMENT GOING TO INCREASE ILLEGAL IMMIGRATION TO THE UNITED STATES?

A free trade agreement will not affect U.S. immigration law and enforcement. Studies show the free trade agreement will increase jobs in the United States and Mexico. More Mexican workers will find goods jobs, at increasing wage rates, in Mexico as a result of an FTA. President Salinas has said many times that Mexico would rather export goods than export workers.

WILL A NORTH AMERICAN FREE TRADE AGREEMENT CAUSE U.S. INDUSTRY TO MOVE TO MEXICO TO AVOID UNITED STATES ENVIRONMENTAL PROTECTION LAWS?

All new investments into Mexico are required to comply with Mexico's environmental legislation. Mexico passed sweeping legislation to protect its environment in 1988 (the General Law for Ecological Equilibrium and Environmental Protection). The standards set by this legislation are based in large part on U.S. law and experience. This law reflects Mexico's commitment to protect the environment.

The U.S. Environmental Protection Agency helped its Mexican counterpart agency during the drafting and implementation of this law. The two agencies continue to meet and have developed a comprehensive plan to deal with border environmental problems in response to a request by Presidents Bush and Salinas in their November 1990 meeting in Monterrey.

As an outcome of a 1983 Border Agreement signed by the Presidents of the United States and Mexico, numerous environmental protection agreements and joint projects have resulted in concrete solutions to real problems, benefitting inhabitants on both sides of the border. These achievements have been acclaimed by both governments and outside observers. Working together with the International Boundary and Water Commission, EPA and the Mexican environmental agency, SEDUE, have developed joint working groups in the air, water, hazardous waste, continuous planning, and Mexico City pollution areas.

WILL MORE TRADE WITH MEXICO MEAN MORE POLLUTION?

Mexico's environmental enforcement efforts have been constrained by limited funds during difficult economic times. Free trade will increase investment in Mexico and will increase exports, generating growth in the Mexican economy. Economic growth in Mexico means Mexican manufacturers will earn the extra money to improve the environmental efficiency of their plants. It will provide the Mexican government with the funds to step up enforcement of its environmental protection plan.

Mexico has issued a comprehensive environmental plan and has negotiated environmental agreements with ecological and industrial groups to assure compliance with the laws. Many U.S.-owned companies in Mexico have taken a leadership role in complying with strict environmental standards and urging voluntary compliance by their fellow industries.

In addition, a free trade agreement will increase the flow of environmental know-how and technology across the border. There is already a strong demand in Mexico for these services. U.S. environmental trade missions to Mexico and environmental control products and service exports have enjoyed great success in recent years.

WILL MORE OPEN COMMERCIAL BORDERS MEAN MORE ILLEGAL DRUGS ENTERING THE UNITED STATES?

Free trade will not reduce drug interdiction efforts. Customs, immigration, and border patrol activities will continue. In fact, Mexican drug eradication and interdiction efforts have dramatically increased in scope and success in recent years. U.S. and Mexican customs cooperation over the last three years is unprecedented. Joint projects between U.S. and Mexican customs have resulted in speedier processing of commercial shipments across the border without relaxing drug interdiction.

Free trade and accompanying economic growth in Mexico will provide the marginal sectors of the population with viable and legal employment alternatives.

WILL PURSUIT OF A NORTH AMERICAN FREE TRADE AGREEMENT DILUTE U.S. EFFORTS TO OPEN OTHER GLOBAL MARKETS THROUGH THE URUGUAY ROUND OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE?

The Uruguay Round is America's number one trade priority, however, there are real opportunities to open markets and expand trade through bilateral and regional initiatives, such as the NAFTA. The goal of U.S. trade policy is to pursue trade liberalization through opening markets and expanding trade via a number of channels. A NAFTA could lead the way in some areas of trade liberalization, such as elimination of tariffs and non-tariff barriers. In other areas, the United States could build upon progress in the Round, such as trade-related intellectual property rights and services. The GATT provides for FTAs and customs unions with the caveat that they must not increase barriers to trade for other trade partners, which the NAFTA will not.

IS THERE OPPORTUNITY FOR SMALL AND MINORITY OWNED BUSINESSES IN A NORTH AMERICAN FREE TRADE AREA?

Many small U.S. businesses have found profits and growth through exports to Mexico and Canada. The U.S. Department of Commerce has helped hundreds of small and medium U.S. companies find agents and distributors for their products in Mexico and Canada over the last few years. Many other smaller U.S. firms have increased profits through sales of components and supplies to larger U.S. firms made more competitive by their Mexican operations.

There are many small businesses in Mexico and Canada who are looking for U.S. partners to strengthen their competitive position at home and in the North American marketplace. Small and minority businesses in the United States can benefit from such partnerships. A free trade agreement strengthens the rules of the game for contracts and joint ventures.

WHAT WOULD HAPPEN IF CANADA BACKS OUT OF THE NEGOTIATIONS?

It is not anticipated that Canada will back out of the negotiations. However, all three countries have agreed that if for any reason Canada is unable to proceed with the negotiations, the United States and Mexico are free to proceed on a bilateral basis.

WILL THERE BE ADEQUATE TIME FOR INDUSTRY TO CONSULT WITH U.S. NEGOTIATING TEAM?

When the negotiations begin, they will build upon the solid foundation of framework trade negotiations between the U.S. and Mexico, the two years' experience with the U.S.-Canada Free Trade Agreement, and the Uruguay Round of the General Agreement on Tariffs and Trade. Extensive industry consultations were a significant part of these talks. They have provided an indication of the goals and concerns that U.S. businesses have about a North American Free Trade Agreement negotiations begin.

The U.S. government's official private sector advisors have already begun providing the NAFTA negotiating team with their views. This will continue throughout the pre-negotiation, negotiation, and implementing phases.

Several of the states likely to be most affected by an FTA have surveyed their own industry sectors for input and prepared detailed reports and position papers.

WHAT CAN THE DEPARTMENT OF COMMERCE DO TO HELP ME?

The Department of Commerce offers many services and publications to help companies consider trade with Canada and Mexico. Each year the Department sponsors many trade missions and shows, business seminars, and matchmaker events. Through its 68 offices located across the United States (for addresses, see appendix), the Department of district and branch Commerce provides:

- sector and subsector market research reports and trade statistics on Mexico and Canada
- background reports on individual foreign firms on behalf of U.S. companies considering business dealings
- market research tailored to a potential U.S. exporter's particular product
- business counseling for companies seeking to explore opportunities in the Mexican and Canadian markets
- trade leads received by the U.S. Embassies in Mexico and Canada for particular U.S. products or services
- information on Mexican or Canadian sales agents or distributors.

The Department's U.S. and Foreign Commercial Service (US&FCS) posts in Mexico and Canada sponsor a variety of trade events which introduce U.S. firms to those markets. They can arrange meetings between U.S. company representatives and potential Mexican and Canadian business partners. In Mexico, the Department maintains commercial offices in Mexico City, Guadalajara, and Monterrey. Offices in Canada are located in Ottawa, Toronto, Montreal, Vancouver, Calgary, and Halifax.

The Department's Office of Mexico and its Office of Canada located in Washington, D.C., also are important sources of information and assistance for companies seeking to investigate Mexican or Canadian trade and investment opportunities.

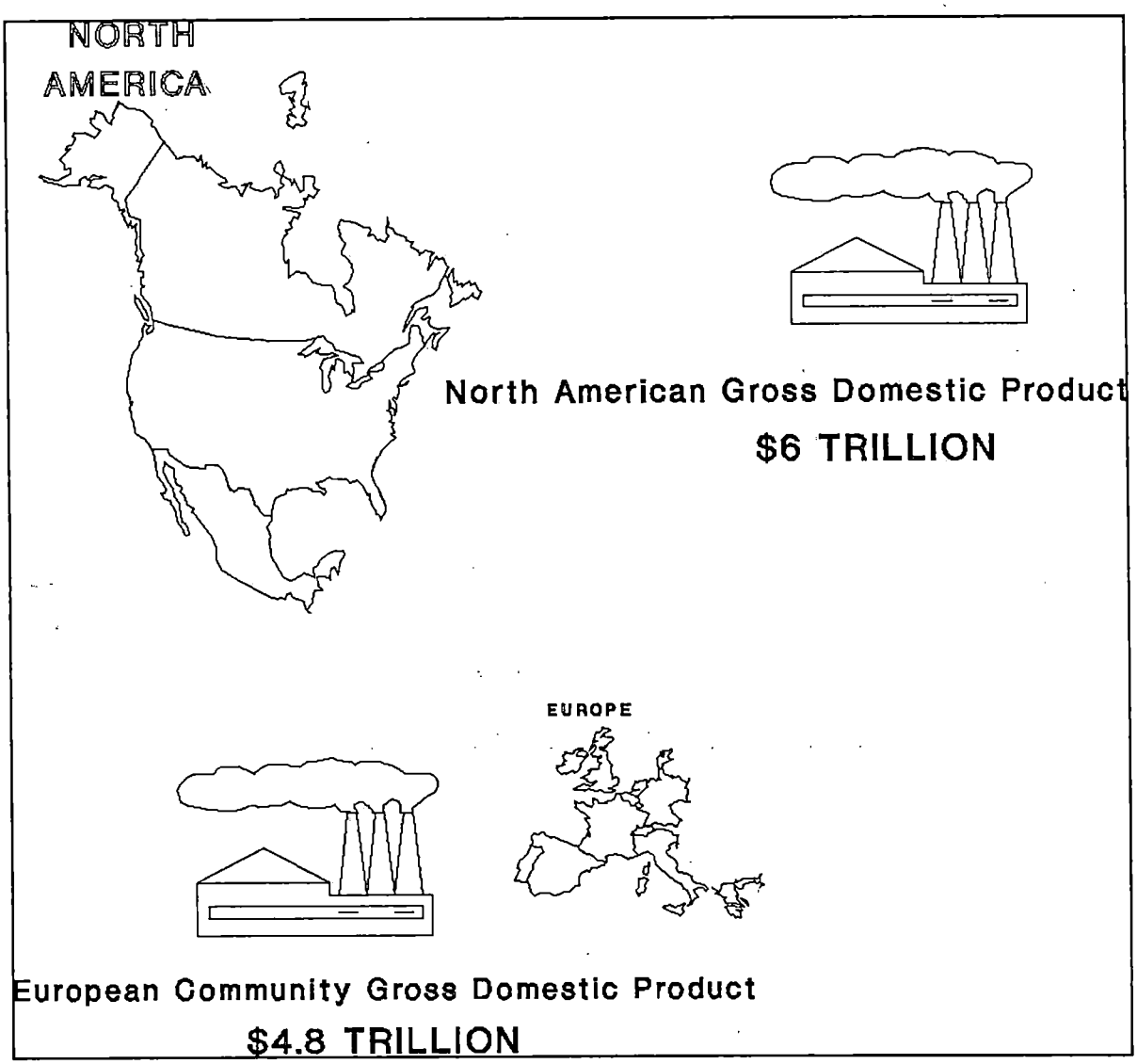
WHAT OTHER RESOURCES EXIST?

State economic development and trade promotion offices offer a wide variety of services to facilitate international commercial activity. Many states and cities operate trade and international business development offices. Several states have opened business offices in Mexico and in Canada. State and local chambers of commerce and other business development organizations also are active in the international trade and investment arena (for addresses, see appendix).

North America: A Statistical Profile

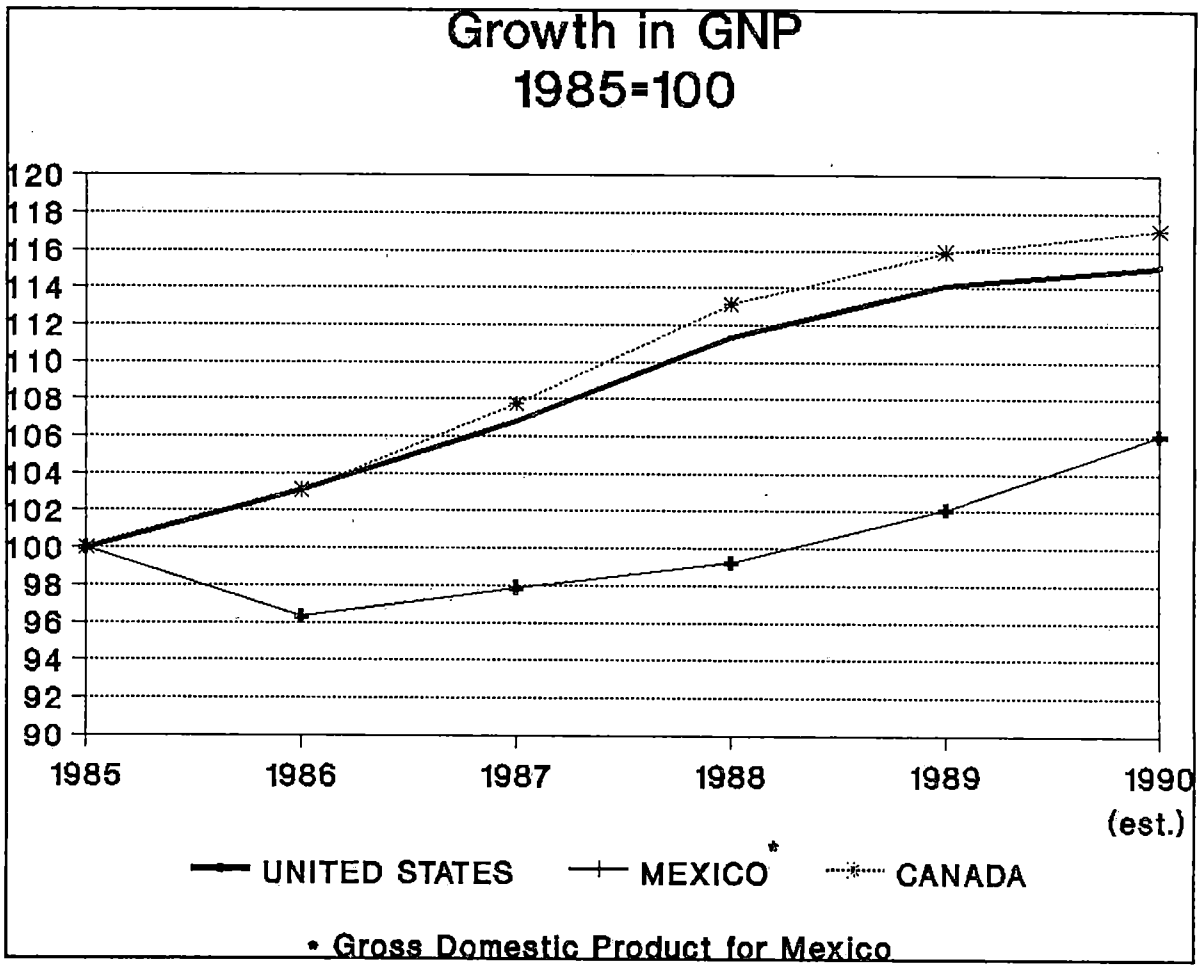
THE NORTH AMERICAN MARKET IS CHARACTERIZED BY GROWTH, ECONOMIC STRENGTH, AND COMPLEMENTARITY

The North American Economy is Larger than the European Community's

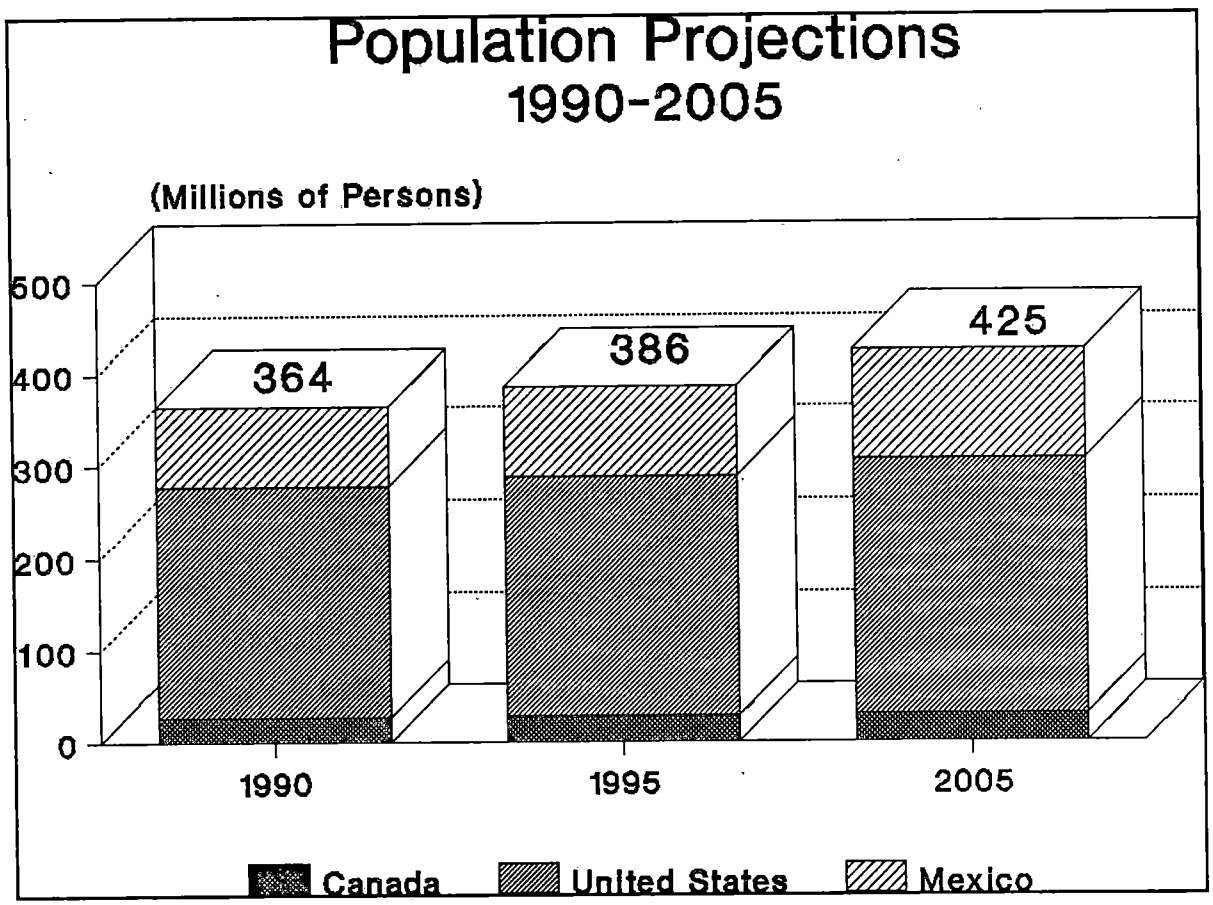


A North American Free Trade Area Is A Large and Growing Market

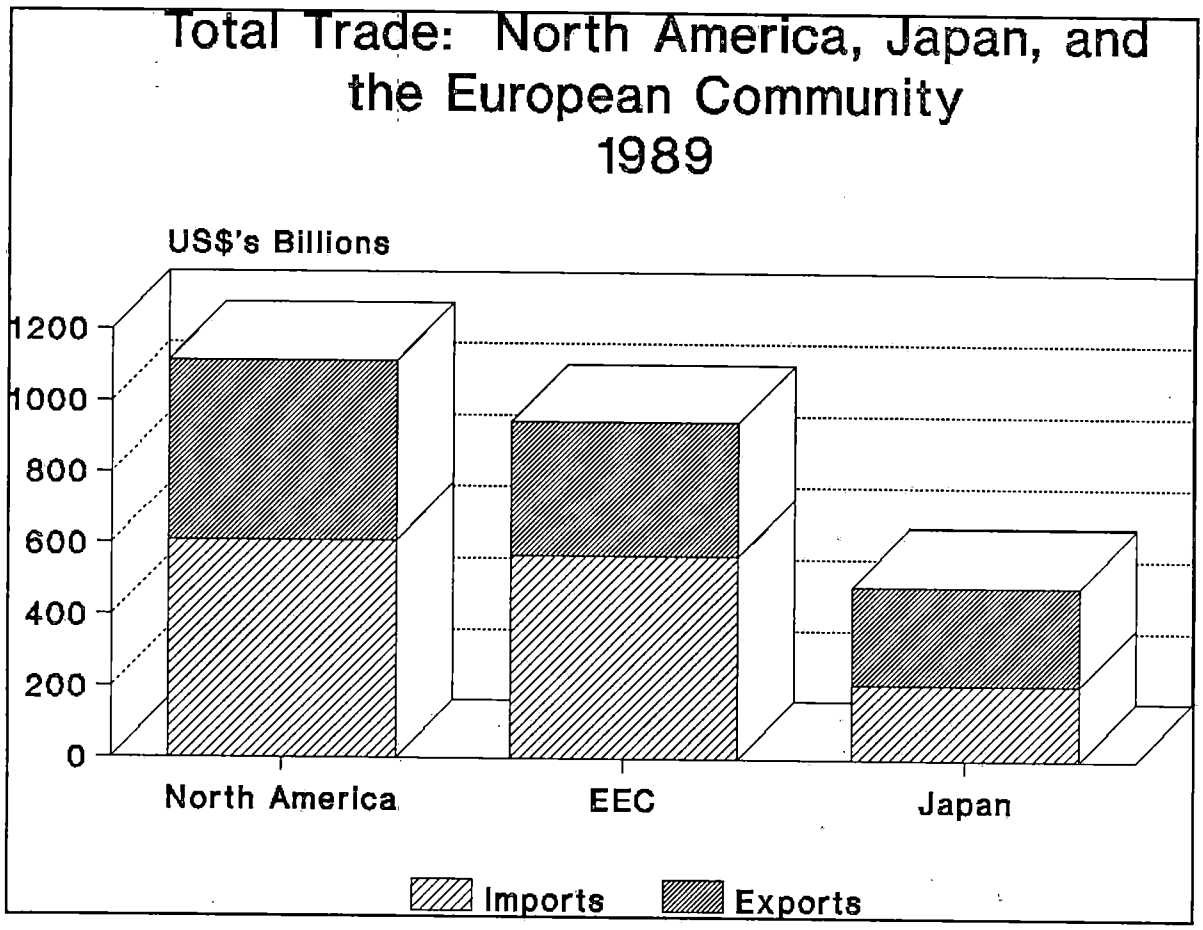
North America Has Experienced Sustained Economic Growth



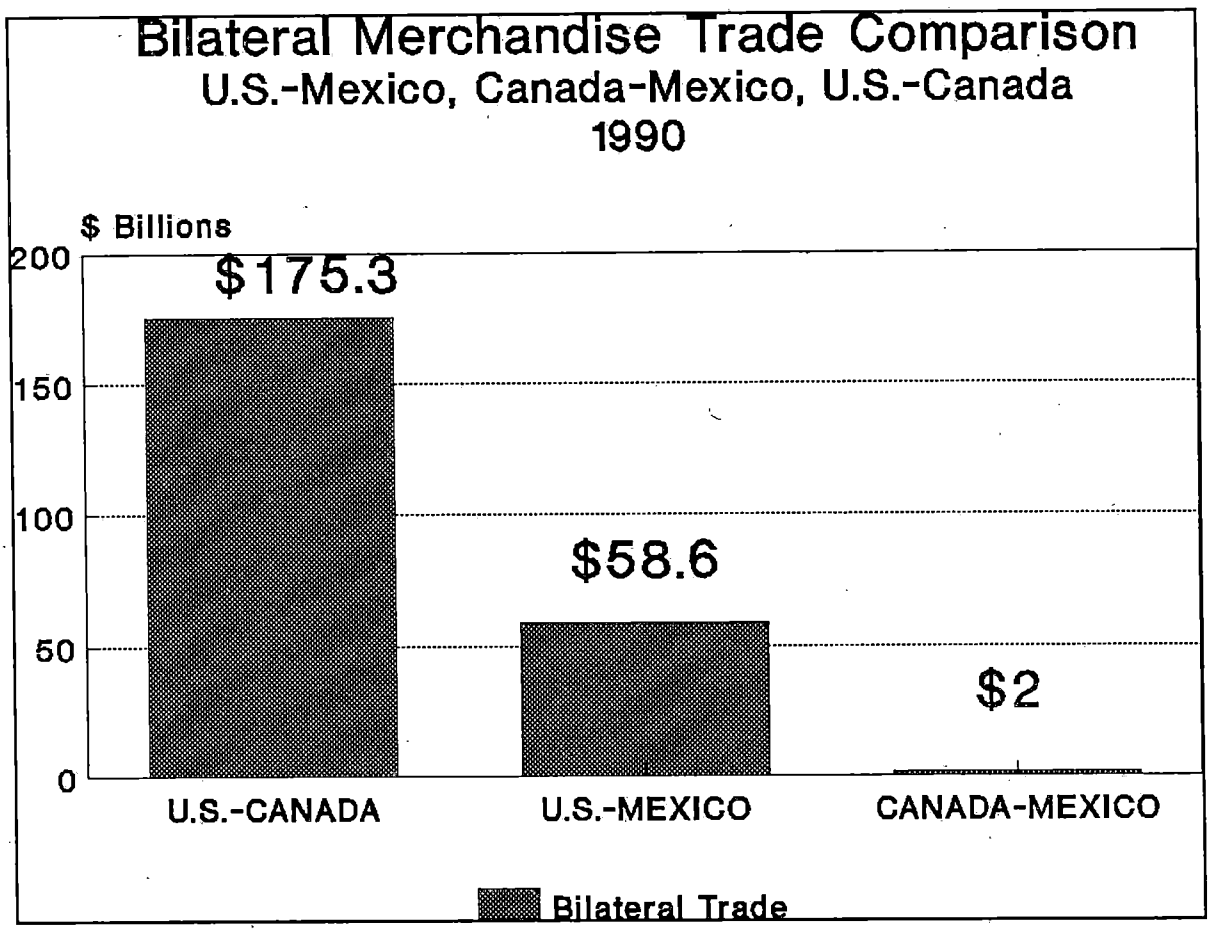
North American Markets Will Grow



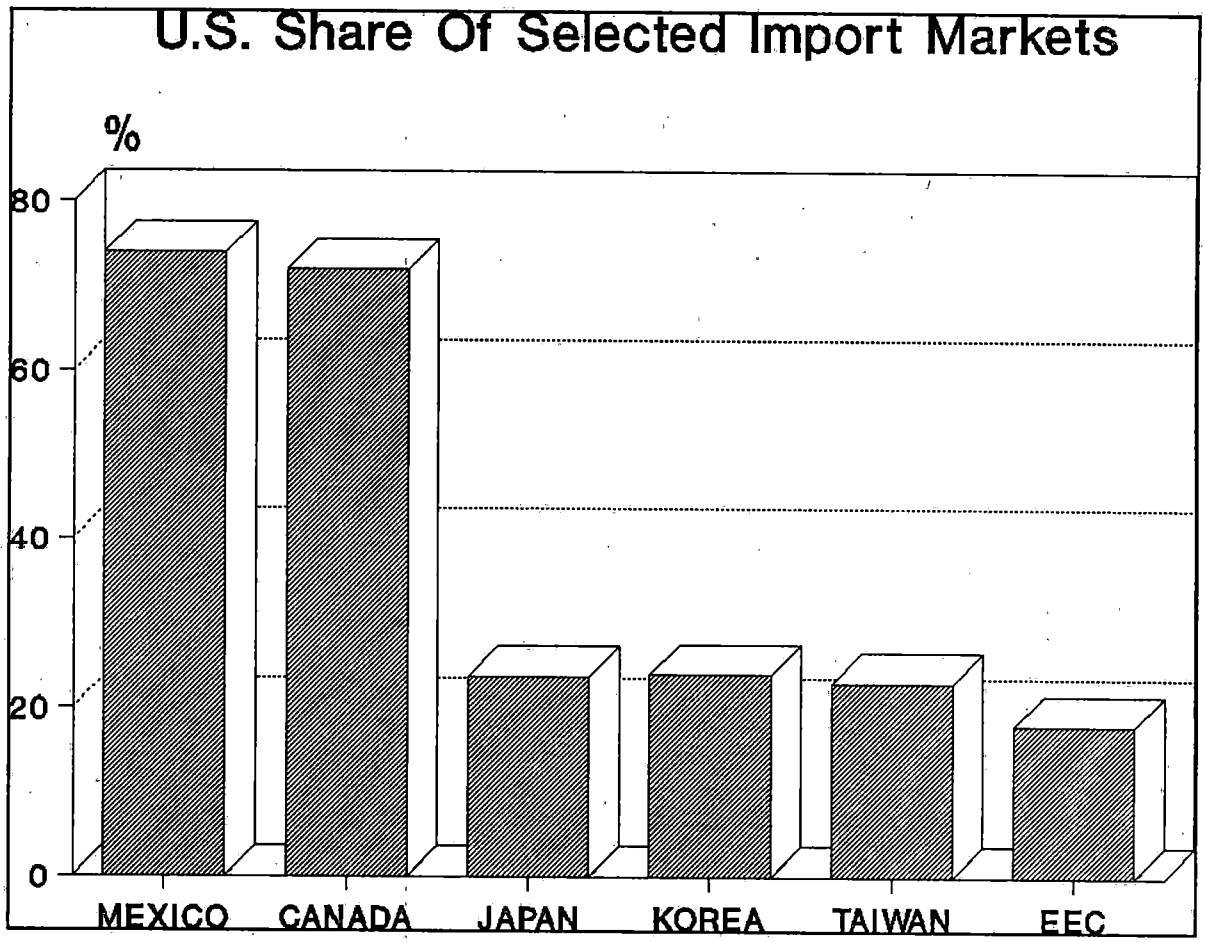
North America Is The World's Largest Trader



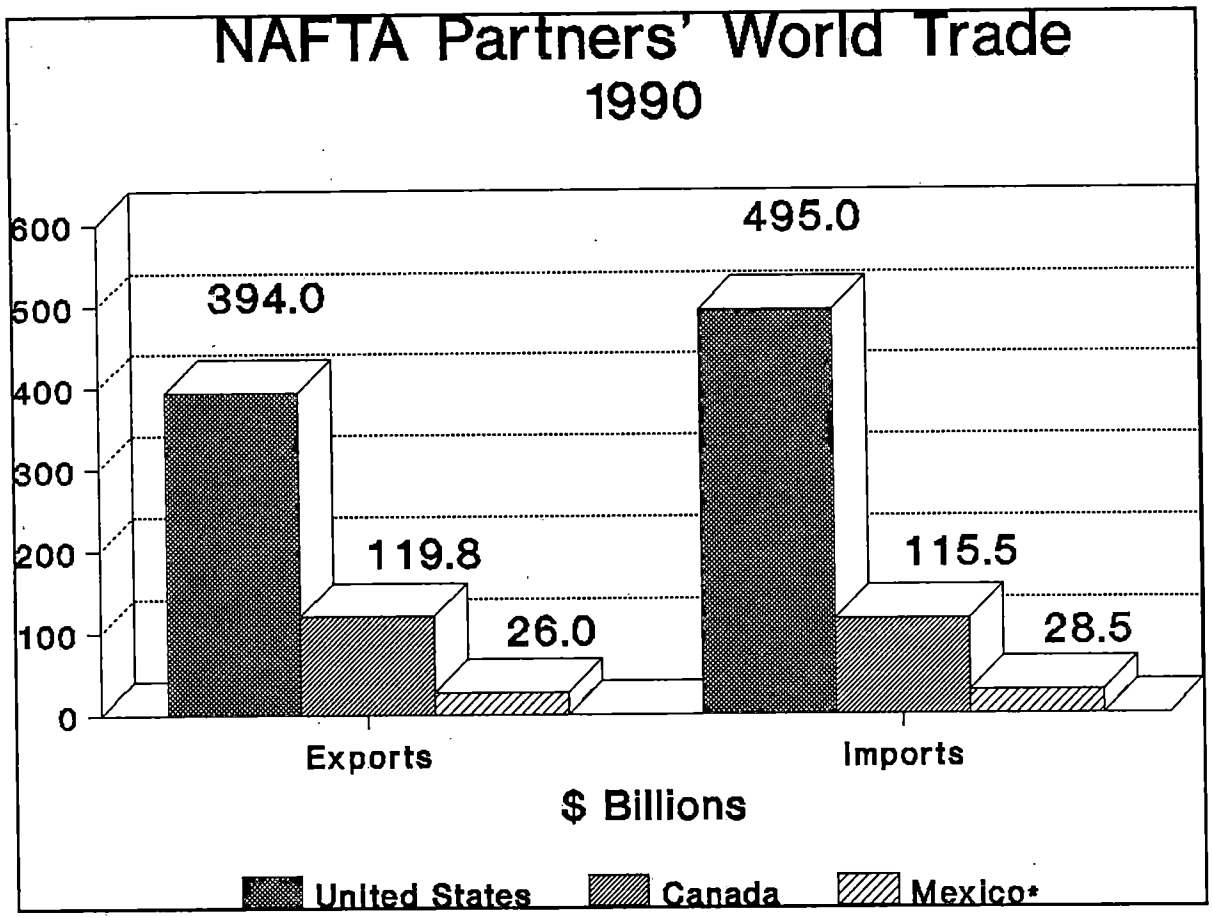
Bilateral Trade With Canada And Mexico Is Significant

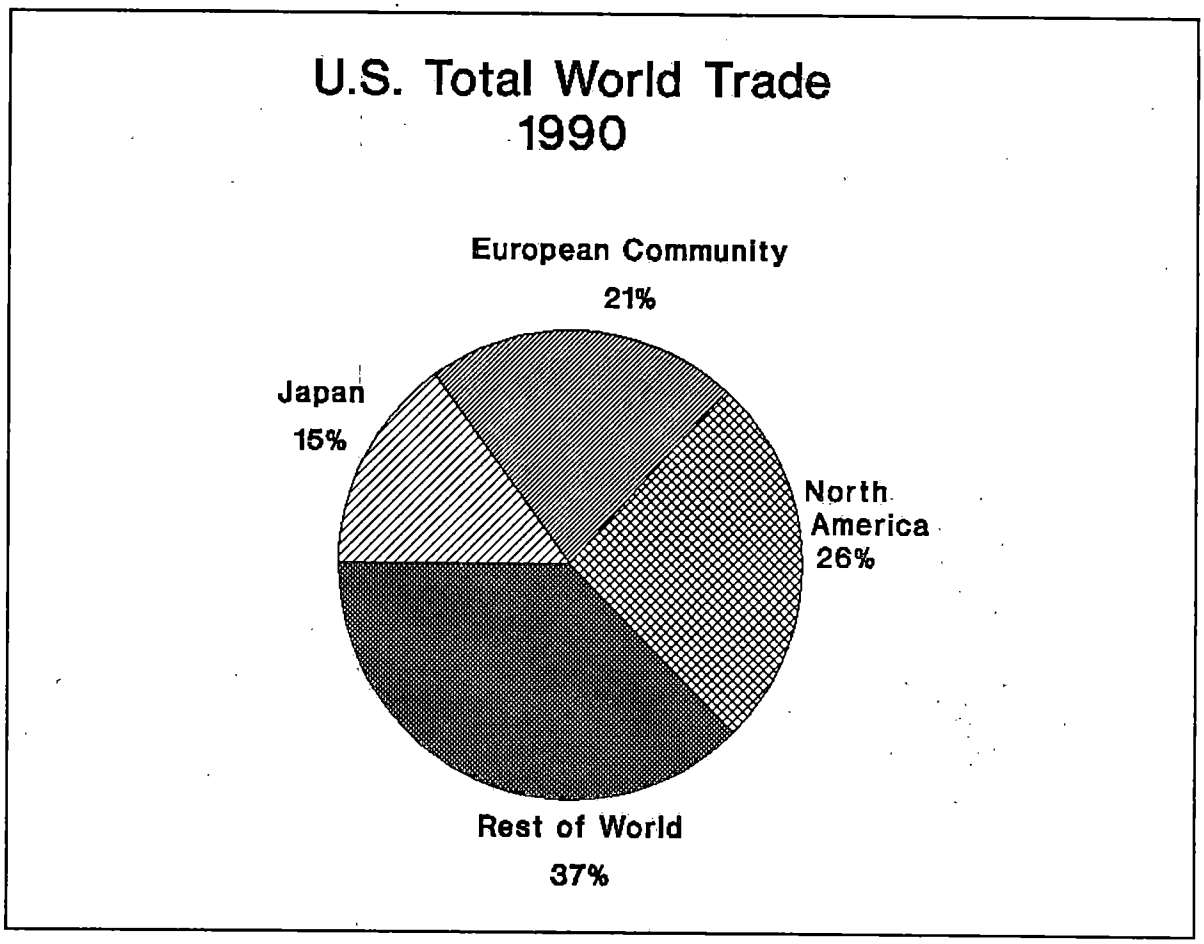


Mexico And Canada Are The Best U.S. Customers



North American Partners Are Important Traders




U.S. Total World Trade
1990
European Community
21%
Japan
15%
North
America
26%
Rest of World
37%

Survey of Current Research on North American Free Trade

U.S. GOVERNMENT AND GOVERNMENT-SPONSORED STUDIES

U.S. International Trade Commission (ITC)

Review of Trade and Investment Liberalization Measures by Mexico and Prospects for Future United States-Mexico Relations, Investigation No. 332-282, a three part study undertaken in response to a request from the House Committee on Ways and Means.

Phase I	"Recent Trade and Investment Reforms Undertaken by Mexico and Implications for the United States," USITC Publication No. 2275, May 1990.
Phase II	"Summary of Views on Prospects for Future United States-Mexico Relations," USITC Publication No. 2326, Oct. 1990.
Phase III	"The Likely Impact on the United States of a Free Trade Agreement with Mexico," USITC Publication No. 2353, Feb. 1991.

"The Use and Economic Impact of TSUS Items 806.30 and 807.00," Report to the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, on Investigation No. 332-244, USITC Publication No. 2053, Jan. 1988.

U.S. General Accounting Office

"United States-Mexico Trade: Trends and Impediments in Agricultural Trade," Briefing Report to the Chairman, Committee on Agriculture, House of Representatives (GAO\NSIAD-90-85BR, Jan. 1990).

"Complementary Agricultural Trade Issues". This two part report will examine (1) the complementarity and competitiveness of the U.S. and Mexican horticulture industries, and (2) the overall U.S.-Mexico agricultural trade relationship. Scheduled for completion in March 1991.

"Mexico Energy Trade Reforms and Outlook for Potential U.S. Investment". A comprehensive review of recent energy trade and investment liberalization measures in Mexico and opportunities for U.S. businesses in the Mexican energy sector. Scheduled for completion in April 1991.

"Border Infrastructure Study". This report will assess the implications of a U.S.-Mexico FTA on commercial traffic along the border, and the need for improved infrastructure and border crossing procedures. Scheduled for completion in May 1991.

U.S. Department of Labor
Bureau of International Labor Affairs

Staff Studies

"The Impact of Maquiladoras on U.S. National Employment and Employment in Selected Industrial Sectors," in Maquiladora Industry: Economic Solution or Problem?, Khosrow Fatemi, Ed., Praeger, New York, N.Y., forthcoming.

"Implications for U.S. Employment of the Recent Growth in Mexican Maquiladoras," paper presented at the annual meeting of the Assoc. of Borderland Scholars, Tijuana, B.C., Mexico, Feb. 22, 1990.

"Employment Implications of Export Assembly Operations in Mexico and the Caribbean Basin," Working Paper Number 16, Commission for the Study of International Migration and Cooperative Economic Development, Washington, D.C. Jan. 1990.

"Labor Standards in Export Assembly Operations in Mexico and the Caribbean," paper presented at the North American Economics and Finance Assoc. Meeting, Atlanta, Ga., Dec. 29, 1989.

"Worker Rights in Export Processing Zones: Mexico," Gregory Schoepfle and Peter Accolla, in Worker Rights in Export Processing Zones, Report Submitted to Congress under the Omnibus Trade and Competitiveness Act of 1988, volume II, August 1990.

"The Impact of TSUS 806.30 and 807.00 on U.S. Employment: A Survey of Estimates," paper presented at the annual meeting of the Assoc. of Borderland Scholars, Albuquerque, N.M., April 29, 1989.

"Offshore Assembly in Mexico and the Caribbean and Its Implications for the United States and Host Countries," paper presented at the North American Economics and Finance Assoc. Meetings, New York City, Dec. 28, 1988.

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"The Canada-U.S. Free Trade Agreement: A Summary of Empirical Studies an Industrial Profile of the Tariff Reductions," Brian Shea, Economic Discussion Paper 28, March 1988.

Studies Done Under Contract

Williams, Edward, Unionization of the Maquiladora Industry in the Rio Grande Valley, Univ. of Arizona, Tucson, Ariz., in progress.

Shaiken, Harley, Going Global: High Technology in Mexican Export Industry, Univ. of California, San Diego, Ca., May 1990.

Clopper, Almon, Industrial Effects of a Free Trade Agreement Between Mexico and the USA, Interindustry Economic Research Fund (INFORUM), University of Maryland, College Park, Md. Sept. 1990. Also available through the National Technical Information Service, NTIS no. PB91-1100627.

Kreye, Otto, and Folker Frobel, Working Conditions in Export Processing Zones in Selected Developing Countries, Starnberger Institut fur Erforschung Globaler Strukturen, Entwicklung und Krisen E.V., Starnberg, Federal Republic of Germany, Oct. 1989.

Williams, Edward J., Turnover and Recruitment in the Maquiladora Industry: Causes and Solutions in the Border Context, University of Arizona, Tucson, Arizona, Nov. 1988, subsequently published as Borderlands Research Monograph No. 5, Joint Border Research Institute, New Mexico State University, Las Cruces, N.M.

Godshaw, Gerald, The Implications for the U.S. Economy of Tariff Schedule Item 807 and Mexico's Maquila Program, Wharton Econometric Forecasting Associates: The WEFA Group and CIEMEX-WEFA, Bala Cynwyd, Pa., May 1988.

U.S. Department of Agriculture

"Study of North American Free Trade Area," to cover a number of issues including tariff and nontariff barriers to North American trade, scheduled to be completed in March 1991.

"General Equilibrium Model Study of Effects of an FTA on Agriculture and Agro Processing Sectors," USDA Economic Research Service. This study will use economic modeling to analyze impact of trade liberalization on basic and processed foods sectors. Preliminary results anticipated by April 1991.

"Partial Equilibrium Model Study of Effects of an FTA on Specific Raw Agricultural Products," USDA Economic Research Service. This study will analyze the impact of an FTA on approximately 30 different raw agricultural commodities and on processed orange juice. Preliminary results expected by April 1991.

PRIVATE SECTOR BOOKS, STUDIES AND PAPERS

Border Trade Alliance, "Maquiladora Impact Survey, Findings and Conclusions," prepared by Dept. of Marketing, University of Texas at El Paso, July 17, 1987.

Border Trade Alliance, "Preliminary Report Regarding Anticipated Provisions and Issues of a U.S.-Mexico Free Trade Agreement," Nogales, Ariz., Dec. 1990.

Business Roundtable, "Building a Comprehensive U.S.-Mexico Economic Relationship: Looking Towards the Future," Washington, D.C., June 1990.

Centro de Estudios Economicos del Sector Privado (CEESP) (Center for Economic Studies of the Private Sector). CEESP is the economic research arm of Mexico's principal private sector organizations; it is preparing an analysis of issues and concerns related to an FTA. Scheduled to be completed in February 1991.

Colegio de Mexico, Mexico City, Mexico. At the direction of the Mexican Secretariat of Commerce and Industrial Development (SECOFI), El Colegio de Mexico is conducting several major studies on the econometric studies on the impact of an FTA.

Dornbusch, Rudiger, "U.S.-Mexican Trade Relations," Massachusetts Institute for Technology (MIT), Boston, July 1990.

Fatemi, Khosrow, and Dr. Michael Landeck, "The United States-Mexico Free Trade Agreement: Its Impact on the Border," Laredo State University, Laredo, Tex., Nov. 1990.

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Giermanski, Jim, "United States-Mexico Free Trade Agreement: What Happens to the Maquilas?," Laredo State Univ., Laredo, Tex., Nov. 1990.

Hart, Michael, A North American Free Trade Agreement: The Strategic Implications for Canada; Centre for Trade Policy and Law, and Institute for Research on Public Policy, Ottawa, 1990.

Hufbauer, Gary and Jeffrey Schott, "The Realities of a North American Economic Alliance," Institute for International Economics, April 1990.

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Lipsey, Richard G., "Canada at the U.S.-Mexico Free Trade Dance: Wallflower or Partner?," C.D. Howe Institute Commentary 20, Aug. 1990.

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Reynolds, Clark and Robert K. McCleery, "The U.S.-Mexico Trade Relationship: Past, Present and Future," The Newly Industrializing Countries in the World Economy, Randall B. Purcess, ed., Lynne Rienner Publishers Inc., Boulder, Colo. 1989.

San Diego Economic Development Corporation, "Impacts of the Proposed U.S.-Mexico Free Trade Agreement on the San Diego Border Economy," San Diego Chapter of the Border Trade Alliance, Nov. 1990.

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Schott, Jeffrey, More Free Trade Areas?, Institute for International Economics, Washington D.C., May 1989.

Schott, Jeffrey, "United States-Canada Free Trade: An Evaluation of the Agreement," PAIE #24, Institute for International Economics, April 1988.

Schott, Jeffrey, "The Mexican Free Trade Illusion: A U.S.-Mexico Trade Agreement Does Not Presage a Unified Market Like the EC -- and It May Not Even Lead to Free Trade," International Economy, June/July 1990.

Smith, Murray G., "Canada, Mexico and the United States: Pursuing Common Multilateral Interests and Exploring North American Options," Institute for Research on Public Policy, Washington, D.C., 1988.

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University of Texas at Austin, LBJ School of Public Affairs, "U.S.-Mexico Industrial Integration: The Road to Free Trade," a book of papers from a Dec. 1989 Houston Area Research Center conference at The Woodlands.

University of Texas at Austin, LBJ School of School of Public Affairs, is organizing a University-wide research project including all campuses in the University of Texas and Texas A&M system to study the impact of the FTA on Texas, under the direction of Sidney Weintraub.

Weintraub, Sidney, Marriage of Convenience: Relations Between Mexico and the United States, Washington, D.C., 1990.

Weintraub, Sidney, "The Maquiladora Industry in Mexico: Its Transitional Role," Commission for the Study of International Migration and Cooperative Economic Development, Washington, D.C., June 1990.

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Womack, James P., "Seeking Mutual Gain: North American Responses to Mexican Liberalization of its Motor Vehicle Industry," Massachusetts Institute of Technology (MIT), Boston, May 1990.

Wonnacott, Paul, "The Auto Sector: The United States-Canada Free Trade Agreement," conference hosted by the Institute for International Economics and the Institute for Research on Public Policy, Ottawa, Jan. 11, 1988.

Wonnacott, Ronald J., U.S. Hub and Spoke Bilaterals and the Multilateral Trading System, C.D. Howe Institute, Toronto.

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APPENDIX

Government Resources

U.S. DEPARTMENT OF COMMERCE OFFICES IN WASHINGTON, D.C.

Office of Mexico - Room 3026
Office of Canada - Room 3033
14th St. and Constitution Avenue, N.W.
Washington, D.C. 20230
(202) 377-4464 - Mexico
(202) 377-3101 - Canada

U.S. DEPARTMENT OF COMMERCE OFFICES IN CANADA AND MEXICO

CANADA

Calgary

U.S. and Foreign Commercial Service
American Consulate General
Room 1050, 615 Macleod Trail S.E.
Calgary, Alberta T2G 4T8
Tel: 403/265-2116
Fax: 403/264-6630

Halifax

U.S. and Foreign Commercial Service
American Consulate General
Suite 910, Cogswell Tower
Scotia Square
Halifax, Nova Scotia B3J 3KL
Tel: 902/429-2482
Fax: 902/423-6861

Montreal

U.S. and Foreign Commercial Service
American Consulate General
Place Felix Martin
455 Boulevard Rene Levesque West
Montreal, Quebec H2Z LZ2
Tel: 514/398-0673
Fax: 514/398-0711

Ottawa

U.S. and Foreign Commercial Service
100 Wellington Street
Ottawa, Ontario KLP 5TL
Tel: 613/238-5335
Fax: 613/233-8511

Toronto

U.S. and Foreign Commercial Service
American Consulate General
480 University Avenue, Suite 602
Toronto, Ontario MSG LV2
Tel: 416/595-5413
Fax: 416/595-5419

Vancouver

U.S. and Foreign Commercial Service
American Consulate General
1075 West Georgia Street, 21st Floor
Vancouver, British Columbia V6E 4E9
Tel: 604/685-4311
Fax: 604/685-5285

MEXICO

Mexico City

U.S. and Foreign Commercial Service
P.O. Box 3087
Laredo, Texas 78044-3087
Tel: (011-52-5) 211-0042
Fax: (011-52-5) 207-8938

Guadalajara

U.S. and Foreign Commercial Service
American Consulate General
P.O. Box 3088
Laredo, Texas 78044-3088
Tel: (011-52-36) 25-29-98
Fax: (011-52-36) 26-65-49

Monterrey

U.S. and Foreign Commercial Service
American Consulate General
P.O. Box 3098
Laredo, Texas 78044-3098
Tel: (011-52-83) 40-97-05
Fax: (011-52-83) 42-51-72

OTHER U.S. GOVERNMENT OFFICES INVOLVED WITH NORTH AMERICAN TRADE ISSUES

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
Office of North American Affairs
Room 501
600 17th Street NW
Washington, D.C. 20500
(202) 395-5663

U.S. DEPARTMENT OF AGRICULTURE
Inter-America Team, International Trade Policy
Foreign Agricultural Service
Room 5512, South Building
14th Street and Independence Avenue, S.W.
Washington, D.C. 20250
(202) 382-1336

U.S. DEPARTMENT OF STATE
Office of Mexican Affairs
Office of Canadian Affairs
2020 C Street, N.W.
Washington, D.C. 20520
(202) 647-9292 - Mexico
(202) 647-3135 - Canada

U.S. DEPARTMENT OF THE TREASURY
Office of Latin American and Caribbean Nations
Room 5413
15th St. and Pennsylvania Ave., N.W.
Washington, D.C. 20220
(202) 566-8521

STATES WITH TRADE AND INVESTMENT OFFICES IN CANADA AND MEXICO

Several U.S. states maintain offices in Canada and Mexico to promote their respective trade and investment interests. These offices provide trade assistance complementing the services offered by the U.S. and Foreign Commercial Service (US&FCS) offices located throughout the United States, Canada, and Mexico. For details about assistance available from a specific state, contact the appropriate office listed below:

CANADA

Florida

State of Florida
Division of Trade
150 Bloor Street West
Suite 310
Toronto,Ontario M5S 2X9
Tel: (416) 926-1590
Fax: (416) 928-6841

Georgia

Georgia Department of Industry,
Trade, and Tourism
Toronto Dominion Centre
Suite 2550
P.O. Box 77
Toronto, Ontario M5K 1E7
Tel: (416) 863-6499
Fax: (416) 367-1029

Illinois

State of Illinois Canadian Office
123 Front Street West
Suite 900
Toronto, Ontario M5J 2M2
Tel: (416) 365-9888
Fax: (416) 365-9890

Michigan

State of Michigan
Canadian Operations
One University Avenue
Suite 202
Toronto, Ontario M5J 2P1
Tel: (416) 369-9630
Fax: (416) 369-9640

New York

State of New York
Queen's Quay Terminal Building
207 Queen's Quay West
Suite 408
P.O. Box 136
Toronto, Ontario M5J 1A7
Tel: (416) 868-6935
Fax: (416) 868-0669

State of New York
Canada Building
455 rue St. Antoine West
Suite 603
Montreal, Quebec H2Z 1J1
Tel: (514) 395-2400
Fax: (514) 395-8777

North Carolina

State of North Carolina
Canadian Office
100 Adelaide West
Suite 701
Toronto, Ontario M5H 1S3
Tel: (416) 369-9644
Fax: (416) 369-9668

Ohio

Ohio Canadian Office
439 University Avenue
Suite 702
Toronto, Ontario M5G 1Y8
Tel: (416) 351-0060
Fax: (416) 351-0057

The Council of Great Lakes Governors, a private, nonprofit organization established in 1983, has established a Canadian Trade Liaison office in Canada on behalf of its eight member states: Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin.

This office supplements the existing trade promotion activities of its member states. The sectors in which the office concentrates its activities are: food products, hardwood lumber products, computers and informatics, automotive aftermarket parts, specialized machinery,

pollution control equipment and services, and medical devices and services.

The office assists companies with information on market prospects and distribution channels and will represent firms from the region at trade shows in the target sectors. Firms from member states interested in expanding their exports to the Canadian market should contact:

Council of Great Lakes Governors
Canadian Trade Liaison Office
Suite 806
121 Richmond Street West
Toronto, Ontario M5H 2K1
Tel: (416) 368-6956
Fax: (416) 368-2547

MEXICO

California

California Office of Trade and Investment in Mexico
450 Paseo de la Reforma, Piso 4
Col. Juarez
06600 Mexico, D.F. Mexico
Tel: (011-52-5) 208-5161
Fax: (011-52-5) 208-5761

Illinois

State of Illinois Mexico City Office
Paseo de la Reforma 450, Piso 4
Col. Juarez
06600 Mexico, D.F. Mexico
Tel: (011-52-5) 208-9787
FAX: (011-52-5) 511-2084

Texas

State of Texas Office in Mexico
Apartado Postal 5-602
06500 Mexico, D.F. Mexico
Tel: (011-52-5) 566-3532
Fax: (011-52-5) 535-3166

International Trade Administration/US&FCS District Offices

ALABAMA
*Birmingham—Rm. 302, 2015 2nd Ave. North, Berry Bldg., 35203, (205) 731-1331

ALASKA
Anchorage—222 West 7th Ave., P.O. Box 32, 99513, (907) 271-5041

ARIZONA
Phoenix—Federal Bldg. & U.S. Courthouse, 230 North 1st Ave., Rm. 3412, 85025, (602) 379-3285

ARKANSAS
Little Rock—Suite 811, Savers Fed. Bldg., 320 W. Capitol Ave., 72201, (501) 378-5794

CALIFORNIA
Los Angeles—Rm. 9200, 11000 Wilshire Blvd., 90024, (213) 209-7104
Santa Ana—116-A W. 4th St., Suite #1, 92701, (714) 836-2461
San Diego—6363 Greenwich Dr., Suite 145, 92122, (619) 557-5395
*San Francisco—Fed. Bldg., Box 36013, 450 Golden Gate Ave., 94102, (415) 556-5860

COLORADO
*Denver—680 World Trade Center, 1625 Broadway, 80202, (303) 844-3246

CONNECTICUT
*Hartford—Rm. 610-B, Fed. Office Bldg., 450 Main St., 06103, (203) 240-3530

DELAWARE
Serviced by Philadelphia District Office

DISTRICT OF COLUMBIA
•Washington, D.C.—(Baltimore, Md. District) Rm. 1066 HCHB, Department of Commerce, 14th St. & Constitution Ave., N.W. 20230, (202) 377-3181

FLORIDA
Miami—Suite 224, Fed. Bldg., 51 S.W. First Ave., 33130, (305) 536-5267
•Clearwater—128 North Osceola Ave. 34615, (813) 461-0011
•Jacksonville—3100 University Blvd. South, Suite 200A, 32216, (904) 791-2796
*Orlando—College of Business Administration, CEBA II, Rm. 346, University of Central Florida, 32802, (407) 648-1608
•Tallahassee—Collins Bldg., Rm. 401, 107 W. Gaines St., 32304, (904) 488-6469

GEORGIA
Atlanta—Suite 310, 4360 Chamblee Dunwoody Rd., 30341, (404) 452-9101
Savannah—120 Barnard St., A-107, 31401, (912) 944-4204

HAWAII
Honolulu—4106 Fed. Bldg., P.O. Box 50026, 300 Ala Moana Blvd., 96850, (808) 541-1782

IDAHO
•Boise (Portland, Ore. District)—Hall of Mirrors Bldg., 700 W. State St., 2nd fl, Boise, Idaho 83720, (208) 334-3857

ILLINOIS
Chicago—Rm. 1406 Mid Continental Plaza Bldg., 55 East Monroe St., 60603, (312) 353-4450
•Palatine—W.R. Harper College, Algonquin & Roselle Rd., 60067, (312) 397-3000, x2532
•Rockford—515 North Court St., P.O. Box 1747, 61110-0247, (815) 987-8123

INDIANA
Indianapolis—One North Capitol Ave., Suite 520, 46204, (317) 226-6214

IOWA
Des Moines—817 Fed. Bldg., 210 Walnut St., 50309, (515) 284-4222

KANSAS
•Wichita—(Kansas City, Missouri District) 7591 River Park Pl., Suite 580, 727 North Waco, 67203, (316) 269-6160

KENTUCKY
Louisville—Rm. 636B, Gene Snyder Courthouse and Customhouse Bldg., 601 W. Broadway, 40202, (502) 582-5066

LOUISIANA
New Orleans—432 World Trade Center, No. 2 Canal St., 70130, (504) 589-6546

MAINE
•Augusta—(Boston, Massachusetts District) 77 Sewall St., 04330, (207) 622-8249

MARYLAND
Baltimore—413 U.S. Customhouse, 40 South Gay and Lombard Sts., 21202, (301) 962-3560

MASSACHUSETTS
Boston—World Trade Center, Suite 307 Commonwealth Pier Area, 02210, (617) 565-8563

MICHIGAN
Detroit—1140 McNamara Bldg., 477 Michigan Ave., 48226, (313) 226-3650
•Grand Rapids—300 Monroe N.W., Rm. 409, 49503, (616) 456-2411

MINNESOTA
Minneapolis—108 Fed. Bldg., 110 S. 4th St., 55401, (612) 348-1638

MISSISSIPPI
Jackson—328 Jackson Mall Office Center, 300 Woodrow Wilson Blvd., 39213, (601) 965-4388

MISSOURI
*St. Louis—7911 Forsyth Blvd., Suite 610, 63105, (314) 425-3302
Kansas City—Rm. 635, 601 East 12th St., 64106, (816) 426-3141

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Omaha—11133 "O" St., 68137, (402) 221-3664

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Santa Fe (Dallas, Tex District)—c/o Economic Develop. and Tourism Dept., 1100 St. Francis Drive, 87503, (505) 827-0264

NEW YORK
Buffalo—1312 Fed. Bldg., 111 West Huron St., 14202, (716) 846-4191
•Rochester—111 East Ave., Suite 220, 14604, (716) 263-6480
New York—Fed. Office Bldg., 26 Fed. Plaza, Rm. 3718, Foley Sq., 10278, (212) 264-0634

NORTH CAROLINA
*Greensboro—324 W. Market St., P.O. Box 1950, 27402, (919) 333-5345

NORTH DAKOTA
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OHIO
*Cincinnati—9504 Fed. Office Bldg., 550 Main St., 45202, (513) 684-2944
Cleveland—Rm. 600, 668 Euclid Ave., 44114 (216) 522-4750

OKLAHOMA
Oklahoma City—5 Broadway Executive Park, Suite 200, 6601 Broadway Extension, 73116, (405) 231-5302
•Tulsa—440 S. Houston St., 74127, (918) 581-7650

OREGON
Portland—Suite 242, One World Trade Center, 121 S.W. Salmon St., 97204, (503) 326-3001

PENNSYLVANIA
Philadelphia—475 Allendale Road, Suite 202, King of Prussia, Pa., 19406, (215) 962-4980
Pittsburgh—2002 Fed. Bldg., 1000 Liberty Ave., 15222, (412) 644-2850

PUERTO RICO
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